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## Energy Retailer Services Charges (EB-2015-0304) Final List of Topics

Comments by Katie Morrow, Ag Energy Co-operative Ltd.

### 1. The overarching principles that the OEB should consider.

Ag Energy agrees with the ideas put forth that the energy retailer service charges should be cost-based, and reflect the cost of providing the retailer service. We are also in agreement with the overarching principles of fairness, simplicity, flexibility, and burden upon regulatory being minimized. From a retailer perspective, it needs to be kept in mind that there are approximately 70 electricity distributors in Ontario, a much greater number than the retailer presence. Although we are in agreement with the concept of cost causality, we need to be aware that for some electricity distributors there could be very few retailers servicing their customers. For those instances there would be a greater cost bared for retailers to service in their area.

By keeping the charges at an acceptable level, this will allow the retail market in Ontario to be sustained. Assessing and reviewing charges periodically would avoid distributors having to bear the weight of unnecessary costs, and cross-subsidization by ratepayers will be minimal.

### 2. The type of costs that should be included as part of the overarching costing methodology for distributor-consolidated billing, service transaction requests, service agreements, and notice of switch letters.

We are all aware that since the market was deregulated, the fees and charges have not been modernized to reflect changes in the marketplace, and are in need of updating. All of the distributors have graciously provided a matrix displaying their costs and whether or not they are fixed or variable. It should be noted that the purpose of this working group was to evaluate the current costs to retailers on the Invoice Market Participant (IMP). The charges that are in need of revision are charges that are either a onetime fee for setting up the Retail Settlement Agreement between a retailer and distributor, and charges reflected on the monthly IMP sent by the distributors to the retailers. Ag Energy agrees that there are various variable and fixed costs associated with providing services to retailer, however these costs are going to be variable from one distributor to the next depending on the retail presence within their customer base. There needs to be greater analysis competed by more distributors in order to come to a well-rounded consensus in regards to increases for charges.

We are in agreement that the cost for the newest requirement of the “notice of pending switch letter” should be the same for both electricity and natural gas utilities, as the costs incurred are the same.

### 3. Whether a fully allocated costing methodology is appropriate for existing energy retailer service charges, and if not, the other approaches that the OEB should consider.

Ag Energy agrees that due to the incurrence of costs upon distributors, we should in part be responsible for those costs related to our involvement in the program. Further breakdown of costs provided by the distributors is required in order to provide a well-rounded analysis of the total amounts in which the retailers should be compensating the distributors for.

On the natural gas side, and specifically for Enbridge, this is a non-issue. They have increased their ABC rates for rate 1 and 6 customers. For retailers that have their own ABC pools, this is an additional expense per customer in the pool and therefore their method for recovering costs is vastly different from electricity distributors.

**4. Whether a consistent application of energy retailer service charges should be followed or whether distributor-specific charges should apply**

Ag Energy agrees that the “one size fits all” approach is an appropriate method for the electricity distributors, primarily for the reason that similar costs are incurred. Administratively, it would be an onerous task to apply different charges for each distributor. This can be avoided if the same approach is provided for all electricity distributors.

This would not be a reasonable method to be applied for the natural gas distributors. We agree that with the nature of the services provided by natural gas utilities, they are much different than those of the electricity distributors, and therefore should be treated as such.

**5. Whether a mechanism should be considered by the OEB in order to keep energy retailer service charges up to date.**

Having an annual adjustment in order to keep the charges up to date is supported by Ag Energy. We are in agreement with the proposed annual adjustment factor used in the OEB’s IRM process for electricity distributors.

**6. Whether Retail Cost Variance Accounts should be eliminated and the implications of doing so**

Ag Energy agrees that keeping the charges up to date will reduce the dependency on the RCVAs, and therefore would not be necessary in the future. Keeping in mind a change in the number of retailers in the market would impact whether the RCVAs would continue to be necessary.

**7. Whether there are approaches or lessons learned for charges from the natural gas distributors to natural gas marketers that could be considered for electricity and vice versa**

Natural gas and electricity distributors have vastly different processes and procedures for each of their operations. Ag Energy believes there needs to be further research and analysis completed in order to adjust the costing methodology, specifically based on the participation in the market by retailers.

**8. The factors that the OEB should consider with respect to the implementation of any changes made to the current energy retailer service charges**

The outcome of this review will have a greater impact on the electricity distributors, more so than the retailers mainly due to the fact that they would not have the opportunity to adjust their revenue requirement prior to rebasing. Ag Energy believes the OEB should also take into consideration the current retailer saturation in the market. There needs to be a fair balance towards distributors and retailers for both electricity and natural gas.