

Energy Retailer Service Charges Working Group Comments

Guelph Hydro was chosen to be a member of the OEB Working Group tasked with reviewing and commenting on current Retailer Service Charges and the creation of a new Retailer Service Charge to capture the costs of creating the Notice of Switch Letter that came into effect on July 1, 2017 (see amendments to the RSC (new section 10.5.4A)). Guelph Hydro appreciates the invitation to comment on the proposed changes to the Energy Retailer Service Charges.

The Working Group was tasked with reviewing the following:

1) The overarching guiding principles that the OEB should consider.

Guelph Hydro agrees with the guiding principles of fairness, simplicity, flexibility and the minimization of the regulatory burden.

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.

Guelph Hydro agrees with the cost matrix that was submitted during the Working Group Meetings. Guelph Hydro's cost matrix is below:

Guelph Hydro – Cost Matrix

Customer Service Organization	Fixed	Variable	Both
Retailer emails/communication/Account analysis/Offline settlements/Summary Billing/Net Metering	x		
Call Centre - Retailer specific call handling	X		
(Settlements) Process Retailer Enrolled Complex Billed Accounts	X		

IT Application	Fixed	Variable	Both
Internal Application Costs (system maintenance/upgrades)	X		
spi/ERTH	X		

Application Support	Fixed	Variable	Both
Retailer Issues, EBT Exceptions and Tickets	x		
Integration (iHUB and PI) monthly support		X	

Finance	Fixed	Variable	Both
Invoice Settlement Total (IST) Payable/Receivable Reconciliation	X		
Invoice Bill Ready (IBR) Payable/Receivable Analysis	X		
Reporting & Analysis			

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.

Retailer Services charges have not increased since the creation of the open market in Ontario. During the Working Group review of cost vs cost recovery, the gap is quite large. Guelph Hydro believes that simply doubling the charges that are currently approved for recovery from the Electricity Retailers is the correct way to restart the charges moving forward. Once a new rate base is approved, the rates should be uplifted every IRM year using the same price cap index methodology used for distribution rates.

Current Retailer Service Charges	
Description	Charge
Retailer Service Agreements	\$ 100.00
Monthly Fixed Charge	\$ 20.00
Monthly Variable Charge	\$ 0.50
DCB Bill Ready Fee (DCB Charge)	\$ 0.30
HST charge	
Information Std Delivery Charge	\$ 2.00
Retailer Consolidated Billing: Avoided Cost Credit	\$ (0.30)
STR per request fee	
a. Change Bill Option - STR - Request	\$ 0.25
b. Change Customer Location - STR - Request	\$ 0.25
c. Enroll - STR - Request	\$ 0.25
d. Drop - STR Request - Retailer Initiated	\$ 0.25
STR processing fee	
a. Change Bill Option - STR - Accept	\$ 0.50
b. Change Customer Location - STR - Accept	\$ 0.50

c. Change Customer Location - STR - Accept No Response	\$ 0.50
d. Drop - STR - Retailer Initiated - Accept	\$ 0.50
e. Enroll - STR - Accept	\$ 0.50
f. Meter Accept	\$ 0.50
Special Meter Read (Miscellaneous)	\$ 15.00

The cost recovery mechanism for the notice of switch letters should attempt to recover the estimated cost of issuing the letters. The costs that were incurred by all LDCs during the Working Group discussions were paper, mailing, letter insertion, minimal call handling and the creation of the letter. The cost of issuing the letter varied by Working Group members. Guelph Hydro estimates its cost to be \$3.00 per letter.

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

Guelph Hydro believes that a consistent application of energy retailer service charges should be followed. A distributor specific charge mechanism would be in opposition to the overarching guiding principles that were agreed to by the Working Group members.

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

Keeping energy retailer services charges will most likely never be up to date. During the review of cost vs cost recovery by the Working Group, there was a large gap for all LDCs. LDCs have been historically under-recovering for these costs.

As stated earlier, Guelph Hydro believes that simply doubling the charges that are currently approved for recovery from the Electricity Retailers is the correct way to restart the charges moving forward. Once a new rate base is approved, the rates should be uplifted every IRM year using the same price cap index methodology used for distribution rates.

6) Whether Retail Cost Variance Accounts (which are used to record the difference between charges levied on customers and retailers and the direct incremental costs for the provision of retailer services) should be eliminated and the implications of doing so.

Guelph Hydro believes that eliminating the Retail Cost Variance Accounts would not be advantageous. Due to the historical under-recovery of the costs associated with

administering the billing functions of the retail market, and the assumed inability to recover these costs from the electricity retailers, eliminating the Retail Cost Variance Accounts would not provide a mechanism for the LDCs to track and recover their costs.

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.

Guelph Hydro believes that the differences between the natural gas distributors and the electricity distributors are substantial enough to warrant different costing methodologies.

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

Guelph Hydro believes that the OEB should consider the overarching guiding principles of fairness, simplicity, flexibility and the minimization of the regulatory burden.

The creation of the additional charge for the notice of switch letter could use an existing unused charge type that has already been approved and added to systems, such as the “meter accept” STR. This would eliminate the need to drastically change systems to accept the additional charge.

Continuing to utilize the charge tables that are currently in use allows the LDCs and the retailers to change the charge amounts that are currently in use, thereby eliminating the need to create a new system to track and invoice the transactions.