

# Energy Costs and Low Income Consumers – An Alberta Perspective

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# Who Is ENMAX?

## Utility 2.0



# Alberta Market Structure

- Retail customers are free to choose their electricity and natural gas provider – my focus will be on electricity
- Competitive retailers
  - Offer electricity at fixed commodity price plus administrative costs
- Regulated retailers (Regulated Rate Providers)
  - Offer electricity at prices determined by government approved formula plus regulated administrative costs
  - RRP's are appointed by the Wire Services Providers (distributors)
- Retailers, not distributors, are responsible for billing and collection
- No formal customer assistance programs presently exist

# Who Pays for Bad Debt?

- Bad debts costs are borne by retailers
- Competitive retailers can drop customers for non-payment but in most cases can't ask for customer to be disconnected
- Dropped competitive retail customers go to Regulated Rate Provider
- Regulated Rate Providers cannot drop customers but can ask distributor to disconnect the customer for non-payment

# Role of Regulated Rate Provider

- Regulated Rate Provider acts as the supplier of last resort
  - Bad Debt Risk higher than for competitive retailers
- Pressure to keep bad debt costs to a minimum since costs are borne by other customers
  - Terms and Conditions likely to reserve right to refuse service to consumers with unsatisfactory credit rating or credit history, unless customer pays a deposit.
- Typical deposit is 2-3X expected monthly bill

# The Problem

- How do you balance the need of people to receive electricity with the fact that bad debt costs have to be borne by someone?
- Who should the 'someone' be in a market design that has retailer billing rather than distributor billing?
- As competitive retailer penetration increases and RRO price is based on month ahead pricing the problem will become more severe
- Who should be responsible for customer assistance to low income customers if it were introduced in Alberta?

# Current Alberta Approach

- Interests of those who bear the cost of bad debt (retailers) are the focus rather than the interests of low income consumers
- Primary mechanisms to address bad debt issues have been on reducing the risk of default and collecting the money owed
  - Credit deposits
  - Cut-off
  - Use of collection agencies

# Principles that Inform the Solution

- Solution must incorporate immediate and long-term elements
  - Emergency funding, flexible customer service rules, targeted Conservation and Demand-side Management programs
- Customers should realize the true cost of energy in their bills
  - rebate or subsidy programs that reduce bills produce other issues such as lack of conservation
- Financial assistance to low income consumers should not necessarily be the sole responsibility of the Regulated Rate Provider
  - Funding role for government and Wire Services Providers
  - Administration of programs could reside with Regulated Rate Provider

# Principles that Inform the Solution

- There must be consistent treatment of low income customers across the Province
  - Regulated Rate Providers and/or Utilities Consumer Advocate should be involved
- Social service agencies have an important administrative role
  - They can play an important role in administration of support assistance programs (Ontario LEAP)
  - They are the experts in assessing need for emergency assistance
  - Utilities have valuable information that can assist these agencies in providing help to low income customers

# Next Steps

- ENMAX would welcome an Alberta dialogue among our regulator, consumer representatives, social agencies, government and retailers on this issue
  - Are the five principles the right principles?
  - Can they be translated into a viable solution that respects Alberta's market structure?
  - Can technology be harnessed to better balance competing interests?

# In the Mean Time - What is ENMAX doing today?

- Flexible deposit arrangements, e.g. deposits paid over time
- Budget billing
- Customer Education
- Partnering with non-profit agencies working with low income consumers