

**Ontario Energy
Board**

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Licensing and Applications Branch

**Commission de l'Énergie
de l'Ontario**

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Licence Bulletin: 200207

To: Electricity Distribution Companies

Re: Compliance with the Affiliate Relationships Code for Electricity
Distributors and Transmitters

**This bulletin contains important information regarding compliance with
your electricity distribution licence.**

The Affiliate Relationships Code for Electricity Distributors and Transmitters (Code) contains the provisions governing the relationship between a licensed electricity distributor and transmitter and its affiliates.

As the result of complaints made to the Board, the director of licensing has investigated alleged violations of the Code by distributors. In one case a distributor was found to have improperly transferred customer information to an affiliate. In another case a distributor's purchases of services from an affiliate were not in accordance with the Code's transfer pricing provisions.

Section 2.2.1 of the Code requires that where a utility shares services or resources with an affiliate it shall do so in accordance with a Service Agreement. This agreement must articulate the pricing mechanisms and confidentiality arrangements between the distributor and its affiliates. Distributors who do not have such agreements in place, or whose agreements are not in accordance, or implemented in accordance, with the Code may be subject to an administrative penalty or other compliance action of the Board.

Distributors should also review pricing arrangements for services purchased from an affiliate. Section 2.3.2 requires acquisition of products and services at market value. If the products and services are available from parties other than the affiliate, evidence of market value would normally be demonstrated by contract tendering. In circumstance where the products or services are widely available a distributor may be required to explain why tendering was not used and provide evidence that the products and services were purchased at market value. Where the affiliate is the only available source,

the distributor may be required to provide evidence that the products or services are purchased in accordance with section 2.3.3 of the Code.

Electricity distributors are required to provide a Code compliance report to the director of licensing no later than September 17, 2002. This report shall include:

- (1) the names of all affiliates with who share services or resources with the distributor;
- (2) a statement as to whether a Service Agreement has been executed with each affiliate; and
- (3) the date of execution of the Service Agreement.

Distributors should not file Service Agreements at this time. The Director will contact directly those distributors required to submit their agreements.

Distributors who have questions regarding these filing requirements should contact, Brian Hewson, Manager of Energy Licensing, at 416-440-7628.

Mark C. Garner
Director of Licensing
Ontario Energy Board