



BULLETIN

DATE ISSUED: January 25, 2021

**TO: All Licensed Electricity Distributors
All Other Interested Parties**

**RE: Presentation of Tiered Pricing and Associated Costs of Losses on Invoices
for Low-volume Consumers**

This Bulletin provides guidance to electricity distributors on the presentation of tiered prices and the associated cost of losses on consumer invoices.

Background

For billing purposes, an electricity distributor is required by the Retail Settlement Code and Standard Supply Service Code to adjust (or “gross up”) the consumption at a consumer’s meter to account for power that is consumed or lost as heat during the delivery of electricity. This adjustment is done using an adjustment factor that is approved by the Ontario Energy Board (OEB) and set out in the distributor’s rate order.

Changes to Ontario Regulation 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity) (the Regulation) regarding the presentation of costs associated with losses on invoices issued to low-volume consumers came into effect in July 2013.

On June 27, 2013, the OEB issued a [Bulletin](#) to provide guidance on the implementation of those changes as follows:

- i. charges related to losses incurred in the distribution of electricity are to be included under the “Delivery” sub-heading of the invoice, unless they are already included in regulatory charges;
- ii. a revised “Glossary of Terms” must be used that incorporates changes to the descriptions of the “Electricity” and “Delivery” sub-headings to reflect the foregoing; and
- iii. invoices no longer separately indicate the consumer’s consumption of electricity after the application of the adjustment factor.

The Bulletin also noted that, as a result of the changes to the Regulation, the commodity charges for a low-volume consumer are to be calculated and shown on the invoice (under “Electricity”) using metered consumption rather than loss-adjusted consumption, and the associated loss costs are to be added to and included as part of the overall “Delivery” charges.

Presentation of Tiered Pricing and Associated Cost of Losses

With the introduction of customer choice for consumers on the Regulated Price Plan (RPP) effective November 1, 2020, tiered pricing is becoming more prevalent across distribution service areas.

The OEB has recently received some inquiries on the appropriate method to be used when preparing invoices for low-volume RPP consumers on tiered pricing. OEB staff also understands that some distributors may be employing a methodology for calculating losses as described below that does not make clear on invoices to consumers that they are receiving the total volume of energy at the lower tier price to which they are entitled. Although under this methodology the amount charged for commodity is correct once losses are considered, the invoice presentation is not.

As discussed in greater detail below, the consumption on the “Electricity” line of the invoice must reflect the consumer’s metered consumption. The associated cost of losses that is included as part of “Delivery” charges must be calculated using the higher tier price for consumers whose metered consumption exceeds the tier threshold, and using a combination of the lower and higher tier prices for consumers whose metered consumption is sufficiently near to the tier threshold that the billed consumption (i.e., the sum of metered consumption and losses) exceeds it. For consumers whose billed consumption (metered consumption plus losses) is below or equal to the tier threshold, the cost of losses included in the Delivery charges must be calculated using the lower tier price. In every case, the invoice must “clearly indicate” the total metered consumption, in accordance with section 7 of the Regulation.

OEB staff understands that some distributors’ billing systems apply the higher tier price to consumption (metered and related losses) only once both the electricity consumption on the Electricity line and the energy reflecting the related loss adjustment together sum to greater than the threshold for consumption permissible at the lower tier price. This method appears to match a quantity of metered consumption billed at the lower price with a quantity of losses that are billed at the same price; the higher tier price is applied to any remaining consumption (both metered and losses) only once these two quantities equal the tier threshold.

Even though this method results in a bill presentation that correctly includes the cost of losses that are associated with commodity on the Delivery line as required by the Regulation, it does not clearly show that the full amount of electricity available at the lower tier price has been allocated to the consumer. In the hypothetical case of a 5.3% loss adjustment factor and 1,100 kWh of metered consumption in a winter month, the

billing approach referred to above results in a consumer invoice that shows 950 kWh on the Electricity line at the lower tier price; shows 150 kWh on the Electricity line at the higher tier price; reflects 50 kWh of loss-related adjustments on the Delivery line, calculated on the basis of the lower tier price (the losses associated with the 950 kWh, which together sum to the threshold¹); and reflects a further 8 kWh of loss-related adjustments on the Delivery line calculated on the basis of the higher tier price. This is illustrated in Table 1, below.

Table 1: Invoice Presentation Using Incorrect Methodology

Your Electricity Charges	
Total Metered Consumption: 1,100 kWh/Month	
Electricity	
950 kWh @ 12.6 ¢/kWh	\$119.70
150 kWh @ 14.6 ¢/kWh	\$21.90
Delivery	\$64.07
Regulatory Charges	\$4.77
Total Electricity Charges	\$210.44
HST	\$27.36
Ontario Electricity Rebate	-\$44.47
Total Amount	\$193.33

Electricity Line Losses Included in Delivery Line:
 58 kWh Losses → \$7.47
 Where:
 50 kWh Losses @ 12.6 ¢/kWh → \$6.30
 8 kWh Losses @ 14.6 ¢/kWh → \$1.17

The consumer is being charged the correct total cost for commodity once losses are considered, but this invoice presentation makes it appear as though the consumer has not received the full benefit of the lower tier price threshold. Consistent with section 3.3.5 of the Standard Supply Service Code and the Regulation, the presentation on the Electricity line must show the metered consumption of 1,000 kWh at the lower tier price and the metered consumption of 100 kWh at the higher tier price and the cost of losses included in the Delivery charge must be calculated based on the higher tier price. This approach may also serve as a check for distributors as to whether their approach to billing allows consumers to receive more than the threshold amount at the lower tier price. In no case is a consumer to receive a quantity greater than the threshold at the lower tier price.

To illustrate this approach, again using the hypothetical example of a bill reflecting 1,100 kWh of metered consumption and a 5.3% loss factor, the Electricity line would display 1,000 kWh of consumption at the lower tier price and 100 kWh of consumption at the higher tier price, while the Delivery line would reflect 58 kWh (the “gross-up” for losses calculated on the basis of the higher tier price). This is shown in Table 2, below.

¹ In this example of the incorrect methodology, the 950 kWh that is shown on line 1 as being billed at the lower tier price is derived by dividing the 1,000 kWh threshold by the 1.053 loss factor. Expressed another way, 950 kWh is the amount of metered consumption that, when multiplied by the loss factor of 1.053, would equal the 1,000 kWh threshold.

Table 2: Invoice Presentation Using Correct Methodology

Your Electricity Charges	
Total Metered Consumption: 1,100 kWh/Month	
Electricity	
1,000 kWh @ 12.6 ¢/kWh	\$126.00
100 kWh @ 14.6 ¢/kWh	\$14.60
Delivery	\$65.07
Regulatory Charges	\$4.77
Total Electricity Charges	\$210.44
HST	\$27.36
Ontario Electricity Rebate	-\$44.47
Total Amount	\$193.33

Electricity Line Losses Included in Delivery Line:
58 kWh Losses @ 14.6 ¢/kWh → \$8.47

These same principles also apply when a consumer's metered consumption is sufficiently close to the tier threshold that the billed consumption (i.e., the sum of metered consumption and losses) exceeds it. In this case, a portion of the cost of losses should be calculated using the lower tier price and the remainder using the higher tier price, such that the loss amount calculated at the lower price is equal to the difference between the threshold quantity and the metered consumption value.

For example, in the case of a consumer with metered consumption of 975 kWh in a winter month and a distributor with a 5.3% loss factor, the Electricity line should show 975 kWh at the lower tier price and 0 kWh at the higher tier price. For the cost of losses, of the total 52 kWh gross-up for losses, 25 kWh should be at the lower tier price (reflecting a tier threshold value of 1,000 kWh, less 975 kWh of metered consumption) and 27 kWh should be at the higher tier price.

The preceding discussion is intended to clarify for distributors the appropriate approach to the preparation of invoices for low volume consumers who pay tiered prices under the RPP in accordance with the requirements laid out in the Regulation and the Standard Supply Service Code. These requirements, which call for distributors to apply the tiers to metered consumption on the Electricity line prior to applying charges for losses, ensure that consumers can see clearly whether they have received the full quantity of energy at the lower price to which they are entitled.

The views expressed in this Bulletin are those of OEB staff and are not binding on a panel of Commissioners. Any enquiries regarding this Bulletin should be directed to the OEB's Industry Relations email address at industryrelations@oeb.ca.