



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

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## **DECISION AND ORDER**

**EB-2020-0276**

**In the matter of regulatory charges effective January 1,  
2021, for the Wholesale Market Services rate and the  
Rural or Remote Electricity Rate Protection charge**

**BY DELEGATION, BEFORE: Theodore Antonopoulos**

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**DECEMBER 10, 2020**

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## 1 INTRODUCTION AND SUMMARY

Every year, the Ontario Energy Board (OEB) sets the rates that all rate-regulated Ontario electricity distributors charge their customers. The rates recover the costs of the day-to-day operations of the electricity market, support system planning and administration, and fund provincial rate assistance programs.

The largest of these rates is the Wholesale Market Service (WMS) rate. The WMS rate is the rate set by the OEB for distributors to charge their customers in order to recover the costs of the services provided by the Independent Electricity System Operator (IESO). WMS charges recover the cost of services provided by the 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. The WMS rate is set by the OEB with consideration of historical wholesale market costs and factors that might influence the upcoming period. The current WMS rate is \$0.0034 per kilowatt-hour.<sup>1</sup>

The second regulatory charge 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 is higher. Pursuant to 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 of eligible customers of Hydro One Networks Inc. was shifted to provincial revenues. The current RRRP rate is \$0.0005 per kilowatt-hour.<sup>2</sup>

The Decision and Order establishes, effective January 1, 2021, that the WMS rate, including Capacity Based Recovery (CBR), remain at the current level of \$0.0034 per kilowatt-hour, and that the RRRP charge also remain at the current level of \$0.0005 per kilowatt-hour. As a result, there will be no impact on customers' bills.

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<sup>1</sup> 2020 Regulatory Charges Decision and Order EB-2019-0278, issued December 17, 2019.

<sup>2</sup> *Ibid.*

These charges appear on the tariffs of rates and charges of all licensed Ontario electricity distributors and are reflected under the line item called Regulatory Charges 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 prior OEB decisions and the IESO. Accordingly, this Decision and Order is being issued by Delegated Authority without a hearing pursuant to section 6(4) of the OEB Act.

The WMS rate and RRRP charge established by this Decision and Order will be effective January 1, 2021.

### 3 WHOLESALE MARKET SERVICES

Customers of the wholesale electricity market (including electricity distributors) pay WMS charges 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 charge they receive from, and pay to, the IESO for the cost to operate the electricity system and administer the wholesale market. The difference between the IESO's charges to a distributor and the payments received by the distributor from its customers is recorded in Account 1580 of the Uniform System of Accounts in the distributors' books. Any audited balances within Account 1580 are typically considered for disposition in the distributor's next rate proceeding.<sup>3</sup>

#### Determining the WMS Rate

Customers with a peak demand of 50 kilowatts and up to five megawatts typically pay the Global Adjustment through their regular billing cycle with their local distribution company. They are referred to as Class B customers. Customers with an average peak demand of above 1 megawatt who opt to participate in the Industrial Conservation Initiative (ICI) are referred to as Class A customers.

In its last decision regarding the WMS rate<sup>4</sup>, the OEB kept the WMS rate at the level of \$0.0034 per kilowatt-hour effective January 1, 2020, for Class B customers, including a CBR component of \$0.0004 per kilowatt-hour. 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, 2020 to October 31, 2020 has fluctuated from month to month, the weighted average

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<sup>3</sup> OEB policy requires that Group 1 accounts be disposed if they exceed (as a debit or credit) a pre-set disposition threshold of \$0.001 per kWh, unless a distributor justifies why balances should not be disposed. If the balance does not exceed the threshold, a distributor may elect to request disposition.

<sup>4</sup> 2020 Regulatory Charges Decision and Order EB-2019-0278, issued December 17, 2019.

WMS charge including CBR<sup>5</sup> for the period is \$0.0031 per kilowatt-hour (the weighted average CBR charge is \$0.00038 per kilowatt-hour). The OEB's previous decision on the WMS charge<sup>6</sup> established the weighted average WMS charge including CBR for January 1, 2019 to October 31, 2019 to be \$0.00347 per kilowatt-hour. If the WMS charges in November and December 2019 were included, the weighted average WMS charge including CBR for 2019 would decline to \$0.00306 per kilowatt-hour. This decrease is mainly attributable to the negative WMS charge in November 2019, which was mostly due to market rebates and adjustments. The IESO's 2021 forecasted consumption in Ontario has increased slightly from the 2020 forecast of 131.9 to 132.0 terawatt-hours, including transmission line losses.<sup>7</sup>

A review of the WMS charges for the period from 2012 to 2020 indicates the following over/under-collection of the WMS costs in the sector:

**Table 1: Under/(Over) - Collection of the WMS Costs (2012 to 2020)**

In millions (\$)	2012	2013	2014	2015	2016	2017	2018	2019	2020 (January to October)
<b>Under/ (Over) Collection of WMS Costs<sup>8</sup></b>	(210)	(99)	22	(251)	(128)	(119)	(31)	(39)	(27)

Table 2, below, sets out the accumulated balances in Account 1580 as at year ends of 2014 to 2019 inclusive, each of which is a credit.

<sup>5</sup> The weighted average WMS charge including CBR is calculated by summing up the weighted monthly WMS charge net of RRRP charge, including the CBR. The weighted monthly WMS charge is derived from the monthly WMS charge net of RRRP charge posted by the IESO multiplied by the weight of the monthly Ontario demand for the specific month.

<sup>6</sup> 2020 Regulatory Charges Decision and Order EB-2019-0278, issued December 17, 2019.

<sup>7</sup> The forecasted transmission line losses were included because the WMS 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.

<sup>8</sup> The under/(over)-collection of the WMS costs for the year is calculated as sum of monthly under/(over)-collection of the WMS costs. The monthly under/(over)-collection of the WMS costs are calculated as the Ontario monthly demand multiplied by the variance between monthly WMS charge posted by the IESO and the WMS rate posted by the OEB.

**Table 2: Account 1580 Balances (2014 to 2019)**

In millions (\$)	2014	2015	2016	2017	2018	2019
<b>Accumulated Balance as at Dec 31 of each year</b>	(280)	(386)	(482)	(358)	(271)	(131)

A review of the distributors' deferral and variance accounts (DVAs) continuity schedules filed in the 2020 and 2021 applications indicates that the large credits balance accumulated as at the year ends may not represent an accurate picture of the over/under-collection of the WMS costs by all distributors in the sector.

Table 3 below shows the approximate net transactions in Account 1580 from the review for the years of 2017 to 2019.<sup>9</sup>

**Table 3: Account 1580 Net Transactions (2017 to 2019)**

In millions (\$)	2017	2018	2019
<b>Net Transactions in Account 1580 (Per DVA continuity schedules)</b>	121	71	38

There are two principal reasons for the large differences between the accumulated balance as at December 31 of each year and Account 1580 net transactions. First, some distributors may not have transferred out the disposed balances in Account 1580 due to the reporting time of the balances. In addition, some distributors may not have disposed the prior years' balances in Account 1580 – because either their net DVA balances did not meet the disposition threshold set by the OEB or there was a need for further review (or audit) of the balances.

The OEB has reduced the WMS rate three times in the past. In its 2014 regulatory charge decision<sup>10</sup>, the OEB reduced the WMS rate from \$0.0052 per kilowatt-hour to \$0.0044 per kilowatt-hour primarily considering a history of significant over-collection. In its 2016 regulatory charge decision<sup>11</sup>, the OEB reduced the WMS rate from \$0.0044 per kilowatt-hour to \$0.0036 per kilowatt-hour, effective January 1, 2016. In its 2019

<sup>9</sup> The net transactions in the year of Account 1580 are summarized based on the review of the continuity schedules filed in the distributors' DVAs continuity schedules in the 2021 applications, if available, and the DVAs continuity schedules in the 2020 applications. The amounts are approximate because certain assumptions must be made regarding the transfer of the disposed amounts in Account 1580.

<sup>10</sup> 2014 Regulatory Charges Decision and Order EB-2013-0067, issued March 21, 2013.

<sup>11</sup> 2016 Regulatory Charges Decision and Order EB-2015-0294, issued November 19, 2015.



regulatory charge decision<sup>12</sup>, the OEB reduced the WMS rate from \$0.0036 per kilowatt-hour to \$0.0034 per kilowatt-hour, effective January 1, 2019.

## Findings

The weighted average WMS charges in 2019 (\$0.0031 per kilowatt-hour) and in ten months of 2020 (\$0.0031 per kilowatt-hour) are less than the current WMS rate (\$0.0034 per kilowatt-hour) charged to customers by electricity distributors. Given that the OEB reduced the WMS rate in its 2019 regulatory charge decision<sup>13</sup>, the resulting declines in over recoveries by distributors, and the fact that the RRRP rate will not increase for 2021, the OEB finds that the WMS rate effective January 1, 2021 shall remain the same. The OEB will therefore set the WMS rate at \$0.0034 per kilowatt-hour, including a CBR component of \$0.0004 per kilowatt-hour.

Account 1580 records the difference between distributors' actual costs (paid to the IESO) and the amount collected from customers at this rate. The December 31, 2020 balances in this account will be filed with the OEB by April 30, 2021. The OEB will monitor the balances and net transactions in Account 1580 as well as the WMS charges by the IESO to evaluate if an adjustment to the WMS rate is warranted in future.

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<sup>12</sup> 2019 Regulatory Charges Decision and Order EB-2018-0294, issued December 20, 2018.

<sup>13</sup> *Ibid.*

## 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 (RRRP-eligible 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 their customers.

The OEB approves the RRRP requirement amounts, set out in Table 4 below, for the RRRP-eligible distributors each year. The OEB also approves a charge that the IESO applies in order to recover the RRRP requirement amount from all customers in the province. 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 \$0.0005 per kilowatt-hour<sup>14</sup>, effective January 1, 2020 to December 31, 2020.

The RRRP requirement for 2021 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.

**Table 4: Calculation of RRRP Requirement for 2021**

Inputs for 2021 RRRP Requirement	In millions (\$)
IESO estimated under-collection (in 2020)	7.3184
Hydro One Networks Inc.	-
First Nations (O. Reg. 442/01, schedule 1)	1.6000
Algoma Power <sup>15</sup>	14.2532
Hydro One Remote Communities Inc. <sup>16</sup>	35.2230
<b>2021 RRRP Requirement Total</b>	<b>58.3946</b>

<sup>14</sup> 2020 Regulatory Charges Decision and Order EB-2019-0278, issued December 17, 2019.

<sup>15</sup> Algoma Power 2021 IRM EB-2020-0003, Final Rate Order, issued December 10, 2020.

<sup>16</sup> Hydro One Remote 2018 Cost of Service EB-2017-0051, Final Rate Order, issued April 13, 2018.

### **Determining the January 1, 2021 RRRP charge**

The RRRP amount required to be collected from ratepayers for 2021 is \$58.3946 million. The IESO's full-year 2021 energy forecast excluding the transmission line losses is 129.1 terawatt-hours. The resulting RRRP charge would be \$0.00045 per kilowatt-hour or \$0.0005 when rounded to the standard four decimal places.

Any over- or under-collection of the total RRRP amount recoverable in 2021 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 2021.

### **Findings**

The OEB finds that, for electricity consumed on or after January 1, 2021, the RRRP charge will remain the same at \$0.0005 per kilowatt-hour. If the OEB does not change the RRRP charge for 2021, the forecasted balance in the IESO variance account would be a relatively small surplus of \$6.2 million as at end of 2021. If the OEB were to set the charge at \$0.0004 per kilowatt-hour (i.e. reduce the current RRRP charge by \$0.0001 per kilowatt-hour), the balance in the IESO variance account would have a relatively small shortfall of approximately \$6.7 million. The OEB finds that the charge should not be reduced at this time so that the potential for stability in the charge going forward is maximized.

The IESO RRRP variance account records the difference between the benefit amounts paid to RRRP-eligible distributors and the amount collected from customers. As noted earlier in this Decision and Order, the OEB reviews the RRRP charge at least once annually and will consider whether any further changes to the charge should be made at the next review.

The RRRP retail charge that distributors bill to their customers shall also remain the same at \$0.0005 per kilowatt-hour effective with January 1, 2021 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 WMS rate and RRRP charge for January 1, 2021, respectively.

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The WMS rate used by rate-regulated distributors to bill their customers shall be \$0.0030 per kilowatt-hour, effective January 1, 2021. For Class B customers, a CBR component of \$0.0004 per kilowatt-hour shall be added to the WMS rate for a total of \$0.0034 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 to rate-regulated distributors shall be \$0.0005 per kilowatt-hour for electricity consumed on or after January 1, 2021.
3. The RRRP charge used by rate-regulated distributors to bill their customers shall be \$0.0005 per kilowatt-hour for electricity consumed on or after January 1, 2021. This unit charge shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor.

**DATED** at Toronto, December 10, 2020

### ONTARIO ENERGY BOARD

*Original Signed By*

Christine E. Long  
Registrar

**SCHEDULE A**

**EB-2020-0276**

**COMMUNICATION TO THE IESO**

**DECEMBER 10, 2020**



**EB-2020-0276**

BY EMAIL

December 10, 2020

Devon Huber  
Senior Manager, Regulatory Affairs  
Independent Electricity System Operator  
120 Adelaide Street West  
Suite 1600  
Toronto ON M5H 1T1  
[devon.huber@ieso.ca](mailto:devon.huber@ieso.ca)

Dear Mr. Huber:

**Re: Rural or Remote Electricity Rate Protection**

On December 10, 2020 the Ontario Energy Board (OEB) issued its Decision and Order in proceeding EB-2020-0276 which set the Ontario Wholesale Market Service (WMS) rate and the Rural or Remote Electricity Rate Protection (RRRP) charge effective January 1, 2021.

**Amount to be charged by the IESO for RRRP**

The OEB has determined that, effective January 1, 2021, the RRRP charge to be used by the IESO in order to collect the approved RRRP requirement amounts for eligible distributors shall remain at \$0.0005 per kilowatt-hour.

Yours truly,

Christine E. Long  
Registrar

**SCHEDULE B**

**EB-2020-0276**

**COMMUNICATION TO DISTRIBUTORS AND RETAILERS**

**DECEMBER 10, 2020**



**EB-2020-0276**

BY EMAIL

December 10, 2020

To: Rate-Regulated Electricity Distributors  
Electricity Retailers

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

On December 10, 2020 the Ontario Energy Board (OEB) issued its Decision and Order in proceeding EB-2020-0276 which set the Ontario Wholesale Market Service (WMS) rate and the Rural or Remote Electricity Protection (RRRP) charge, effective January 1, 2021.

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

Effective January 1, 2021, 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 be \$0.0030 per kilowatt-hour. 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 \$0.0034 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.

**Amount to be Charged by Distributors, and Retailers with Retailer-Consolidated Billing, for RRRP**

Effective January 1, 2021, the amount to be charged by distributors, and retailers with retailer-consolidated billing, to their customers with respect to the RRRP shall be \$0.0005 per kilowatt-hour.

The unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor.

Yours truly,

Christine E. Long  
Registrar