



**EB-2013-0067**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c.15;

**AND IN THE MATTER OF** a proceeding to set rates  
pursuant to section 78 of the *Ontario Energy Board Act,*  
*1998*;

**AND IN THE MATTER OF** a proceeding commenced by the  
Board on its own motion pursuant to section 19(4) of the  
*Ontario Energy Board Act, 1998*; and

**AND IN THE MATTER OF** section 21(4) of the *Ontario*  
*Energy Board Act, 1998*.

**BEFORE:** Cynthia Chaplin  
Presiding Member

## **DECISION AND RATE ORDER**

**(Amended)**

April 2, 2013

## INTRODUCTION

Pursuant to section 19(4) and section 78 of the *Ontario Energy Board Act, 1998* (the “Act”), the Ontario Energy Board (the “Board”) has commenced a proceeding on its own motion to consider the appropriate level of the wholesale market services rate (“WMS rate”) and the rural or remote protection plan rate (“RRRP rate”) for all Ontario regulated electricity distributors.

Wholesale Market Services Charges (“WMSC”) are paid by all customers of the wholesale electricity market, including electricity distributors, to the Independent Electricity System Operator (“IESO”). The WMSC recovers the cost of services required to operate the electricity system and run the wholesale market and is largely made up of the following components: net energy market settlement, congestion management settlement credits, ancillary market services and other services necessary to operate the electricity market and manage the Power System in Ontario.

Individual electricity distributors recover the WMSC from their customers through the WMS rate, which is authorized by the Board under section 78 of the Act. The current WMS rate of 0.52 cents/kWh was established in 2001 prior to Market Opening. It was made effective upon Market Opening in May 2002 and has not been changed since that time. The WMS rate appears on the tariff sheets for all electricity distributors.

RRRP charges are similar to WMSC. They are paid by all customers of the wholesale electricity market, including electricity distributors, to the IESO. Pursuant to section 79(1) of the Act, the funds are ultimately used to reduce the distribution rates of certain rural electricity distributors. The RRRP charges are recovered by electricity distributors from their customers through the RRRP rate, which is authorized by the Board pursuant to section 78 of the Act and appears on the tariff sheets for all electricity distributors. The current RRRP rate is 0.11 cents/kWh.

Although the RRRP rate and the WMS rate are separate rates, the purpose of both is to recover charges imposed on the electricity distributors by the IESO, and they are often considered together. Considered together, the total rate for the WMS rate and the RRRP rate is 0.63 cents/kWh. The difference between the amounts paid to the IESO and the amounts collected by electricity distributors through levying the combined 0.63 cents/kWh rate is captured in the Retail Service Variance Account –Wholesale Market Service (Account 1580).

## **DETERMINING THE 2013 WHOLESALE MARKET SERVICE RATE AND RRRP RATE**

The current WMS rate of 0.52 cents/kWh has in the past and currently over-collects the charges paid to the IESO, resulting in consistent credit balances being accumulated in Account 1580. This over-collection is eventually returned to customers when the individual electricity distributors dispose of Account 1580, either in an incentive regulation mechanism rate application (provided that the disposition threshold is met) or as part of a cost of service rate application. In the third quarter of 2012, the balance in Account 1580 for all electricity distributors in Ontario was a credit balance of \$350.4 million.

In December 2012, at the request of Board staff, the IESO provided a forecast of Wholesale Market costs for 2013 and 2014. The IESO used a forecast of electricity demand, congestion, ancillary services, and other costs and electricity prices for 2013 and 2014, to calculate future Wholesale Market costs.

The IESO concluded that their estimate of Wholesale Market costs for these two years is lower than the current regulated WMS rate by approximately 0.07 cents/kWh to 0.09 cents/kWh. This range was established using sensitivity analysis on demand and hourly Ontario energy price scenarios. The IESO also noted that due to the forecast increase in embedded generation in future years, the over-collection of its costs is likely to increase further.

In order to better align the Wholesale Market Service costs levied by the IESO and the WMS rate collected from ratepayers, the Board has determined that effective May 1, 2013, the WMS rate be reduced by 0.08 cents/kWh, from 0.52 cents/kWh to 0.44 cents/kWh. This should act to minimize balances that would otherwise accrue in Account 1580.

The Board also notes that electricity distributors may apply at any time to adjust, where applicable, the WMS rate to better reflect their own circumstances.

With respect to the RRRP rate, the Board determined on December 20, 2012 that effective January 1, 2013, the RRRP charge to be collected by the IESO would be increased by 0.01 cents/kWh from 0.11 cents/kWh to 0.12 cents/kWh (EB-2012-0453). However, given the magnitude of the credit balances in Account 1580 (which captures both the WMSC and the RRRP charge variances) reported by rate regulated distributors, the Board did not change the RRRP rate. Rate regulated distributors were

instead directed, effective January 1, 2013, to capture the difference between the RRRP charge invoiced by the IESO of 0.12 cents/kWh and the existing retail RRRP charge of 0.11 cents/kWh in Account 1580.

The Board further finds that effective May 1, 2013, the RRRP rate charged by distributors shall increase from 0.11 cents/kWh to 0.12 cents/kWh thereby rendering any further price variance entry in Account 1580 unnecessary as of that date.

### **DETERMINATION TO DISPOSE OF THIS PROCEEDING WITHOUT A HEARING**

The Board has made its determination of the 2013 WMS rate and the RRRP rate in accordance with its authority under Section 19 (4) of the Act.

The Board has determined that no person will be adversely affected in a material way by the outcome of this proceeding, and, in accordance with section 21(4)(b) of the Act, has disposed of this matter without a hearing.

### **IMPLEMENTATION**

Attached to this Decision and Order are communications to distributors and retailers (Appendix A) to inform them of the change in the WMS rate and RRRP rate effective May 1, 2013.

### **THEREFORE, THE BOARD ORDERS THAT:**

1. Effective May 1, 2013, the Wholesale Market Service rate shall be 0.44 cents/kWh. This unit rate shall apply to customer's metered energy consumption adjusted by the Total Loss Factor approved by the Board.
2. Effective May 1, 2013, the Rural or Remote Protection Plan rate shall be 0.12 cents/kWh. This unit rate shall apply to customer's metered energy consumption adjusted by the Total Loss Factor approved by the Board.

**DATED** at Toronto, April 2, 2013  
**ONTARIO ENERGY BOARD**

*Original Signed By*

Kirsten Walli  
Board Secretary

**APPENDIX A  
(Amended)**

**To Decision and Rate Order**

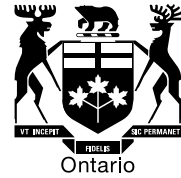
**Communication to Distributors and Retailers on the  
2013 Wholesale Market Service and RRRP Rates**

**Board File No. EB-2013-0067**

**Dated: April 2, 2013**

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**BY EMAIL**

April 2, 2013

To: All Licensed Electricity Distributors and Retailers

**Re: Wholesale Market Service Rate and Rural or Remote Rate Protection Rate**

On March 21, 2013, the Ontario Energy Board issued its decision and rate order in proceeding EB-2013-0067 to change the level of the Wholesale Market Service rate (WMS rate) and the Rural or Remote Rate Protection (RRRP) rate effective May 1, 2013.

**Amount to be Charged by Distributors for Wholesale Market Service Costs**

The Board has determined that effective May 1, 2013, the WMS rate shall be 0.44 cents/kWh.

**Amount to be Charged by Distributors and Retailers for RRRP**

Effective May 1, 2013, the amount to be charged by distributors and retailers with respect to the RRRP shall be 0.12 cents/kWh.

The total of these two charges is 0.56 cents/kWh and this rate shall apply to customer's metered energy consumption adjusted by the Total Loss Factor approved by the Board.

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary