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BY E-MAIL

June 16, 2016

**TO: All Licensed Electricity Distributors
IESO**

**RE: Draft Accounting Guidance on CBDR component of Wholesale Market
Services Rate
OEB File Number EB-2016-0193**

On November 15, 2015, the OEB issued its Decision and Order (the Order) on the Wholesale Market Services (WMS) rate for the 2016 rate year. The WMS rate set by that Order is used by distributors to recover certain Ontario-wide costs associated with the day-to-day operations of the electricity market.

On June 16, 2016, the OEB issued a Supplementary Decision and Order that provided a break-down of the WMS rate into its components for Class B customers, i.e. WMS and Capacity Based Demand Response (CBDR) for Class B, and clarified the CBDR for Class A customers.

On March 29, 2016, the OEB issued accounting guidance on CBDR, which included guidance on applying the true-up adjustments to Class A customers' bills for CBDR (see page 2 of the [OEB letter](#)). The OEB intends to issue updated accounting guidance to replace the true-up adjustments described in the March 29 letter to establish a more efficient settlement process for Class A customers.

Accordingly, attached to this letter is draft accounting guidance to that effect. The OEB is providing an opportunity for distributors to provide comments on this draft guidance. The OEB will also consider comments on any other transactional issues with respect to the CBDR. Any comments can be provided to Raj Sabharwal at 416-440-7694 or rajvinder.sabharwal@ontarioenergyboard.ca by June 28, 2016.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Draft Accounting Guidance

Capacity Based Demand Response Settlement

General:

CBDR sub-accounts are Group 1 variance accounts and distributors are expected to file for their disposition as part of Group 1 deferral and variance accounts pursuant to the application process established by the OEB.

Carrying charges apply to the CBDR sub-accounts.

CBDR for Class B

Billings (revenues) to be recorded in Account 4062 Billed - WMS, Sub-account CBDR Class B

Effective January 1, 2016:

The WMSR of 0.36¢/kWh, which includes the CBDR rate of 0.04¢/kWh, has been in effect since January 1, 2016. Distributors are to record WMS revenues on all consumption effective January 1, 2016 and onwards for Class B customers, excluding Wholesale Market Participants, in the following manner:

- Billed WMS revenues of \$0.0032 per kWh to Account 4062 Billed - WMS
- Billed WMS revenues of \$0.0004 per kWh to Account 4062 Billed - WMS, Sub-account CBDR Class B

Before January 1, 2016:

As there was no CBDR component included in the WMS rate in 2015, there should be no entries in Account 4062 Billed - WMS, Sub-account CBDR Class B in 2015.

Costs (charges) to be recorded in Account 4708 Charges - WMS, Sub-account CBDR Class B

Distributors must follow the guidance provided in the OEB letter dated June 4, 2015 for recording costs in this sub-account. According to that guidance, charge type 1351 for CBDR for Class B Loads is recorded in Account 4708 Charges – WMS, Sub-account CBDR Class B. The June 4, 2015 letter can be accessed [here](#) for convenience.

Variances to be recorded in Account 1580 Variance - WMS, Sub-account CBDR Class B:

Effective January 1, 2016:

The variance in this account should capture the difference between the billed WMS revenues of \$0.0004 per kWh booked in Account 4062 Billed - WMS, Sub-account CBDR Class B and the charges from the IESO booked in Account 4708 Charges - WMS, Sub-account CBDR Class B.

Before January 1, 2016:

No revenue was collected from customers for CBDR prior to January 1, 2016 since the CBDR component was not embedded within the WMS rate in 2015. All costs paid for CBDR for Class B customers for the consumption period April 30, 2015 to December 31, 2015 would have been recorded in Account 1580 Variance - WMS, Sub-account CBDR Class B.

CBDR for Class A

Billings (revenues) to be recorded in Account 4062 Billed - WMS, Sub-account CBDR Class A

Effective the first billing period following the date of the Supplemental Order:

Distributors must bill Class A customers their share of the actual CBDR charge (i.e. based on charge type 1350 on the IESO invoice for the previous month) based on their respective PDF. Wholesale Market Participants are billed by the IESO for CBDR.

All amounts billed to Class A customers must be recorded in Account 4062 Billed - WMS, Sub-account CBDR Class A. The amount booked to Account 4062 should be equal to the amount booked in Account 4708, so there would be no variance recorded in Account 1580 for Class A CBDR costs.

Effective January 1, 2016 to the first billing period following the date of the Supplemental Order:

The WMS rate of 0.36¢/kWh, which includes the CBDR rate of 0.04¢/kWh, has been in effect since January 1, 2016. Distributors must record all 2016 consumption billed to date to Class A customers in the following manner:

- Billed WMS revenues of \$0.0032 per kWh to Account 4062 Billed - WMS
- Billed WMS revenues of \$0.0004 per kWh to Account 4062 Billed - WMS, Sub-account CBDR Class A

Before January 1, 2016:

As there was no CBDR component included in the WMS rate in 2015, there should be no entries in Account 4062 Billed - WMS, Sub-account CBDR Class A in 2015.

Costs (charges) to be recorded in Account 4708 Charges - WMS, Sub-account CBDR Class A

Costs recorded under Charge type 1350 for CBDR for Class A Loads are recorded in Account 4708 Charges – WMS, Sub-account CBDR Class A. Distributors must follow the guidance provided in the OEB letter dated June 4, 2015 for recording costs in this sub-account.

Variance account disposition of Account 1580 Variance - WMS, Sub-account CBDR Class A

Given that the CBDR component was not embedded within the WMS rate in 2015, all costs paid for CBDR for Class A for the consumption period from April 30, 2015 to December 31, 2015 would have been recorded in Account 1580 Variance - WMS, Sub-account CBDR Class A.

In addition, there would be additional variances recorded in this sub-account for the period from January 1, 2016 to the year-to-date billings to Class A customers. This would be the difference between the billings at \$0.0004/kWh and the actual CBDR cost related to Class A customers for 2016.

Disposition of Variances Recorded for Year 2016:

For the period during which Class A customers were charged \$0.0004/kWh for CBDR, distributors should apply billing adjustments equal to the difference between the CBDR billed by the LDC and the CBDR charged by the IESO.

In order to calculate the billing adjustment, distributors should:

- Calculate for each Class A customer the CBDR allocation based on their specific PDF.
- Calculate the amount billed to each Class A customer for CBDR based on \$0.0004/kWh on their consumption.
- Calculate the difference between the above two amounts.
- Apply the billing adjustment on the Class A customers' bills.

Disposition of Variances Recorded for Year 2015 in 2017 Rate Applications:

Distributors are expected to file for disposition of Group 1 deferral and variance accounts pursuant to the applications process established by the OEB. Distributors are expected to report Account 1580 Variance – WMS, Sub-account CBDR Class A on their continuity schedules.

Disposition of Account 1580 – Variance WMS, Sub-account CBDR Class A

The applicant must:

- Confirm that the December 31, 2015 balance proposed for disposition is a debit balance. If the balance is in a credit position, applicants must explain why this is the case as no credit balances are expected in this sub-account.
- Propose disposition of this sub-account to Class A customers by allocating the balance to each Class A customer based on their specific PDF and determining a customer-specific charge for each customer. The CBDR A balance is and not to be disposed by a traditional rate rider.

Disposition of Account 1580 – Variance WMS, Sub-account CBDR Class B

The applicant must:

- Confirm that the December 31, 2015 balance proposed for disposition is a debit balance. If the balance is in a credit position, applicants must explain why as no credit balances are expected in this sub-account.
- Propose to transfer the balance in Sub-account CBDR Class B into the WMS Control account for disposition, only if the distributor does not serve any Class A customers.
- Propose to transfer the balance in Sub-account CBDR Class B into Account 1595 if the rate riders calculated are insignificant (i.e. more than 4 decimal places) and if the distributor serves Class A customers.
- Propose to dispose of the balance in Sub-account CBDR Class B via a volumetric rate rider, if neither of the above two criteria are met. Disposition must be in accordance with OEB guidelines on the disposition of Group 1 deferral and variance accounts.