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February 24, 2020

BY E-MAIL AND WEB POSTING

**To: All Licensed Electricity Distributors
All Licensed Unit Sub-Meter Providers
Independent Electricity System Operator
All Other Interested Parties**

Re: Changes to the Ontario Electricity Rebate

Background

On November 1, 2019, the 8% Provincial Rebate was replaced with the 31.8% Ontario Electricity Rebate (OER). Further changes to the way the OER applies to consumers who also receive bill relief under the Ontario Electricity Support Program (OESP) were made on February 14, 2020.

The purpose of this letter is to provide guidance to electricity distributors and unit sub-meter providers (USMPs) on the implementation of the OESP-related changes, and to set out reporting requirements on that implementation. This letter supplements the OER guidance provided on [October 25, 2019](#) and [December 6, 2019](#). This letter also provides clarification on the accounting methodology used to record OER-related transactions and the methodology used to determine OER claims from the Independent Electricity System Operator (IESO) for settlement purposes.

Overview of the February 14, 2020 Amendments to the OER Rules

Calculation of OER by Distributors for Customers Receiving OESP

As a result of the February 14, 2020 amendments to the General Regulation (O. Reg. 363/13) under the *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA), a customer's monthly OESP credits will no longer be deducted from the "base invoice amount" on which the distributor calculates the OER.¹ Consequently, a customer who receives both the OER and OESP will see a larger OER amount (all other things being equal). The changes are to be made in time for the first bill issued on or after March 1, 2020; however, if a distributor is not able to meet that deadline for technical or operational reasons, it must make the changes as soon as possible and in any case no later than the first bill issued on or after May 1, 2020.²

Flow-through of OER by Unit Sub-Meter Providers to Customers Receiving OESP

For customers who are billed by a unit sub-meter provider (USMP), the requirement for the USMP to reduce the OER for a customer receiving OESP by 31.8% of the customer's OESP credit is being removed.³ USMP invoices issued after March 1, 2020 will no longer reflect the reduction, unless the USMP is unable to meet that deadline for technical or operational reasons, in which case it must make the changes as soon as possible and in any case no later than the first bill issued on or after May 1, 2020.⁴

Lump Sum Payment by Distributors and USMPs for Customers Receiving OESP

The February 14, 2020 amendments require both distributors and USMPs to provide a one-time lump sum payment to customers receiving OESP in order to compensate them for the difference between the amount of OER they actually received on bills issued between November 1, 2019 and February 29, 2020 (defined as the "prescribed period") and the amount they would have received in that period if there had been no OESP adjustment to the OER. The amount of the lump sum payment is set out in section 4.1 of the General Regulation, and depends on what OESP "class" the customer belongs to (that is, the amount of the OESP credit the customer receives).

Section 4.1 includes a table showing the lump sum amount for each OESP class; the total lump sum payment is calculated by multiplying the applicable amount in the table by the number of billing periods in the prescribed period where the customer received

¹ Section 2.1(3) of the General Regulation.

² Section 5(1) of the Invoicing Requirements Regulation (O. Reg. 364/16) under ORECA.

³ Section 3(3) of the General Regulation.

⁴ Section 5(1)(a) of the Invoicing Requirements Regulation.

both the OER and the OESP. So, for example, if a customer received the Class A OESP rebate of \$35 per month on bills issued November 15, December 15, January 15 and February 15, the customer would be entitled to a lump sum of \$44.52 (four times the \$11.13 set out in the table) on the March 15 bill.⁵

If the same customer received the Class A OESP on only three bills in the prescribed period (for instance, because the customer no longer qualified for the OESP after January 15), the lump sum would be \$33.39 (three times \$11.13). If the customer moved from Class A to Class B on the January 15 bill, the lump sum would be \$47.70 (two times \$11.13, for the November 15 and December 15 bills, plus two times \$12.72 – the amount for Class B in the table – for the January 15 and February 15 bills). A customer who received a final bill (due to the closure of the customer's account) at any time during the prescribed period is not entitled to receive any lump sum payment.⁶

If a customer received a bill in November 2019 for a period that began prior to November 1, 2019, that bill is considered to have fallen wholly within the prescribed period.⁷ For example, for a bill issued by a distributor on November 15, 2019 for consumption between October 8 and November 8, the 8% and 31.8% would have been pro-rated on that bill based on the number of days occurring in each month to which the respective amounts applied. For the purpose of the lump-sum payment, however, the customer is entitled to the full amount set out in the applicable part of the table in the General Regulation for the November 15 bill.

The lump sum payment must be included in the OER line on the customer's bill.⁸ The lump sum payment is to be reflected on the first bill issued on or after March 1, 2020, unless the distributor or USMP is unable to meet that deadline for technical or operational reasons, in which case it must credit the lump sum to the customer on the first bill issued on or after May 1, 2020, or earlier if possible.⁹

Distributors and USMPs must maintain an account that tracks the lump-sum payment they make to their customers.¹⁰ Distributors should track the lump-sum payment in a sub-account of Account 1110 Other Accounts Receivable. Distributors and USMPs are

⁵ Note that the amounts set out in the table are 31.8% of the monthly OESP amounts provided for in the OESP Regulation (O. Reg. 14/18) under the *Ontario Energy Board Act, 1998*. Note also that if the distributor or USMP is unable to provide the lump sum on the March 15 bill, it may do so as soon as reasonably possible and in any event by the first invoice issued on or after May 1 (see the "Implementation" section below).

⁶ Sections 3(3), 2.1(3) and 4.1(7) of the General Regulation.

⁷ Section 4.1(5) of the General Regulation.

⁸ Sections 2 and 3 of the Invoicing Requirements Regulation.

⁹ Section 5(1)(b) of the Invoicing Requirements Regulation.

¹⁰ Sections 4.1(8) and (9) of the General Regulation.

entitled to recover the cost of these payments from the IESO.¹¹ To facilitate reimbursement, distributors (that are market participants) and USMPs are required to report to the IESO.¹² The amended General Regulation clarifies that a USMP need not report to the IESO on the rebate variance amounts or any lump sum payments if the amounts for the month were zero.¹³

Implementation

Distributors and USMPs are required to implement the changes described above (i.e. the changes to the calculation of the OER and the provision of the lump sum payment) in time for the first bill issued on or after March 1, 2020.¹⁴ However, as discussed above, the Invoicing Requirements Regulation (O. Reg. 364/16) under ORECA, which was also amended on February 14, 2020, provides that if a distributor or USMP is unable to meet that deadline, it must adapt its bills “as soon as is reasonably possible and, in any event, no later than the last day of the last billing period or invoice period ending before May 1, 2020”.¹⁵ Where the changes are not made in time for the first bill issued on or after March 1, 2020, the distributor or USMP is required to make the customer whole by way of a lump sum payment when it brings its bills into compliance.¹⁶

To illustrate, suppose a distributor issued four bills between November 1, 2019 and February 29, 2020 to a customer who received an OESP credit (on November 15, December 15, January 15 and February 15), but was unable to adapt its bills until the May 15, 2020 bill. Suppose also that there were two bills sent after February 29 but before the changes were made (on March 15 and April 15) – that is, two bills that still deducted the OESP credit from the OER calculation and did not include a lump sum payment. On the May 15 bill, the distributor would have to include a lump sum payment in the amount of six times the applicable dollar amount shown in the table of the General Regulation (four for the bills sent before March 1 and two for the bills sent afterwards that were non-compliant with the new requirements).

As noted above, a customer who received a final bill (due to the closure of the customer’s account) at any time during the prescribed period is not entitled to receive the lump sum payment. OEB staff’s view is that in the event a customer receives a final bill in the period between the end of the prescribed period and the date the distributor or

¹¹ Sections 10(3)(b) and 11(5)(b) of the General Regulation.

¹² Sections 9(1) and 11(1) of the General Regulation.

¹³ Section 11(2.2) of the General Regulation.

¹⁴ Section 4.1(6) of the General Regulation.

¹⁵ Section 5(1)(a) of the Invoicing Requirements Regulation.

¹⁶ Section 5(1)(b) of the Invoicing Requirements Regulation.

USMP is able to adapt its bills the customer would not be entitled to a lump sum payment. For instance, if the customer's final bill were issued on April 15, 2020, the customer would not be entitled to a lump sum payment on May 15, 2020.

The Ministry of Energy, Northern Development and Mines has requested that distributors and USMPs inform all OESP recipients about the changes to the OER that will appear on their bills, and has provided distributors and USMPs with a sample notice.

OEB staff also reminds distributors and USMPs that they are required by section 5 of the General Regulation to explain how the amount of financial assistance on a customer's bill was calculated, if the customer asks. This includes an explanation of the OER calculation and any lump sum that may have been paid pursuant to section 4.1 of the General Regulation.

Reporting Requirements

Pursuant to the February 14, 2020 amendments to the Invoicing Requirements Regulation, a distributor or USMP that is unable, for technical or operational reasons, to adapt its bills to reflect the OESP-related changes to the General Regulation must give a notice to the OEB by **February 29, 2020** explaining the applicable technical or operational reasons and setting out the date by which compliance is expected to be reflected on bills.¹⁷ As February 29 falls on a Saturday, the OEB will accept the notice on Monday, March 2.¹⁸

To enable the OEB to monitor the implementation of these changes, the OEB is also introducing two additional reporting requirements pursuant to the standard licence condition requiring licensees to provide such information as the OEB may require from time to time:

- (1) No later than **March 31, 2020**, every licensed electricity distributor and licensed USMP that did not give a notice to the OEB under section 5(2) of the Invoicing Requirements Regulation must file a letter confirming that it has adapted its invoices to reflect compliance with the February 14, 2020 amendments to the General Regulation; and
- (2) Every licensed electricity distributor and licensed USMP that gave a notice to the OEB under section 5(2) of the Invoicing Requirements Regulation must file a

¹⁷ Section 5(2) of the Invoicing Requirements Regulation.

¹⁸ *Legislation Act, 2006*, section 89(2).

letter confirming that it has adapted its invoices to reflect compliance with the February 14, 2020 amendments to the General Regulation **within 10 days after adapting its invoices.**

The notice under section 5(2) of the Invoicing Requirements Regulation as well as the letters required by the OEB above should be sent by e-mail to BoardSec@oeb.ca. The subject line of the e-mail should state: "OER Implementation: (Licensee Name)".

Supplementary Accounting Guidance

The OEB previously issued accounting guidance for the 8% Provincial Rebate on [February 9, 2017](#) and for the OER on [October 25, 2019](#) and [December 4, 2019](#). These guidance documents indicated that licensed electricity distributors may use reasonable estimates, as appropriate, for the purpose of obtaining reimbursement for the rebate amounts provided to their customers. It has come to the attention of OEB staff that the use of estimates has not been consistently used in the industry for OER settlement purposes. OEB staff takes this opportunity to remind distributors that estimates (i.e. the accrual method of accounting) are expected to be used in all circumstances where actual OER amounts to the end of each calendar month have not yet been billed (as a credit rebate on the bill). OER claims from the IESO are expected to represent a full calendar month. The accounting guidance previously issued also stated that OER-related transactions for both billings and settlements are to be accounted for using accrual accounting.

The use of accrual accounting allows for a complete representation of the estimated transactions based on customer consumption and demand to the end of each calendar month. Accrual accounting of OER claims with the IESO is expected to be beneficial to distributors for cash flow purposes. Distributors that previously settled the OER with the IESO on the billed basis for only the OER credited to their customers by the end of each calendar month are expected to commence incorporating the unbilled amounts into the OER settlements for consumption and demand to the end of each calendar month going forward from the implementation of the accrual basis of OER settlement.

OEB staff acknowledges that some distributors may incur additional costs and require system changes if they have not already been settling the OER on an accrual basis. OEB staff expects that any incremental cost to distributors to incorporate the unbilled OER amounts into their settlement claims with the IESO should be offset by favourable cash flow impacts from making OER claims on an accrual basis. If this is not the case for some distributors and the cost of implementing the accrual basis is material and

exceeds the cash flow benefits, distributors have the opportunity to seek a deferral account with sufficient information supporting the net incremental costs. Distributors are reminded that they must perform monthly reconciliations between the OER rebate provided to customers and the amount claimed from the IESO against the applicable Accounts Receivable sub-accounts for OER to ensure OER amounts are accurate.

There is one aspect of the December 4, 2019 accounting guidance that OEB staff has determined should be updated. That guidance specified that OER amounts credited to eligible customers and received from the IESO were to be recorded in new sub-accounts of a clearing Accounts Payable or Accounts Receivable account. Because the OER claims represent funds recovered from the IESO, OEB staff is now of the view that it would be more appropriate, and would provide greater transparency, to record OER-related transactions in Accounts Receivable sub-accounts (not Accounts Payable). Distributors are expected to use Accounts Receivable sub-accounts for recording OER-related transactions.

Any inquiries relating to this letter should be directed to the OEB's Industry Relations Enquiry e-mail at IndustryRelations@oeb.ca.

Yours truly,

Original Signed By

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Vice President
Consumer Protection & Industry Performance