



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

SUPPLEMENTARY DECISION AND ORDER

EB-2016-0193

**In the matter of Capacity-Based Demand Response regulatory
charges established for the 2016 rate year**

BY DELEGATION, BEFORE: Lynne Anderson

June 16, 2016

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1 INTRODUCTION AND SUMMARY

On November 19, 2015, the OEB issued its Decision and Order (the Order) on regulatory charges for the 2016 rate year. The charges set by this Decision recover certain Ontario-wide costs associated with the day-to-day operations of the electricity market, support system planning and administration, and fund certain provincial rate assistance programs.

The wholesale market service (WMS) rate is the largest of these regulatory charges and recovers the cost of the services provided by the Independent Electricity System Operator (IESO) to operate the electricity system and administer the wholesale market.

Since April 30, 2015, the IESO has included two new charge types for the Capacity-Based Demand Response (CBDR) program within the group of charges that compose the WMS. One charge type is for Class A customers and the other for Class B customers.

This Supplemental Decision identifies the CBDR component of the WMS rate that will only apply to Class B customers. Distributors are expected to charge Class A customers their specific share of the monthly IESO invoice for CBDR.

2 THE PROCESS

Due to the mechanistic nature of setting the WMS rate, the OEB's Vice President, Applications has been delegated the authority under Section 6(4) of the *Ontario Energy Board Act, 1998* (the OEB Act) to make a decision on the annual setting of the WMS rate. This Supplementary Order is also being issued by the Delegated Authority without a hearing pursuant to section 6(4) of the OEB Act. The orders established in this Supplemental Order are effective January 1, 2016.

The calculation of the WMS rate is a mechanistic exercise and was described in the November 19, 2015 Order. The WMS rate established for 2016 includes a CBDR component. The CBDR is a transitional program established by the IESO, which brings contracted demand response providers from the Demand Response 3 (DR3) Program into the wholesale energy market. The program provides availability and utilization payments to both aggregated and individual loads who are capable of reducing their consumption at times of peak demand and when it is cost-effective for them to do so.

CBDR is a market-based program, and the cost recovery mechanism is consistent with the Global Adjustment (GA) mechanism (i.e. Class A customers are charged based on their Peak Demand Factor (PDF), and Class B customers are charged based on their kWh consumption). However, unlike the DR3, CBDR is not included in the GA, and has its own charge types. Similar to other charge types that are part of the uplift or wholesale market service charges, CBDR charges are recovered from Ontario loads as an uplift.

The WMS rate in the November 19, 2015 Order was based on the actual CBDR charges from April 30, 2015 to September 2015 for Class B customers, as published by the IESO¹ in its Monthly Market Report. The IESO does not publish the CBDR charges paid by Class A customers. However, the IESO invoices provide all distributors with the exact charges related to their Class A customers for the CBDR program generally by the 10th business day of every month, for the prior month.

¹ Monthly Market Report November 2015

3 THE CBDR PROGRAM

The CBDR program was implemented to bridge the period from the expiration of the DR3 program to the first demand response auction. Since April 30, 2015, the IESO has been charging all Ontario loads for CBDR, as an uplift with a new charge type. From the IESO's perspective, the cost recovery mechanism is consistent with the Global Adjustment mechanism, but unlike the DR3 program, the CBDR uplift is not included in the Global Adjustment.

The IESO charges Class A customers for CBDR in proportion to their contribution to peak (i.e. their PDF). Class A customers that are not direct wholesale market participants (WMP) and thus do not pay the IESO directly, must pay their distributor their share of CBDR. Distributors serving Class A customers have the necessary information to charge Class A customers their specific share of the monthly IESO invoice for CBDR because distributors know their customers' combined PDF, as well as the individual PDF, and are able to calculate the exact share of each of their Class A customer's CBDR.

The November 19, 2015 Order approved a WMS rate of 0.36¢/kWh that included a provision for CBDR costs of 0.04¢/kWh. There was no distinction made between Class A or Class B customers.

Distributors are expected to bill their Class A customers for their actual share of CBDR based on the invoices from the IESO and therefore the CBDR component of 0.04¢/kWh in the WMS rate should not be charged to Class A loads.

The OEB plans to issue further transactional guidance for the CBDR. To finalize that guidance the OEB will issue a separate letter seeking comments on draft accounting guidance and any other transactional issues.

4 ORDER

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, 2016. For Class B customers a CBDR component of \$0.0004 per kilowatt-hour is added to the WMS rate for a total of \$0.0036 per kilowatt-hour. For Class A customers, distributors shall bill the actual CBDR costs to Class A customers in proportion to their contribution to peak.

DATED at Toronto June 16, 2016

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary