



Protecting Consumers in Energy Contracts

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Most individuals purchase gas or hydro from their local gas and hydro utility companies. Since the federal government deregulated the natural gas and hydro industry, consumers can choose to buy natural gas or hydro from different marketers.

The Advocacy Centre for the Elderly has received numerous complaints from seniors who have entered into contracts with natural gas marketers and electricity retailers without understanding what they were signing. They may not realize that the price they agreed to pay is higher than what they were previously paying. They may not realize that some contracts are locked in for a period of five years. Termination of a locked in contract may result in a penalty of over \$1000.00, or a cost per unit of hydro or gas for the balance of the contract.

In other cases, the marketers may refuse to terminate the contract. In a recent court case, *767269 Ontario Ltd. v. Ontario Energy Savings L.P.* [2007] O.J. No. 3211 (S.C.J.), there was a dispute between a hydro marketer and the owner of a multiple unit apartment building. The issue was whether a particular contract had been automatically renewed for a year. For contracts signed before July 30, 2005, contracts can be automatically renewed or extended if a renewal letter is sent by the marketer and no reply is received. The judge referred to "the presence in the Ontario electricity retail market of a common, but curious contract renewal mechanism - negative options". In this case, the marketer charged approximately \$50,000.00 more than the local hydro company would have for the relevant period of time.

New contracts that are entered into after July 30, 2005 are not subject to the automatic renewal or extension provisions. However, we have had complaints from people who have inadvertently renewed their contract by cashing a small rebate cheque. Once again, the consumer did not understand the multiple page, small print contract.

Some marketers use door-to-door salespeople to solicit contracts. If a door-to-door salesperson asks you to sign a contract, it is a good idea to ask that a copy of the contract be left with you so that you can take your time to study it. Before you sign a contract, compare the unit price of gas and hydro that is listed on your present utility bill to what is being offered in the contract. The questions that you should consider are:

- What is the unit price of the gas or hydro?
- How does that compare to the amount you are presently being charged?
- How long is the term of the contract?
- Are there any charges or fees if you try to end the contract before the period specified in the contract?

If the door-to-door salesperson uses undue pressure to get your signature, you may be able to cancel or rescind the contract under the provisions of the *Consumer Protection Act, 2002*.

Undue pressure is considered to be an “unfair practice”. A consumer who has been subjected to an “unfair practice” may cancel or rescind the contract they entered into within one year of signing the contract. Notice of cancellation may be delivered to the vendor by any means. It is best to give notice of cancellation in writing and to specify that the consumer is rescinding the contract because of an unfair practice within the meaning of the *Consumer Protection Act, 2002*.

To see some samples of cancellation letters, visit the Ontario Ministry of Government Services’ website at <http://www.gov.on.ca/MGS>. Then, search for the term “*sample cancellation letter*”. Or, go to this website: http://www.gov.on.ca/MGS/en/ConsProt/STEL02_046418.html.

The Ontario Energy Board regulates the province’s electricity and natural gas sectors. They can deal with complaints but they cannot force a company to resolve a complaint where there has been no violation of any legal or regulatory requirement. The Ontario Energy Board has a website containing useful information at www.oeb.gov.on.ca. Or, if you have any consumer enquiries or complaints, you can call the Ontario Energy Board at 1-877-632-2727 (toll-free within Ontario) or 416-314-2455 (within the Greater Toronto Area or from outside Canada).

Locking into a five year contract can be disadvantageous for any consumer, but it can be especially disadvantageous to seniors on a fixed income. Unexpected illness or injury, or change of circumstances, may mean that a senior has to sell his or her home. Having to pay a penalty to terminate a contract early is an expense to be avoided.

The Ontario Energy Board does not allow public utilities to make a profit on their hydro and natural gas purchases. The price charged by the public natural gas and hydro utilities is set by the Ontario Energy Board. In contrast, the price charged by a natural gas or hydro marketer is the price set out in the contract.

The best defence is to be an educated consumer. For any contract that you are presented with, sign nothing unless you are well aware of what you are agreeing to.