



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

DECISION AND ORDER

EB-2017-0333

**In the matter of regulatory charges effective January 1, 2018, for
the Wholesale Market Service charge and the Rural or Remote
Electricity Rate Protection charge**

BY DELEGATION, BEFORE: Theodore Antonopoulos

DECEMBER 20, 2017

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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 (WMS) rate. 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 the Ontario Regulation 442/01 (the RRRP Regulation), made under the *Ontario Energy Board Act, 1998* (the OEB Act), the RRRP program cost is recovered from all electricity consumers in the province through a charge that is reviewed annually and approved by the OEB. As a result of changes to the RRRP Regulation, which took effect on July 1, 2017, the cost of providing RRRP to eligible customers of Hydro One Networks Inc. was shifted to provincial revenues. The OEB therefore re-set the charge. The current RRRP charge, which has been in place since July 1, 2017, is \$0.0003 per kilowatt-hour.

The OEB establishes these charges annually. This Decision maintains the RRRP charge at \$0.0003 per kilowatt-hour, unchanged from the current level and the WMS rate (including Capacity Based Recovery (CBR)) at \$0.0036 per kilowatt-hour, unchanged from the current level.

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 and the RRRP 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, OEB staff and IESO data. Accordingly, this Decision and Order is being issued by Delegated Authority without a hearing pursuant to section 6(4) of the OEB Act. The rates established in this Decision will be effective January 1, 2018.

3 WHOLESALE MARKET SERVICES

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 rate application.

Determining the WMS Rate

In its last decision regarding the WMS rate¹, the OEB maintained the WMS rate at its current level of \$0.0036 per kilowatt-hour effective January 1, 2017, for Class B customers, including a CBR component of \$0.0004. For Class A customers, distributors bill their share of the actual CBR charge based on their contribution to peak.

While the WMS charge billed by the IESO over the 10-month period from January 1, 2017 to October 31, 2017 has fluctuated from month to month, the weighted average WMS charge including CBR for the period is \$0.0034 per kilowatt-hour (the weighted average CBR charge is \$0.0004 per kilowatt-hour). The IESO's forecasted consumption has also dropped slightly from the 2017 forecast to 131.8 terawatt-hours.

¹ Decision and Order in the matter of regulatory charges, EB-2016-0362, December 15, 2016.

Findings

The OEB finds that the WMS rate will remain at \$0.0036 per kilowatt-hour effective January 1, 2018, including a CBR component of \$0.0004. The increased budget for the Market Renewal Program in the IESO's business plan will place upward pressure on the WMS charge in 2018. The OEB, therefore, will keep the WMS rate at the current level. Account 1580 records the difference between distributors' actual costs and the amount collected from customers at this rate. The December 31, 2017 balances in this account will be filed with the OEB by April 30, 2018. The OEB will monitor the balances in Account 1580 to evaluate if an adjustment to the WMS rate is warranted, perhaps in advance of the next annual review. Distributors will continue to record the difference between their costs and the amounts collected from customers in Account 1580.

4 RURAL OR REMOTE ELECTRICITY RATE PROTECTION

Currently, all customers in Ontario pay the OEB-approved RRRP charge based on how much electricity they consume. The total amount collected through the RRRP is a source of revenue for identified rural or 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.

The OEB approves a RRRP benefit amount to be collected from electricity distributors by the IESO each year. Electricity distributors in turn levy an OEB-approved retail RRRP charge to recover the RRRP amount paid to the IESO. The OEB last approved a RRRP charge of \$0.0003/kWh², effective July 1, 2017 to December 31, 2017, on June 22, 2017. This charge was calculated by dividing the total amount of rate protection to be provided by the IESO's forecast consumption for 2017.

The RRRP requirement for 2018 is shown in the table below. The Hydro One Networks Inc. portion of the RRRP, which as of July 1, 2017 is being recovered through the tax base due to amendments to the RRRP regulation, is no longer included in the total.

TOTAL RRRP REQUIREMENT for 2018 (\$ in millions)

IESO Estimated under collection (in 2017)	\$ 12.3316
Hydro One Networks Inc.	\$ -
First Nations (O. Reg. 442/01, schedule 1)	\$ 1.6
Algoma Power*	\$ 13.5
Hydro One Remote Communities Inc.**	\$ 32.2590
Total	\$ 59.6906

*Approved in EB-2016-0055

**Approved in EB-2012-0137

Determining the January 1, 2018 RRRP charge

The RRRP amount required to be collected from ratepayers for 2018 is \$59.7 million. The IESO's full-year 2018 energy forecast is 131.8 terawatt-hours. The resulting rounded RRRP rate is calculated to be \$0.0005 per kilowatt-hour.

² Decision and Order, in the matter of the RRRP and DRP for July 1, 2017, EB-2017-0234, June 22, 2017.

Any over- or under-recovery of the total RRRP amount recovered in 2018 through ratepayer funds by the IESO shall continue to be tracked in the variance account held by the IESO. As required under subsections 5(12) and (13) of the RRRP Regulation, the OEB will include any future variance account balance when it assesses the RRRP charge for 2019.

Findings

The OEB finds that, for electricity consumed on or after January 1, 2018, the RRRP charge will remain at \$0.0003 per kilowatt-hour. The RRRP charge was lowered effective with July 1, 2017 consumption, therefore there is not yet a full year of data on the impact of this change. The IESO RRRP variance account records the difference between costs from eligible distributors and the amount collected from customers. The OEB will monitor the IESO RRRP variance account balance and may initiate a further review in advance of the next annual review at the end of 2018 to evaluate if an adjustment to the RRRP rate is warranted. The RRRP charge distributors bill to their customers shall also remain at \$0.0003 per kilowatt-hour effective with January 1, 2018 consumption.

5 ORDER

Attached to this Decision and Order as Schedules A and B are communications to the IESO regarding the RRRP, and to distributors and retailers regarding the RRRP and WMS charges for January 1, 2018, respectively.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The WMS rate used by rate-regulated distributors to bill their customers shall continue to be \$0.0032 per kilowatt-hour, effective January 1, 2018. 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. This unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor. 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 continue to be \$0.0003 per kilowatt-hour for electricity consumed on or after January 1, 2018.
3. The RRRP charge used by rate-regulated distributors to bill their customers shall continue to be \$0.0003 per kilowatt-hour for electricity consumed on or after January 1, 2018. 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, December 20, 2017

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

SCHEDULE A
EB-2017-0333
COMMUNICATION TO THE IESO
DECEMBER 20, 2017

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
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2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
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EB-2017-0333

BY EMAIL

December 20, 2017

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

Dear Ms. Wagner:

Re: Rural or Remote Electricity Rate Protection

On December 20, 2017 the Ontario Energy Board (OEB) issued its Decision and Order in proceeding EB-2017-0333 which set the Ontario Wholesale Market Service (WMS) rate and the Rural or Remote Electricity Protection (RRRP) charge effective January 1, 2018.

Amount to be charged by the IESO for RRRP

The OEB has determined that effective January 1, 2018 the RRRP charge to be collected by the IESO shall continue to be \$0.0003 per kilowatt-hour.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

SCHEDULE B

EB-2017-0333

COMMUNICATION TO DISTRIBUTORS AND RETAILERS

DECEMBER 20, 2017

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
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EB-2017-0333

BY EMAIL

December 20, 2017

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

Re: Wholesale Market Service Rate and Rural or Remote Electricity Rate Protection Charge

On December 20, 2017 the Ontario Energy Board (OEB) issued its Decision and Order in proceeding EB-2017-0333 which set the Ontario Wholesale Market Service (WMS) rate and the Rural or Remote Electricity Protection (RRRP) charge effective January 1, 2018.

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

Effective January 1, 2018, the amount to be charged by distributors and retailers with retailer-consolidated billing to their customers with respect to the WMS rate for Class A customers shall continue to be \$0.0032. For Class B customers, a Capacity Based Recovery 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, 2018, the amount to be charged by distributors and retailers with retailer-consolidated billing to their customers with respect to the RRRP shall continue to be \$0.0003 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