



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

DECISION AND ORDER

EB-2016-0362

In the matter of regulatory charges

**effective January 1, 2017, including those pursuant to O. Reg
314/15 and O. Reg 442/01**

BY DELEGATION, BEFORE: Lynne Anderson

December 15, 2016

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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. 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.

The third regulatory charge will fund the Ontario Electricity Support Program (OESP), introduced in 2016. This program delivers on-bill rate assistance to low income electricity customers. All Ontario customers contribute to the OESP through the OESP charge.

The OEB establishes these charges annually. This Decision establishes the RRRP charge at 0.21¢/kWh, increasing from the 2016 amount of 0.13 ¢/kWh; the WMS rate (including CBR) at 0.36¢/kWh, unchanged from the current level; and the OESP charge at 0.11¢/kWh, also unchanged from 2016. The total monthly bill impact of these changes to a residential customer consuming 750 kilowatt-hours per month will be 60¢ effective January 1, 2017.

These charges will appear on the tariffs of rates and charges of all licensed Ontario electricity distributors and are reflected in the Regulatory Charge on customers' bills.

2 THE PROCESS

The calculations of the WMS rate, RRRP charge and OESP charge are largely mechanistic exercises. The IESO provides the OEB with forecasts of energy consumption for the upcoming year to calculate certain rates as required by regulations. Information on costs comes from the IESO, government regulations, data reported to the OEB by distributors and from prior OEB decisions. 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, 2017.

3 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 (EB-2015-0294), the OEB reduced the WMS rate from \$0.0044 per kilowatt-hour to \$0.0036 per kilowatt-hour effective January 1, 2016. This reduction was to reflect the net effect of persisting credit balances in Account 1580 and the impact of a new charge in the WMS for the Capacity-Based Demand Response Program, now known as Capacity Based Recovery (CBR). Distributors are required to file with the OEB updated balances in Account 1580 by April 30, 2017. Until these balances are filed, the impact of the January 1, 2016 rate change is not known.

Distributors bill Class A customers their share of the actual CBR charge based on their contribution to peak demand. In accordance with the OEB's Supplementary Decision and Order (EB-2016-0193), the WMS rate used by rate-regulated distributors to bill their Class A customers is \$0.0032. For Class B customers a CBR component of \$0.0004 per kilowatt-hour is added to the WMS rate for a total of \$0.0036 per kilowatt-hour.

While the WMS charge billed by the IESO over the 10-month period from January 1, 2016 to October 31, 2016 has fluctuated from month to month, the weighted average WMS charge including CBR for the period is \$0.0037 per kilowatt-hour. The IESO's

forecasted consumption has also dropped slightly from the 2016 forecast to 134.3 terrawatt-hours.

Findings

The OEB finds that the WMS rate will remain at \$0.0036 per kilowatt-hour effective January 1, 2017 for Class B customers, including a CBR component of \$0.0004. For Class A customers the WMS rate will remain at \$0.0032 per kilowatt-hour. The WMS rate was lowered on January 1, 2016, therefore there is not yet a full year of data on the impact of this change. Account 1580 records the difference between distributors' actual costs and the amount collected from customers at this rate. The December 31, 2016 balances in this account will be filed with the OEB by April 30, 2017. The OEB will monitor the balance in Account 1580 to evaluate if an adjustment to the WMS rate is warranted. Distributors will continue to record the difference between their costs and the amounts collected from customers in Account 1580.

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 or in remote regions. The RRRP revenue allows them to reduce the amount they would otherwise have to charge eligible 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.

In November 2016, the Ontario Government passed amendments to O. Reg. 442/01 to increase the amount of RRRP rate protection for eligible rural Hydro One customers from \$125.4 million to \$243.4 million. This increase is to be effective January 1, 2017. The total amount of rate protection for 2017 is as follows:

TOTAL RRRP REQUIREMENT for 2017

(\$ in millions per year)

IESO Estimated over-collection (in 2016)	-\$ 9.34
Hydro One Benefit per O.Reg 442/01	\$ 243.40
First Nations (per sch1 of O.Reg 442/01)	\$ 1.60
Algoma Power (per EB-2016-0055)	\$ 13.50
Hydro One Remotes (per EB-2016-0083)	\$ 32.26
Total	\$ 281.42

Ontario Regulation 442/01 and section 79(1) of the OEB Act require that the OEB annually set the RRRP rate to be collected by the IESO for all electricity withdrawn from the IESO-controlled grid 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 charged by electricity distributors to recover costs they paid to the IESO.

The IESO is required by regulation to pay out the funds to distributors eligible for rate protection and to track any over or under collections. The variances in a given year are

added to or deducted from the total amount to be collected from electricity distributors in the following year.

Determining the 2017 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.

The RRRP amount to be provided to eligible customers in 2017 of \$281.4 million. The IESO's 2017 energy forecast is 134.3 TWh. The resulting rounded RRRP rate is calculated to increase from the 2016 rate of \$0.0013 per kilowatt-hour to \$0.0021 per kilowatt-hour.

Any over or under recovery of the total RRRP amount recovered in 2017 by the IESO is tracked in the variance account.

Findings

Based on the methodology described above, the OEB finds that effective January 1, 2017, the RRRP charge to be collected by the IESO shall increase to \$0.0021 per kilowatt-hour. The RRRP charge distributors bill to their customers shall also increase to \$0.0021 per kilowatt-hour for distributors to recover the amounts paid to the IESO.

5 THE ONTARIO ELECTRICITY SUPPORT PROGRAM

The OESP is a rate assistance program for low-income electricity customers introduced on January 1, 2016, which provides for eligible low income customers to receive a monthly credit on their bills. At the same time, all electricity customers in the province pay a charge to fund the program.

The OEB Act was amended in June 2015 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 sets 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.”

O. Reg. 314/15 also 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 OEB is currently reviewing the OESP program including categories of consumers who are eligible for this relief. The OEB is also continuing to aggressively market the program to achieve maximum participation by low income customers.

Findings

The OEB will not adjust the OESP charge at this time. The program is less than a year old and given the OEB’s review that is underway, it is premature to make an adjustment to the charge at this time. The OESP charge to be collected by the IESO shall continue to be \$0.0011 per kWh. In order for distributors to recover the OESP charge they pay to the IESO, they shall continue to collect a charge from their customers in the same amount, namely \$0.0011 per kWh on loss-adjusted consumption.

6 ORDER

Attached to this Decision and Order as Schedules A and B are communications to the IESO regarding the RRRP and OESP charges, and to distributors and retailers regarding the OESP and RRRP charges and WMS rate for 2017, respectively.

IT IS ORDERED THAT:

1. The WMS rate used by rate-regulated distributors to bill their customers shall be \$0.0032 per kilowatt-hour, effective January 1, 2017. For Class B customers a CBR component of \$0.0004 per kilowatt-hour shall be added to the WMS rate for a total of \$0.0036 per kilowatt-hour. For Class A customers, distributors shall bill the actual CBR costs to Class A customers in proportion to their contribution to peak.
2. The IESO's RRRP charge shall be \$0.0021 per kilowatt-hour effective January 1, 2017.
3. The RRRP charge used by rate-regulated distributors to bill their customers shall be \$0.0021 per kilowatt-hour, effective January 1, 2017. 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's OESP charge shall be \$0.0011, applied in accordance with O. Reg, 314/15, sections 3(2) and 3(3), effective January 1, 2017.
5. The OESP charge used by rate-regulated distributors to bill their customers shall be \$0.0011 per kilowatt-hour, effective January 1, 2017. 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, Dec 15, 2016
ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

SCHEDULE A
DECISION AND ORDER
COMMUNICATION TO THE IESO
EB-2016-0362
DECEMBER 15, 2016

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BY EMAIL

December 15, 2016

Adrian Pye
Acting Senior Manager, Regulatory Affairs
Independent Electricity System Operator
120 Adelaide Street West
Suite 1600
Toronto ON M5H 1T1

Dear Mr. Pye:

**Re: Rural or Remote Electricity Rate Protection and Ontario Electricity Support
Program - Board file number EB-2016-0362**

On December 15, 2016 the Ontario Energy Board (OEB) issued its decision with reasons and rate order in proceeding EB-2016-0362 which set the Rural or Remote Electricity Rate Protection (RRRP) and the Ontario Electricity Support Program (OESP) charges, effective January 1, 2017.

Amount to be charged by the IESO for RRRP

The OEB has determined that effective January 1, 2017 the RRRP charge to be collected by the IESO shall increase to \$0.0021 per kilowatt-hour.

Amount to be charged by the IESO for OESP

The OEB has determined that effective January 1, 2017 the OESP charge to be collected by the IESO shall remain at \$0.0011 per kilowatt-hour.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

SCHEDULE B
DECISION AND ORDER
COMMUNICATION TO DISTRIBUTORS AND RETAILERS
EB-2016-0362
DECEMBER 15, 2016

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BY EMAIL

December 15, 2016

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

**Re: Wholesale Market Service Rate, Rural or Remote Electricity Rate Protection Charge and Ontario Electricity Support Program Charge
Board file number EB-2016-0362**

On December 15, 2016 the Ontario Energy Board (OEB) issued its decision and rate order in proceeding EB-2016-0362 which set the Ontario Wholesale Market Service (WMS) rate, the Rural or Remote Electricity Protection (RRRP) charge and the Ontario Electricity Support Program charge effective January 1, 2017.

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

Effective January 1, 2017, the amount to be charged by distributors and retailers to their customers with respect to the WMS rate for Class A customers shall continue to be \$0.0032. For Class B customers a CBR component of \$0.0004 per kilowatt-hour is added to the WMS rate for a total of \$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 Distributors and Retailers with Retailer-Consolidated Billing for RRRP

Effective January 1, 2017, the amount to be charged by distributors and retailers with Retailer-Consolidated Billing to their customers with respect to the RRRP shall increase to \$0.0021 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.

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

Effective January 1, 2017, the amount to be charged by distributors and retailers with Retailer-Consolidated Billing to their customers for the OESP will remain at \$0.0011 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.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary