



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2015-0294

**In the matter of regulatory charges established for the 2016 rate
year, including those pursuant to O. Reg 314/15 and O. Reg 442/01**

BY DELEGATION, BEFORE: Lynne Anderson

November 19, 2015

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1 INTRODUCTION AND SUMMARY

Every year, the Ontario Energy Board (OEB) sets the rates that all licensed and rate-regulated Ontario distributors charge their customers in order to recover certain Ontario-wide costs. The charges recover the costs of the day-to-day operations of the electricity market, support system planning and administration, and fund certain provincial rate assistance programs.

The first and largest of these charges is known as the wholesale market service rate. Wholesale market service (WMS) charges recover the cost of the services provided by the Independent Electricity System Operator (IESO) to operate the electricity system and administer the wholesale market. These charges include the costs of planning and energy procurement activities as well as recover certain hourly charges associated with ensuring there is always enough supply to meet electricity demand. The IESO charges all entities that participate in its wholesale market the actual market service costs that vary from month to month. Individual electricity distributors recover the WMS charges from their customers through a WMS rate, which is the same for all distributors unless they file an application for a different rate based on their unique circumstances. The WMS rate is set with consideration of historical wholesale market costs as well as for factors that might influence the upcoming period.

The second of these regulatory charges reviewed annually by the OEB is the rural or remote electricity rate protection (RRRP) charge. This charge funds the RRRP program, established by regulation by the provincial government. The RRRP is designed to reduce costs for eligible customers located in rural or remote areas, where the costs of distributing electricity to these customers is higher. As required by Ontario Regulation 442/01 (O.Reg 442/01), the RRRP program cost is recovered from all electricity customers in the province through a charge that is reviewed annually and approved by the OEB.

New for 2016 is a third regulatory charge, which will fund the Ontario Electricity Support Program (OESP). This program delivers on-bill rate assistance to low income electricity customers. All Ontario customers contribute to the OESP through the OESP charge. Another element of this Decision is to order inclusion in each distributor's tariff of rates and charges the OESP credits for low income customers, which vary with household size, income and electricity needs.

The OEB establishes these charges annually. This Decision establishes the WMSR at 0.36¢/kWh, 0.08¢/kWh lower than the current level; the RRRP at 0.13¢/kWh, unchanged from the 2015 amount; and the new OESP charge at 0.11¢/kWh. The

amount of the OESP credits that distributors will provide to eligible customers for 2016 was prescribed in Ontario Regulation 314/15 (O.Reg 314/15). These charges will appear on the tariffs of rates and charges of all licensed Ontario electricity distributors.

2 THE PROCESS

The calculations of the OESP charge, RRRP charge and the WMS rate are mechanistic exercises. In fixing the amount of the OESP credits to be provided to low income customers for 2016, the OEB has no discretion: the credits are specified in a regulation. Regulations oblige the IESO to provide the OEB with forecasts of energy consumption for the upcoming year to calculate certain rates; other regulations set out the precise method the OEB must employ to determine the rates being charged. Information on costs comes from Hydro One, OEB staff and analysis of public IESO data. Accordingly, this Decision and Order is being issued by Delegated Authority without a hearing pursuant to section 6(4) of the Ontario Energy Board Act, 1998 (the OEB Act). The rates established in this Decision will be effective January 1, 2016.

3 THE ONTARIO ELECTRICITY SUPPORT PROGRAM

The OESP is a new rate assistance program for low-income electricity customers. Starting January 1, 2016, eligible low income customers will receive a monthly credit on their bills. At the same time, all electricity customers in the province will begin paying a charge to fund the program.

In April 2014, the Minister of Energy asked the OEB to provide recommendations for the design of an ongoing, on-bill, ratepayer-funded, electricity rate assistance program. The OEB provided its recommendation to the Minister in December 2014. In February 2015 the Minister expressed his support for the OEB to proceed with the implementation of the program as well as his expectation that it be in place by January 1, 2016.

On June 4, 2015, the OEB Act was amended to include section 79.2, which deals with rate assistance. Sections 79.2 (9) and (10) allow the OEB to order collection of funds from consumers to recover the costs of the program.

O. Reg. 314/15 prescribes the methodology by which the OEB must set the OESP charge. Section 3(1) of the regulation requires that “the total amount forecast to be collected is equal to the sum of the total amount of rate assistance to be provided and OESP administrative costs.”

3.1 OESP Credits

The OESP provides targeted assistance to low income customers, taking into account not just their income but also the number of people in their household and the intensity of their electricity needs – for instance, whether they rely on medical equipment or electric heating in the winter.

For 2016, the amount of the OESP credits to be fixed by the OEB has been specified in O. Reg. 314/15 as set out in Tables 1 and 2 below:

Table 1: Sliding Scale for Typical Customer

Household Income (\$)	Household Size (# of People)						
	1	2	3	4	5	6	7
28,000 OR LESS	\$30	\$30	\$34	\$38	\$42	\$50	\$50
28,001 – 39,000			\$30	\$34	\$38	\$42	\$50
39,001 – 48,000					\$30	\$34	\$38
48,001 – 52,000							\$30

Table 2: Sliding Scale for Energy Intensive Customers*

Household Income (\$)	Household Size (# of People)						
	1	2	3	4	5	6	7
28,000 OR LESS	\$45	\$45	\$50	\$55	\$60	\$75	\$75
28,001 – 39,000			\$45	\$50	\$55	\$60	\$75
39,001 – 48,000					\$45	\$50	\$55
48,001 – 52,000							\$45

**Applicable to households that are reliant on electric heat or electricity-intensive medical devices, as well as First Nations and Métis households.*

Findings

I note that the tables in this Decision reflect the credits enumerated in O. Reg. 314/15. The order attached to this Decision will establish these credits as the amounts to be

provided to eligible customers by all licensed, rate-regulated Ontario electricity distributors. I note that the regulation also requires licensed Unit Sub-meter providers and Cornwall Power to provide these credits.

3.2 Establishing the OESP Charge

The costs of the credits are to be recovered through a charge which all Ontario customers pay in proportion to their electricity consumption. In order to establish an initial OESP charge, OEB staff developed an estimated total cost of the OESP program, which takes into consideration actual and forecast costs, the size of the eligible population and assumptions based on participation rates in similar programs as well as Ontario-specific factors. Administration and implementation costs have also been estimated. OEB staff's methodology for deriving the cost estimate is outlined in a Memorandum dated November 19, 2015, which is attached to this decision as Schedule E. OEB staff estimates that the total program cost for 2016 is \$158.4 million, calculated as follows:

Table 3: Total Program Costs

Total Amount of Credits to Recipients in 2016	\$145 M
Administration Costs in 2016 and 2015 ¹	\$13.4 M
TOTAL PROGRAM COSTS	\$158.4 M

O. Reg. 314/15 specifies that the total program cost as calculated above is to be recovered through a charge for each kilowatt hour of electricity that is withdrawn from the IESO-controlled grid or that is supplied by embedded generators for use by consumers in Ontario. The IESO has forecast² the applicable demand for 2016 to be 142.3 TWh, as follows:

¹ Includes implementation costs to be recovered over a three-year period

² IESO Filing Pursuant to Ontario Regulation 314/15, November 2, 2015.

Table 4: Ontario 2016 Demand (TWh)

Ontario Demand less Transmission Line Losses	135.7
Embedded Generation	6.6
TOTAL	142.3

Findings

While many factors will determine the actual rates of adoption and enrolment in the OESP in 2016, I find that the forecast uptake of 60% of eligible customers is reasonable to adopt for the first year of the program. While the credits themselves have been established in regulation, I find that the forecast of the average credit value of \$35 as an input to the cost estimate has been reasonably substantiated through the population and income analysis performed by OEB staff.

The implementation costs have been paid by the IESO and recorded in a deferral account for future recovery³. I agree that the paced recovery of certain start-up and implementation costs over three years is a reasonable approach. However, I am mindful of the OEB's practice of disposing of variance accounts over the shortest reasonable period in order to reduce carrying costs and the potential for intergenerational equity issues (fairness between today's and tomorrow's customers). I note that whether the implementation costs are recovered over two or three years is not material enough to affect the resulting rate. It is also the first year of the program and as a result, there is a greater uncertainty in the forecast of costs. The cost forecast will be updated in 2016, at which time more information will be available on participation in the program. I am therefore adopting the recommendation in OEB staff's memorandum.

Accordingly, based on the forecast of program costs itemized in Table 3 and 2016 electricity demand, I find that the OESP charge to be collected by the IESO shall be \$0.0011 per kWh. In order for distributors to recover the OESP charge they pay to the IESO, they shall collect a charge from their customers in the same amount, namely \$0.0011 per kWh on loss-adjusted consumption. For a typical residential customer using 800 kWh per month, this represents a cost of 93¢ per month before tax.

³ OEB, April 24, 2015, Decision and Order on Cost Awards EB-2015-0148

I further note that O. Reg. 314/15 provides the flexibility to adjust the charge during the year should conditions warrant.

3.3 Accounting Treatment

Accounting and Settlement for OESP by Distributors

Effective January 2016, IESO invoices to distributors will include the new OESP charge type. This new charge type will be applied on IESO invoices to the amount a distributor withdraws from the IESO-controlled grid, as well as embedded generation of the distributor. For the purpose of regulatory accounting, these charges will be included as part of USoA Account 4708: Charges - Wholesale Market Services in the distributors' books of accounts.

Effective January 1, 2016, distributors will start billing their customers the OESP recovery rate, as part of the Regulatory Charges line on customer bills. For the purpose of regulatory accounting, the revenues related to OESP amounts billed to customers will be included as part of USoA Account 4062: Billed - Wholesale Market Services in the distributors' book of accounts.

No new variance account will be established as the differences between the amounts paid and amounts collected for OESP will be included in the existing retail service variance account 1580: RSVAwms. No separate sub-account will be established. Variances recorded in Account 1580 are to be accounted for and reviewed annually as per the OEB's review and disposition methodology for deferral and variance accounts.

Amounts credited on electricity bills to eligible customers for OESP credits shall be recorded separately as accounts receivable from the IESO. As required by the IESO settlement process, by the fourth business day of each month distributors will submit their OESP settlement forms with the IESO for the credits that were issued on customer bills in the previous month. Similar to other accounts payable and receivables, carrying charges would not apply to temporary differences between credits on customer bills and settlement with the IESO.

In addition to their own customers, distributors will also be settling with the IESO for the OESP credits on behalf of their embedded distributors.

Unit sub-meter providers will settle directly with the IESO for the credits on their customer bills.

Accounting for OESP by IESO

O.Reg 314/15 requires the IESO to establish a variance account (OESP Variance Account) to record the differences between the amounts collected by the IESO under subsection 3 (2) and the amount of compensation paid or retained by the IESO. The IESO shall keep separate track of amounts collected by the IESO, compensation paid by the IESO and amounts retained by the IESO.

As noted above in section 3.2 and discussed at greater length in the memorandum attached in Schedule E, the IESO has incurred \$13.2M in implementation costs to establish the infrastructure to deliver the program. These costs, insofar as they were incurred as part of the administrative costs to establish the OESP, are eligible to be recovered through the OESP charge. The amounts collected by the IESO through the OESP charge will allow these implementation costs to be paid down over time, as envisioned in the establishment of the charge.

I therefore direct the IESO to record in the OESP Variance Account all administrative costs the IESO has incurred to establish the OESP. To the extent that program uptake differs from the forecast, additional amounts collected from the charge may be available to pay down implementation costs at a pace faster than three years. I further direct the IESO to report to the OEB the balance of the variance account as at September 30, 2016, in order that the balance in the account may be considered in the establishment of the charge for 2017.

The IESO shall accrue actual interest paid on the balance of the OESP Variance Account.

4 RURAL AND REMOTE ELECTRICITY RATE PROTECTION

The RRRP is charged to all customers in Ontario in accordance with how much electricity they consume. The total amount collected through the RRRP is a source of revenue for identified rural and remote electricity distributors whose costs are higher because they serve small numbers of customers over large geographic areas. The RRRP revenue allows them to reduce the amount they would otherwise have to charge some of their customers for distribution service.

Each year, the OEB approves an RRRP benefit amount to be collected from electricity distributors by the Independent Electricity System Operator (IESO). Electricity distributors in turn levy an OEB-approved retail RRRP charge to recover the RRRP amount paid to the IESO from their respective customers.

Ontario Regulation 442/01 and section 79(1) of the the OEB Act require that the OEB annually set the RRRP rate to be collected by the IESO so that it equals the RRRP benefit amount approved by the OEB for the same period. Similarly, the OEB sets the retail RRRP charge to be recovered by electricity distributors so that it is in line with the amount they paid to the IESO.

The RRRP amounts collected by the IESO are remitted to Hydro One Networks Inc. (Hydro One). Hydro One is required by regulation to pay out the funds received from the IESO to distributors that have received approval for RRRP and to track any over or under collections.

Determining the 2015 RRRP charge

Ontario Regulation 442/01 requires that the OEB use the following steps to set the RRRP charge to be collected by the IESO annually.

- calculate the RRRP amount eligible consumers will receive;
- receive from the IESO a forecast of the number of kilowatt hours of electricity that will be withdrawn from the IESO-controlled grid, as determined in accordance with the market rules, for use by consumers in Ontario during the next calendar year; and
- calculate the amount of the charge to be collected by the IESO for each kilowatt hour of electricity that is withdrawn from the IESO-controlled grid so that the total amount of rate protection forecast to be collected is equal to the total amount of rate protection to be provided.

This RRRP rate is underpinned by an RRRP amount to be provided to eligible customers in 2016 of \$175.5 million. The IESO's 2016 demand forecast is 135.7 TWh.

The resulting rounded RRRP rate is therefore remains unchanged at \$0.0013 per kilowatt-hour.

Any over or under recovery of the total RRRP amount recovered in 2016 by the IESO will be tracked in the variance account held by Hydro One.

Findings

Based on the methodology described above, I have determined that effective January 1, 2016, the RRRP charge to be collected by the IESO shall remain at \$0.0013 per kilowatt-hour. To keep the amounts collected by the IESO in line with the amounts recovered by distributors from their customers, I have also determined that the RRRP charge billed to a distributor's customers shall remain at \$0.0013 per kilowatt-hour.

5 WHOLESALE MARKET SERVICES

Wholesale market service charges (WMS charges) are paid by all customers of the wholesale electricity market, including electricity distributors, to the IESO. WMS Charges recover the cost of services required to operate the electricity system and administer the wholesale market. These charges include the costs of items such as operating reserve, certain market costs related to system congestion and imports, as well as other costs, such as losses on the IESO-controlled grid. Individual electricity distributors recover the WMS charges from their customers through the WMS rate, which is authorized by the OEB under section 78 of the OEB Act.

WMS Rate Methodology

The WMS rate is intended to compensate distributors for the charges they receive from and pay to the IESO for the cost to operate the electricity system and run the wholesale market. The difference between the charges to distributors and customer payments is recorded in Account 1580 of the Uniform System of Accounts. Any audited balances within Account 1580 are generally considered for disposition in the distributor's next rates application.

Determining the WMS Rate

In its last decision regarding the WMS rate, the OEB maintained the existing rate of \$0.0044 despite the persistence of credit balances in Account 1580, based on the uncertainty of whether the WMS charges for the winter of 2015 would be of similar magnitude to the winter of 2014.

A review of the Account 1580 balances as of June 2015 indicates that, although there have been some fluctuations over the preceding 18 month period, the total credit balances have declined only slightly from the March 2014 level. A review of the WMS charges for the period from April 2014 to September 2015, which excludes the severe weather conditions of the winter of 2014, indicates that the charge has averaged \$0.0032 per kWh, excluding RRRP. This is lower than the amount of \$0.0044 charged by distributors for the same period.

This calculated average cost, \$0.0032, excludes new charges introduced in the period studied. Since May 2015, the IESO has included a new charge in the WMS for the Capacity-Based Demand Response Program (CBDR). The average monthly CBDR charge to September 2015 was \$0.00041 per kWh. This charge, which recovers costs associated with contracted demand response providers active in the wholesale energy

market, will persist into 2016 and beyond, while the program adapts from a contract-based DR program toward a capacity auction format. The WMS rate for 2016 therefore needs to include a provision for these costs as well.

Table 5 shows the calculation of the average actual WMS charge from April 2014 to September 2015 and a provision for demand response charges based on historical data:

Table 5: Average WMS Charge (April 2014-September 2015)⁴

Average Net ⁵ WMS Charge	\$3.22
Average CBDR Charge (May 2015 to September 2015)	\$0.41
Average WMS Charge per MWh including CBDR	\$3.63

All figures in (\$/MWh)

Findings

Given the persistent credit balance in Account 1580 and the calculation of an average WMS charge that is below the rate currently charged to electricity customers by distributors, I find that the WMS rate effective January 1, 2016 shall be reduced to \$0.0036 per kWh. Differences between the WMS charge from the IESO or host distributor and the WMS rate received by distributors will continue to be recorded in Account 1580 and disposed during distributors' annual rate applications. The OEB will monitor the balance in Account 1580, and may, if circumstances warrant, request the IESO to provide a forecast of future WMS charges in order to evaluate the necessity of an adjustment to the WMS rate.

⁴ Source: IESO Monthly Reports

⁵ Net WMS – WMS – RRRP - CBDR

6 ORDER

Attached to this Decision and Order are a generic tariff of OESP credits (Schedule A) and generic wording for the OESP charge (Schedule B), each of which shall appear on distributors' tariffs of rates and charges. Schedules C, D, and E contain communications to the IESO; to distributors and retailers regarding the OESP, RRRP charge and WMS rate for 2016; and communication to unit sub-meter providers regarding the OESP, respectively. Schedule F provides a copy of OEB staff's memorandum on its forecast of OESP costs to be recovered in 2016.

IT IS ORDERED THAT:

1. The OESP credits to be provided by Ontario distributors shall equal those listed in Schedule A, which is consistent with the amounts specified in O. Reg. 314/15.
2. The IESO's OESP charge shall be \$0.0011, applied in accordance with O. Reg. 314/15, sections 3(2) and 3(3), effective January 1, 2016.
3. The OESP charge used by rate-regulated distributors to bill their customers shall be \$0.0011 per kilowatt-hour, effective January 1, 2016. This unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor.
4. The IESO shall pay the OEB's costs of this program upon receipt.
5. The IESO's RRRP charge shall continue to be \$0.0013 per kilowatt-hour effective January 1, 2016.
6. The RRRP charge used by rate-regulated distributors to bill their customers shall continue to be \$0.0013 per kilowatt-hour, effective January 1, 2016. This unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor.
7. The WMS rate used by rate-regulated distributors to bill their customers shall be \$0.0036 per kilowatt-hour, effective January 1, 2016. This unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor.

DATED at Toronto November 19, 2015

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

SCHEDULE A
DECISION AND ORDER
PROPOSED TARIFF SHEET
EB-2015-0294
NOVEMBER 19, 2015

LDC Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2016
This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2015-XXXX

ONTARIO ELECTRICITY SUPPORT PROGRAM RECIPIENTS

In addition to the charges specified on page X of this tariff of rates and charges, the following credits are to be applied to eligible residential customers.

APPLICATION

The application of the credits is in accordance with the Distribution System Code (Section 9) and section 79.2 of the Ontario Energy Board Act, 1998.

The application of these credits shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

Definitions:

"Aboriginal person" includes a person who is a First Nations person, a Métis person or an Inuit person;

"account-holder" means a consumer who has an account with a distributor that falls within a residential-rate classification as specified in a rate order made by the Board under section 78 of the Act, and who lives at the service address to which the account relates for at least six months in a year;

"electricity-intensive medical device" means an oxygen concentrator, a mechanical ventilator, or such other device as may be specified by the Board;

"household" means the account-holder and any other people living at the accountholder's service address for at least six months in a year, including people other than the account-holder's spouse, children or other relatives;

"household income" means the combined annual after-tax income of all members of a household aged 16 or over;

MONTHLY RATES AND CHARGES

Class A - OESP Credit	\$	(30.00)
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(a) account-holders with a household income of \$28,000 or less living in a household of one or two persons;

(b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of three persons;

(c) account-holders with a household income of between \$39,001 and \$48,000 living in a household of five persons;

(d) account-holders with a household income of between \$48,001 and \$52,000 living in a household of seven or more persons;

but does not include account-holders in Class E.

Class B - OESP Credit **\$** (34.00)

- (a) account-holders with a household income of \$28,000 or less living in a household of three persons;
 - (b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of four persons;
 - (c) account-holders with a household income of between \$39,001 and \$48,000 living in a household of six persons;
- but does not include account-holders in Class F.

Class C - OESP Credit **\$** (38.00)

- (a) account-holders with a household income of \$28,000 or less living in a household of four persons;
 - (b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of five persons;
 - (c) account-holders with a household income of between \$39,001 and \$48,000 living in a household of seven or more persons;
- but does not include account-holders in Class G.

Class D - OESP Credit **\$** (42.00)

- (a) account-holders with a household income of \$28,000 or less living in a household of five persons; and
 - (b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of six persons;
- but does not include account-holders in Class H.

Class E - OESP Credit **\$** (45.00)

Class E comprises account-holders with a household income and household size described under Class A who also meet any of the following conditions:

- (a) the dwelling to which the account relates is heated primarily by electricity;
- (b) the account-holder or any member of the account-holder's household is an Aboriginal person; or
- (c) the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

Class F - OESP Credit **\$** (50.00)

- (a) account-holders with a household income of \$28,000 or less living in a household of six or more persons;
- (b) account-holders with a household income of between \$28,001 and \$39,000 living in a household of seven or more persons; or

(c) account-holders with a household income and household size described under Class B who also meet any of the following conditions:

- i. the dwelling to which the account relates is heated primarily by electricity;
- ii. the account-holder or any member of the account-holder's household is an Aboriginal person; or
- iii. the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

Class G - OESP Credit **\$** (55.00)

Class G comprises account-holders with a household income and household size described under Class C who also meet any of the following conditions:

- (a) the dwelling to which the account relates is heated primarily by electricity;
- (b) the account-holder or any member of the account-holder's household is an Aboriginal person; or
- (c) the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

Class H - OESP Credit **\$** (60.00)

Class H comprises account-holders with a household income and household size described under Class D who also meet any of the following conditions:

- (a) the dwelling to which the account relates is heated primarily by electricity;
- (b) the account-holder or any member of the account-holder's household is an Aboriginal person ; or
- (c) the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

Class I - OESP Credit **\$** (75.00)

Class I comprises account-holders with a household income and household size described under paragraphs (a) or (b) of Class F who also meet any of the following conditions:

- (a) the dwelling to which the account relates is heated primarily by electricity;
- (b) the account-holder or any member of the account-holder's household is an Aboriginal person; or
- (c) the account-holder or any member of the account-holder's household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates.

SCHEDULE B
DECISION AND ORDER
PROPOSED TARIFF SHEET PRESENTATION
EB-2015-0294
NOVEMBER 19, 2015

LDC Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date January 1, 2016
This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors

EB-2015-XXXX

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0036
Rural or Remote Electricity Rate Protection Charge (RRRP)	\$/kWh	0.0013
Ontario Electricity Support Program Charge (OESP)	\$/kWh	0.0011
Standard Supply Service - Administrative Charge (if applicable)	\$	0.25

SCHEDULE C
DECISION AND ORDER
COMMUNICATION TO IESO
EB-2015-0294
NOVEMBER 19, 2015

**Ontario Energy
Board**
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EB-2015-0249

BY EMAIL

November 19, 2015

Nancy Marconi
Manager, Regulatory Proceedings
Independent Electricity System Operator
120 Adelaide Street West
Suite 1600
Toronto ON M5H 1T1

Dear Ms. Marconi:

**Re: Ontario Electricity Support Program and Rural or Remote Electricity Rate
Protection**

On November 19, 2015 the Ontario Energy Board (OEB) issued its decision with reasons and rate order in proceeding EB-2015-0294 which set the Ontario Electricity Support Program (OESP) Charge, the Rural or Remote Electricity Rate Protection (RRRP) and Wholesale Market Service rates effective January 1, 2016.

Amount to be charged by the IESO for OESP

The OEB has determined that effective January 1, 2016 the OESP charge to be collected by the IESO shall be \$0.0011 per kilowatt-hour.

Amount to be charged by the IESO for RRRP

The OEB has determined that effective January 1, 2016 the RRRP charge to be collected by the IESO shall remain at the current charge of \$0.0013 per kilowatt-hour.

Yours truly,

Kirsten Walli
Board Secretary

SCHEDULE D
DECISION AND ORDER
COMMUNICATION TO DISTRIBUTORS AND RETAILERS
EB-2015-0294
NOVEMBER 19, 2015

Ontario Energy Board
P.O. Box 2319
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BY EMAIL

EB-2015-0294

November 19, 2015

To: All Licensed and Rate-Regulated Electricity Distributors
All Licensed Electricity Retailers

Re: Ontario Electricity Support Program, Rural or Remote Electricity Rate Protection and Wholesale Market Service Rate

On November 19, 2015 the Ontario Energy Board (OEB) issued its decision and rate order in proceeding EB-2015-0294 which set the Ontario Electricity Support Program (OESP) charge, Wholesale Market Service (WMS) rate and the Rural or Remote Electricity Protection (RRRP) charge effective January 1, 2016.

Amount to be Charged by the IESO for OESP

The OEB has determined that effective January 1, 2016 the OESP charge to be collected by the IESO shall be \$0.0011 per kilowatt-hour. The charge shall be collected in accordance with O. Reg. 314/15, sections 3(2) and 3(3).

Amount to be Charged by Distributors and Retailers with Retailer-Consolidated Billing for OESP

Effective January 1, 2016, the amount to be charged by distributors and retailers to their customers with respect to the OESP shall be \$0.0011 cents per kilowatt-hour.

These unit rates shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor.

Amount to be Charged by Distributors and Retailers with Retailer-Consolidated Billing for WMS

Effective January 1, 2016, the amount to be charged by distributors and retailers to their customers with respect to the WMS rate shall be \$0.0036 per kilowatt-hour.

This unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor.

Amount to be Charged by the IESO for RRRP

The OEB has determined that effective January 1, 2016 the RRRP charge to be collected by the IESO shall remain at the current charge of \$0.0013 per kilowatt-hour.

Amount to be Charged by Distributors and Retailers with Retailer-Consolidated Billing for RRRP

Effective January 1, 2016, the amount to be charged by distributors and retailers to their customers with respect to the RRRP shall remain at the current level of \$0.0013 per kilowatt-hour.

These unit rates shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor.

The OEB wishes to remind all distributors and retailers that in accordance with subsection 5(6) of the O. Reg. 442/01 (Rural or Remote Electricity Rate Protection):

A distributor or retailer who bills a consumer for electricity shall aggregate the amount that the consumer is required to contribute to the compensation required by subsection 79(3) of the Act with the wholesale market service rate described in the Electricity Distribution Rate Handbook issued by the Board, as it read on October 31, 2001.

Yours truly,

Kirsten Walli
Board Secretary

SCHEDULE E
DECISION AND ORDER
COMMUNICATION TO UNIT SUB-METER PROVIDERS
EB-2015-0249
NOVEMBER 19, 2015

**Ontario Energy
Board**

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EB-2015-0294

BY EMAIL

November 19, 2015

To: All Unit Sub-Meter Providers

Re: Credits and Charges In Relation to the Ontario Electricity Support Program

On November 19, 2015 the Ontario Energy Board (OEB) issued a Decision and Order (the Decision) establishing certain regulatory charges, including a charge to recover the costs of the Ontario Electricity Support Program (OESP). The Decision also set out OESP credit amounts, specified in Ontario Regulation 314/15, by creating a generic tariff of OESP credits that will become part of each distributor's tariffs of rates and charges.

The OEB would like to take this opportunity to remind unit sub-meter providers that the OESP credits outlined in the Decision are applicable to eligible customers of unit sub-meter providers as set out in section 5.2 of the Unit Sub-Metering Code.

Any questions relating to this letter should be directed to industryrelations@ontarioenergyboard.ca. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Kirsten Walli
Board Secretary

SCHEDULE F
DECISION AND ORDER
OEB STAFF MEMORANDUM
EB-2015-0249
NOVEMBER 19, 2015



MEMORANDUM

Prepared by: OESP Implementation Team
Date: November 19, 2015
Re: Estimated Cost of Ontario Electricity Support Program

The Ontario Electricity Support Program is a new rate assistance program for low-income electricity customers. Starting January 1, 2016, eligible low-income customers will receive a monthly credit on their bills. At the same time, all electricity customers in the province will begin paying a charge to fund the program, which will be referred to throughout this memo as the OESP charge.

To assist in setting the provincial charge to fund the OESP for the first year of the program, staff has prepared an estimate of the total program cost. Staff's best estimate, based on limited information, is that the total program cost for 2016¹ will be \$158.4M.

Since the OESP is a new program, it is very difficult to accurately project the total cost. Program costs are tied to participation rates which are challenging to forecast. OEB staff has produced its best estimate using available data about the size of the eligible population and assumptions based on uptake of other similar programs and Ontario specific factors. Staff's methodology for deriving the OESP cost estimate is described below.

1.0 Background

In April 2014, the Minister of Energy asked the Ontario Energy Board (OEB) to provide recommendations for the design of an ongoing, on-bill, ratepayer-funded, electricity rate assistance program. The OEB provided its recommendation to the Minister in December 2014. In February 2015 the Minister expressed his support for the OEB to proceed with the implementation of the program as well as his expectation that it be in place by January 1, 2016.

¹ Total program cost includes administrative costs. For the purpose of this memo, 2016 program costs include some administrative costs incurred in 2015.

On June 4, 2015, the *Ontario Energy Board Act, 1998* was amended to include section 79.2, which deals with rate assistance. Sections 79.2 (9) and (10) allow the OEB to order collection of funds from consumers to recover the costs of the program.

Ontario Regulation 314/15 (the Regulation) prescribes the methodology by which the OEB must set the OESP charge. Section 3 (1) of the Regulation requires that “the total amount forecast to be collected is equal to the sum of the total amount of rate assistance to be provided and OESP administrative costs.”

This memo will provide staff’s best estimate of the total program cost for 2016 including both the amount of rate assistance to be provided and the administrative costs.

1.2 OESP Eligibility Criteria

The eligibility criteria for OESP are as follows:

- Only customers of licensed electricity distributors and licensed unit sub-meter providers are eligible for the program.
- The income threshold to determine eligibility for OESP was derived from Statistics Canada’s Low Income Measure (LIM). The LIM takes into account total household income and total household size.
- Customers found to be eligible for OESP will receive a monthly credit based on one of two sliding scales. The scales are shown in Tables 1 and 2 below.
- The amount credited to customers’ bills will depend on their total household income and size. Customers who rely on electric heat, certain medical equipment that consumes a significant amount of electricity, and First Nation and Métis customers will receive a credit from the “energy intensive” scale.

Table 1: Sliding Scale for Typical Customer

Household Size	1	2	3	4	5	6	7+
Income Bracket							
< \$28,000	\$30	\$30	\$34	\$38	\$42	\$50	\$50
\$28,001 - \$39,000	-	-	\$30	\$34	\$38	\$42	\$50
\$39,001 - \$48,000	-	-	-	-	\$30	\$34	\$38
\$48,001 - \$52,000	-	-	-	-	-	-	\$30

Table 2: Sliding Scale for Energy Intensive Customer

Household Size	1	2	3	4	5	6	7+
Income Bracket							
< \$28,000	\$45	\$45	\$50	\$55	\$60	\$75	\$75
\$28,001 - \$39,000	-	-	\$45	\$50	\$55	\$60	\$75
\$39,001 - \$48,000	-	-	-	-	\$45	\$50	\$55
\$48,001 - \$52,000	-	-	-	-	-	-	\$45

2.0 Methodology for Estimating Total Program Cost

This section will describe staff's methodology for estimating the cost of delivering OESP in 2016. The basic formula is below:

$$\text{Total Program Cost} = (\text{Participation Rate} \times \text{Average Credit Value}) + \text{Administration Costs}$$

As noted above, the estimated program cost was constructed using limited available data. Since the OESP is a new program, staff had to make assumptions based on information about uptake of other programs and other factors that might affect OESP uptake.

2.1 Total Amount of OESP Credits to Recipients

Staff estimates the total amount of OESP credits that will be provided to recipients in 2016 is \$145M.

2.1.2 Eligible Population

Using data from Statistics Canada's 2011 National Household Survey, staff estimated the total number of low-income households in Ontario, using LIM as the threshold. Staff then assumed that 80% of low-income households in Ontario receive an electricity bill directly. There is no data available regarding the actual number of customers that pay electricity bills directly. Staff erred on the side of caution and assumed the number was high because:

- Renters in rural areas tend to live in independently-metered single family dwellings such that tenants are more likely to have an account with the local electricity provider (as opposed to paying their electricity through rent)
- In urban areas, unit sub-metering and suite metering is on the rise. Landlords cannot control how much electricity their tenants use so there is an incentive for landlords to avoid including electricity in rent.

The total number of low-income households that staff believes are thus eligible for OESP is 571,072, shown in Table 3.

Table 3: Estimated Household Numbers*

Household Size	1	2	3	4	5	6	7+
Income Bracket							
< \$28,000	242,716	135,837	72,512	43,345	15,779	4,710	2,087
\$28,001 - \$39,000	-	-	12,649	21,262	9,018	2,319	1,019
\$39,001 - \$48,000	-	-	-	-	3,392	2,896	810
\$48,001 - \$52,000	-	-	-	-	-	-	720
Total							571,072

* Table 3 was constructed using data from Statistics Canada's 2011 National Household Survey adjusted to reflect staff's assumption that 80% of households pay their electricity bill.

2.1.2 Energy Consumption Characteristics

Staff estimated 20% of eligible households would receive credits based on the energy intensive sliding scale. Staff based this assumption on several factors:

- Customers who rely on electric heat as their primary heating sources are eligible for the energy intensive scale. A 2011 Survey of Household Energy Use by Natural Resources Canada indicates about 16-18% of households rely on electric heating.
- Customers who use certain medical equipment are eligible for the energy intensive scale. There are only two eligible devices at this time and the total number of eligible customers who use them may be small in comparison to the total number of program recipients.
- First Nation and Métis customers are eligible for the energy intensive scale because they often face unique challenges when it comes to energy costs. One of those challenges is a high rate of electric heating. However, the incremental number of First Nation and Métis customers eligible for the energy intensive scale (i.e. the number that are not otherwise eligible to due electric heat use) is likely to be small in comparison to the total number of program recipients.

2.1.3 Enrollment Rate

Staff believes that it is prudent to assume 60% of the total eligible population will apply and be approved for OESP in 2016. Although uptake of a new program is very difficult to forecast with certainty, staff took several factors into consideration, including:

- The planned end of the Ontario Clean Energy Benefit as of December 31, 2015 (with the 10% reduction on residential electricity bills ending low-income customers will have an immediate financial incentive to seek out help elsewhere);
- A high degree of program accessibility (customers have the option to apply online, or by mailing in a paper application form, or with the assistance of an intake agency);
- High intake capacity when assistance is needed (about 90 agencies have partnered with the OEB to assist with enrolment);
- The OEB's extensive advertising and outreach campaign (intended to promote a high degree of awareness of the program and how to apply²); and
- Experience of other similar energy assistance programs (similar programs have seen uptake of about 40% in the first year³ but staff expects OESP uptake to be greater as a result of efforts to promote program accessibility and awareness).

2.1.4 Total Amount of Credits to Recipients

Assuming 80% of all low-income households in Ontario are customers of distributors or unit sub-meter providers; 20% of all OESP recipients receive credits based on the energy intensive sliding scale; and a potential program uptake of 60% in 2016, staff estimates the total amount of credits that could be provided to recipients in 2016 is \$145M.

The calculation performed is described below.

Staff first estimated the average amount of monthly rate assistance per recipient to be \$35 (assuming 20% of recipients receive credits from the energy intensive scale and 80% receive credits from the standard scale). To calculate this number, each OESP credit amount was multiplied by the total number of households in its corresponding cell

² In California increasing the advertising budget for CARE resulted in a 10% increase in uptake over 1 year www.calmac.org/publications/200326_091503_CARE_Final.pdf

³ California's CARE program <http://www.liob.org/resultsqv.cfm?doctype=10>
Pennsylvania's Customer Assistance Program (CAP) <http://www.liheapch.acf.hhs.gov/profiles/Penn.htm>

in the sliding scale. The sum of those amounts was divided by the total number of households to derive the average amount of monthly rate assistance per recipient.

The average amount of monthly rate assistance per recipient of \$35 was then used to project the program cost for 2016 based on a variety of uptake scenarios. This is depicted in Table 4.

Table 4: Estimated Cost By Participation Rate

OESP Participation Rate	Estimated Cost
40%	\$96.5M
50%	\$120.6M
60%	\$145M
70%	\$169M
80%	\$193M
90%	\$217M
100%	\$241.2M

2.2 Total Cost of Program Administration

The total administrative costs for 2016⁴ are expected to be about \$13.4M. These costs fall into two categories: (1) ongoing administration costs associated with application intake and operating the OESP contact centre and (2) one-time implementation costs associated with building the infrastructure to deliver the program. The \$13.4M in administrative costs was calculated on the basis that the one-time program implementation costs would be recovered over a three year period, as discussed below. It is expected that ongoing administrative costs will be recovered the same year in which they are incurred. The following provides more detail about what the administrative costs entail.

2.2.1 Central Program Administration (ongoing administrative cost)

In order to efficiently manage a large number of applications, the OEB retained a central service provider to deliver the OESP. The central service provider's role includes:

- building and managing an online application portal where customers can apply for the program;
- maintaining a contact centre to answer questions about the program from ratepayers, applicants, intake agencies, and utilities; and

⁴ Some of these administrative costs, particularly one-time implementation costs, were incurred in 2015.

- maintaining an interface with utilities and the Ministry of Finance to process applications, determine eligibility, and inform utilities of their eligible customers so that the OESP credit can be applied to bills.

The central service provider's costs are fixed, unless the number of applications it processes exceed a predetermined threshold.

As part of the central program administration, the Ministry of Finance is providing services to assess eligibility of applicants whose household income may be determined based on a recent tax filing. The costs associated with this service are fixed for 2016.

2.2.2 Intake Agencies (ongoing administrative cost)

In addition to the central service provider, about 90 intake agencies, the Ontario Native Welfare Administrators Association (ONWAA), and Six Nations of the Grand River have partnered with the OEB to help customers apply for the program.

Intake agencies are compensated for their work through a per application fee of \$20 for or \$50 depending on the type of application. When an agency simply assists a customer with completing the online application form (referred to as an "Automatic Income Verification" application) the agency will be paid \$20. When an agency must verify an applicant's household income by reviewing certain documentation (referred to as a "Manual Income Verification" application) the agency will be paid \$50. The fees were determined based on the estimated time required to complete each type of application, the average hourly wages of intake agency staff, and estimated office overhead.

To estimate the intake agency compensation, staff has assumed the proportion of applications processed by intake agencies will be 75% Manual Income Verification and 25% Automatic Income Verification. Staff also assumed that about 25% of total applicants will need assistance from an intake agency. These assumptions are based on intake projections developed with the assistance of the Financial Assistance Working Group.⁵

ONWAA will also be performing OESP intake by visiting First Nations communities (including remote communities) to undertake Manual Income Verification for applicants⁶. The funding model for ONWAA and Six Nations of the Grand River is similar to other

⁵ The Financial Assistance Working Group is composed of intake agencies, low-income advocates, and utilities. The intake projections were initially developed to help agencies determine how many staff may need to be hired to deliver OESP.

⁶ Six Nations of the Grand River will only be undertaking this work for a three month period following the OESP launch.

First Nations program delivery agreements and provides for up-front annual funding per full-time equivalent employees with year-end audited results.

2.2.3 Implementation (one-time start-up cost)

In order to meet the Minister's expectation that the OESP be available as of January 1, 2016 the OEB has incurred costs in relation to⁷:

- Retaining an external, expert project management team and resources to assist OEB staff with the program implementation;
- The OESP system design and build by the central service provider;
- Consultants to oversee the fairness of the process to select the central service provider; and to provide advice on the program design with respect to privacy;
- Training for intake agency staff;
- Logistical costs including OEB-led "Train the Trainer" sessions, regional meetings to provide information about the program, and regular working group meetings with key stakeholders to work out implementation details and recommend solutions to issues that arise; and
- Communication materials and advertising.

The total cost of program implementation is approximately \$13.2M. OEB staff suggests that it is reasonable to establish a rate that recovers the implementation costs over a three year period. This approach will result in a smoother rate than might occur if the total implementation costs were all recovered in 2016 followed by a decrease in the administrative costs to be recovered in the following years.

⁷ The IESO has already paid certain implementation costs in accordance with the OEB's April 24, 2015 Decision and Order on Cost Awards (EB-2015-0148). In accordance with the OEB's decision, these costs have been recorded in a deferral account.

2.3 Total Program Cost

Staff estimates total program costs to be recovered through the 2016 OESP charge, including administration costs, will be \$158.4M as shown below.

$$\begin{array}{r} \text{Total Amount of Credits to Recipients in 2016: \$145M} \\ + \\ \text{Administration Costs in 2015 and 2016: \$13.4M}^8 \\ = \\ \text{Total Program Cost: \$158.4M} \end{array}$$

Prepared by:
OESP Implementation Team
November 19, 2015

⁸ Calculated based on recovery of the implementation costs over a three year period.