



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

## > 2018 IRM Process Orientation

2018 IRM Team

July 26, 2017

# 2018 IRM Webinar – Chat Feature

- To submit questions during the presentation please use the chat feature on your screen



- For any technical issues, please contact the OEB IT Help at [it.help@oeb.ca](mailto:it.help@oeb.ca)

# 2018 IRM Process – Agenda

1. Lessons Learned from 2017 IRM Process
2. 2018 IRM Model and Filing Requirement Updates/Changes:
  - a) 2018 IRM Rate Generator Model Introduction
  - b) Clarification Points to DVA Continuity Schedule Tab 3
  - c) Changes to DVA Tabs 3-6
  - d) New for Accounts 1588 and 1589
  - e) LRAMVA Workform and other updates
4. Accounting for Ontario Fair Hydro Plan

# Lessons Learned from 2017 IRM Process

- IESO RPP/GA Settlement True-Ups
  - True-ups for commodity accounts 1588 and 1589 were not being done frequently enough (e.g. more than a year).
  - True-ups were not reflected in the year to which they relate.
    - OEB letter dated May 23, 2017, titled *Guidance on Disposition of Accounts 1588 and 1589*, addressed this.
- Embedded Generation Reporting to IESO impacting Global Adjustment Settlement
  - Some utilities incorrectly reported embedded generation volumes to the IESO. This causes IESO to bill GA to LDCs incorrectly, which can lead to significant discrepancies to account 1589 that impacts balances of accounts 1588 and 1589 being disposed.
- GA Unbilled Revenue Discrepancies
  - Some LDCs accrued different amounts for Class A for unbilled revenue as compared to cost of power. Accruals should be on the same basis (i.e. on peak demand factor).
  - Some LDC's accrued incorrect GA rate for unbilled revenues. For example, if non-RPP Class B Customers are billed on 1<sup>st</sup> estimate GA , then unbilled revenue must be accrued on 1<sup>st</sup> estimate GA.
  - This created a variance in account 1589, which would be incorrectly disposed to Class B customers

# Lessons Learned from 2017 IRM Process (Cont'd)

- GA Pricing by Customer Class:
  - Some LDC's did not use consistent GA prices for billing non-RPP customers within each customer class. For example, all non-RPP Class B customers in the General Service > 50 kW class must be billed the same GA rate (i.e. 1st or 2nd estimate or the actual GA rate).
  - If a utility wants to make a change to the rate used to bill a class, this must be done at the beginning of a year
- Account 1588
  - Distributors settle with the IESO for the differences between amounts billed for energy and amounts paid to the IESO, conceptually there should be a very small balance in account 1588 to reflect unaccounted for energy (i.e. the differences between loss factors billed to customers compared to actual system losses).
  - For some distributors Account 1588 had a large balance over the longer term. If this is the case, a distributor must be able to justify why.
- Account 1589
  - A number of distributors had significant balances in account 1589 that could not be explained. The OEB requested further analysis of the account and going forward the OEB will require the completion of the GA Analysis Workform.

# Lessons Learned from 2017 IRM Process (Cont'd)

- Account 1595 Not Accounted For and Disposed Correctly
  - Not all distributors were accounting for recoveries of regulatory assets/liabilities in account 1595 consistent with the October 2009 #4-6 and July 2012 FAQ.
  - Some distributors sought disposition of a 1595 sub-account balance on a final basis before the end of the disposition period and the rate rider has not concluded.
  - Some distributors are seeking disposition of 1595 sub-account in multiple applications, (i.e. sub-account was not disposed once on a final basis).
    - The Chapter 3 filing requirements have been updated to incorporate these issues. In addition, each account 1595 sub-account should only be disposed based on the audited account balances one year after the end of the disposition period . No further dispositions of these accounts are expected thereafter unless justified by the distributor .
- DVA Continuity for Account 1580 CBR sub-accounts
  - A number of distributors didn't record amounts to the new CBR Class A and Class B Sub-Accounts. Where an LDC does not have any Class A customers, transactions must still be recorded to the Class B CBR Sub-Account.

# 2018 IRM Rate Generator Model - Introduction

- The 2018 model has been redesigned to provide additional functionalities and automation for users.
- Additional instructions, notes, warning messages and text boxes have been added to several tabs.
- New data inputs regarding Class A customer consumption & demand.
- Further automation regarding the calculations of GA & CBR Rate Riders, and GA & CBR customer specific charges for customers who transitioned from Class B to Class A and for those that transitioned from Class A back to Class B.
- The model is now auto-populated with the most current RRR data (as of July 11, 2017) including:
  - RRR 2.1.5.4 Demand and Revenue
  - RRR 2.1.2 Customer Numbers
  - RRR 2.1.7 Trial Balance

# 2018 IRM Rate Generator Model - Introduction

## Notes:

- **Color Coding**

 Pale green cells represent input cells.

 Pale blue cells represent drop-down lists. The applicant should select the appropriate item from the drop-down list.

 Pale grey cell represent auto-populated RRR data

 White cells contain fixed values, automatically generated values or formulae.

- Required inputs must be entered in Tabs in ascending numerical order (i.e. Tab 1, 2, 3...to Tab 20)

# Clarification Points to DVA Continuity Schedule Tab 3

See footnotes of Tab 3 DVA Continuity Schedule for further instructions

- For all accounts, except for Account 1595, start inputting data from the year in which the GL balance was last disposed.
- For each Account 1595 sub-account, start inputting data from the year the sub-account started to accumulate a balance (i.e. the vintage year, which corresponds to the year rate rider is effective). Separate schedule may be needed for years prior to 2011.
- RPP Settlement true up claims pertaining to the period that is being requested for disposition must be reflected in Accounts 1588 and 1589 in the same years.
  - This would include any true up in the pro-ration of the GA charge and differences between accrued GA and actual GA billed by the IESO for non-RPP customers as well.
  - If the RPP Settlement true-up claim was not reflected in the account balance at the end of the last year that was previously disposed, then no adjustment would have to be made to the opening balance of the first year being requested for disposition.

# Clarification Points to DVA Continuity

## Schedule Tab 3 (cont)

- Account 1589
  - Any balances pertaining to Class A customers should not be included in the account balance requested for disposition
- Class A/B transition customers
  - Transition customers that are allocated a customer specific GA and/or CBR B balance are not to be charged the general GA and/or CBR B rate riders
  - Customers should be charged in a consistent manner for the entire rate rider period until the sunset date
    - E.g. If a customer was a non-RPP Class B customer being charged the Global adjustment rate rider, they should continue to be charged the rate rider if they switched to Class A during the rate rider recovery period

# Clarification Points to DVA Continuity

## Schedule Tab 3 (cont)

- Account 1580 RSVA - Wholesale Market Service Charge is to **exclude** any amounts relating to CBR.
  - Enter CBR amounts separately in the Class A and Class B Sub-Accounts (Tab 3, rows 24 & 25).
  - RRR data for Account 1580 – Wholesale Market Service Charge **includes** CBR sub-accounts Class A and Class B. The IRM model will show a variance in cell BV23 that should equal the sum of CBR sub-accounts.
  - There will be no disposition of Account 1580, sub-account CBR Class A. Total claim for this sub-account has been set to 0.
- Account 1595
  - The audited balance in the account is only to be disposed a year after the recovery/refund period has been completed.
  - For each Account 1595 Sub-Account, the transfer of the balance approved for disposition into Account 1595 is to be recorded in the "OEB Approved Disposition" column. The recovery/refund is to be recorded in the "Transaction" column.

# Changes to DVA Tabs - Tabs 3 to 6

- Tab Instructions for Tabs 3 to 6 - new tab
- Tab 3 Continuity Schedule - revised for impacts from Class A customers

If you had any Class A customers at any point during the period that the Account 1589 GA balance accumulated (i.e. from the year the balance was last disposed to 2016), check off the checkbox

If you had Class A customer(s) during this period, Tab 6 will be generated and applicants must complete the information pertaining to Class A customers.

## Box 1 for GA

If you had any customers classified as Class A at any point during the period where the balance in 1580 sub-account CBR Class B accumulated (i.e. 2015 and 2016, or 2016), check off the checkbox:

If you had Class A customer(s) during this period, Tab 6.2 will be generated. Account 1580 sub-account CBR Class B will be disposed through a rate rider using information in Tab 6.2.

If you only had Class B customers during this period, the balance in 1580 sub-account CBR Class B will be allocated and disposed with Account 1580 WMS.

## Box 2 for CBR Class B

- If the first checkbox is ticked, this will generate Tab 6. Class A Data Consumption
- If the second checkbox is ticked, this will generate Tab 6.2 CBR B
- Based on that selection, the model will dispose the balance in sub-account CBR Class B as follows:
  - a) If a distributor had Class A customers, the balance will be disposed by a separate rate rider in Tab 6.2 for all Class B customers who were not transition customers in the period the sub-account balance accumulated
  - b) If a distributor only had Class B customers, the balance will be disposed along Account 1580 - Wholesale Market Service Charge through the general DVA rate rider

# Changes to DVA Tabs - Tabs 3 to 6 (cont)

- Tab 4 Billing Determinant – new note

If a distributor uses the actual GA price to bill non-RPP Class B customers for an entire rate class, it must exclude these customers from the allocation of the GA balance and the calculation of the resulting rate riders. These rate classes are not to be charged/refunded the general GA rate rider as they did not contribute to the GA balance.

Please [contact](#) the OEB to make adjustments to the IRM rate generator for this situation.

- Tab 6 Class A Consumption Data - new tab if Class A customers existed as indicated in Tab 3
  - Indicate if there were transition customers during period where GA and CBR Class B balances accumulated. If yes, Tab 6.1a and 6.2a will be generated.
  - Input consumption data on transition customers (if any) and customers that were Class A for entire period that the GA balance accumulated.
  - Data inputted in this tab will be used in Tabs 6.1, 6.1a, 6.2 and 6.2a

# Changes to DVA Tabs - Tabs 3 to 6 (con't)

- Tab 6.1 GA – updated so no input required
  - Calculates the GA rate rider to be applied to all non-RPP Class B customers (except for the transition customers allocated a customer specific balance in Tab 6.1a).
- Tab 6.1a GA Allocation -revised tab if transition customers existed, as indicated in Tab 6
  - Calculates customer specific allocation of GA balance to transition customers (Class B to Class A and vice versa), if applicable.

# Changes to DVA Tabs - Tabs 3 to 6 (cont)

- Tab 6.2 CBR B - new tab Class A customers existed as indicated in Tab 3

Please select the Year(s) in which CBR Class B Balance accumulated in Cell B13.

(Note: Account 1580, Sub-account CBR Class B was established starting in 2015)

- Calculates the CBR Class B rate rider if there were Class A customers at any point during the period that the CBR Class B balance accumulated.
  - If rate rider calculated is zero at the fourth decimal place for one or more rate classes but has a balance allocated to the rate class, the total amount shall be transferred to Account 1595 (see Accounting Guidance, Capacity Based Recovery, July 26, 2016).
- Tab 6.2a CBR B Allocation - new tab if Class A customers existed as indicated in Tab 6
    - Calculates customer specific allocation of CBR B balance to transition customers (Class B to Class A and vice versa), if applicable.

# New for Account 1588 and 1589

## GA Analysis Workform

- New for 2018 rate applications, distributors must also complete the GA Analysis Workform.
- The workform calculates an approximate expected balance in Account 1589 RSVA - GA and compares the expected balance to the balance in the general ledger. Material differences between the two need to be reconciled and explained.
  - The results of the analysis could indicate corrections needed to both Accounts 1588 and 1589.
- See webinar slides and example hosted by the OEB on July 19, 2017 posted on the website for further details.

## Certification of Evidence

- Certification by the Chief Executive Officer, or Chief Financial Officer or equivalent
- Certify that the distributor has robust processes and internal controls in place for the preparation, review, verification and oversight of the account balances being disposed

# LRAMVA Work Form

- OEB's LRAMVA work form has been refined for 2018 rate applications
- LRAMVA Work Form must be used by LDCs filing IRM applications
- Distributors may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of their IRM rate applications, if the balance is deemed significant

# Policy Changes and Requirements

## LRAMVA Calculation

- There are no changes to how LRAMVA values are calculated:

(Final Net CDM Savings – Load Forecast CDM Component) x Distribution Volumetric Rate = LRAMVA

## Demand Savings

- OEB held a consultation with LDCs and other expert stakeholders in early 2016 to determine any policy changes related to demand savings from CDM programs (EB-2016-0182)
- OEB determined new policy related to eligible demand savings from energy efficiency programs are specified in Table 1 the OEB Report “Updated Policy for Including Peak Demand Savings in LRAMVA Calculation”
- The new LRAMVA work form incorporates the new policy:
  - Indicates the number of months peak demand savings are applicable within from energy efficiency programs
  - Excludes demand savings from Demand Response programs
- DR3 savings should generally not be included in the LRAM savings unless supported by empirical evidence to be reviewed in a COS application

# Policy Changes and Requirements

- On July 18, the OEB issued a letter to create a new sub-account 1568-0001 LRAMVA Demand Response to be available for use in the IRM process.
- If an LDC is seeking recovery of lost revenue associated with DR3 and have recorded amounts to the end of December 31, 2014 in account 1568, the LDC may transfer the accumulated amounts to sub-account 1568-0001, or forego recovery
- If a distributor has already received OEB approval for disposition of Account 1568 as of December 31, 2014 on a final basis, no amounts are to be recorded in Account Sub-account 1568 LRAMVA Demand Response.
- **Sub-account is only available to distributors for transferring amounts from Account 1568 LRAMVA with respect to savings for period from 2011-2014, and only if they have not already received OEB approval for disposition of Account 1568 on a final basis, for amounts recorded for 2011-2014.**

# Updates to LRAM in Chapter 3 Guidelines

- Section 3.2 was updated to reinforce the policy of no retroactivity in approved balances.
- Section 3.2.6.1 was updated to enhance the reporting of LRAMVA application details.
  - Identification of key elements in LRAMVA amount sought for disposition to be provided in the application
  - Updated checklist for 2018 applications

# LRAMVA Work Form (Version 2)

The LRAMVA Work Form consists of the following sheets:

Worksheet Name	Description
<a href="#">1. LRAMVA Summary</a>	<b>Tables 1-a and 1-b</b> provide a summary of the LRAMVA balances and carrying charges associated with the LRAMVA disposition. The balances are populated from entries into other tabs throughout this work form.
<a href="#">1-a. Summary of Changes</a>	<b>Tables A-1 and A-2</b> include a template for LDCs to summarize changes to the LRAMVA work form.
<a href="#">2. LRAMVA Threshold</a>	<b>Tables 2-a, 2-b and 2-c</b> include the LRAMVA thresholds and allocations by rate class.
<a href="#">3. Distribution Rates</a>	<b>Tables 3-a and 3-b</b> include the distribution rates that are used to calculate lost revenues.
<a href="#">3-a. Rate Class Allocations</a>	A blank spreadsheet is provided to allow LDCs to populate distributor specific rate class percentages to allocate actual CDM savings to different customer classes.
<a href="#">4. 2011-2014 LRAM</a>	<b>Tables 4-a, 4-b, 4-c and 4-d</b> include the template 2011-2014 LRAMVA work forms.
<a href="#">5. 2015-2020 LRAM</a>	<b>Tables 5-a, 5-b, 5-c and 5-d</b> include the template 2015-2020 LRAMVA work forms.
<a href="#">6. Carrying Charges</a>	<b>Table 6-b</b> includes the variance on carrying charges related to the LRAMVA disposition.
<a href="#">7. Persistence Data</a>	<b>Tables 7-a to 7-j</b> should be populated with CDM savings persistence data provided to LDCs from the IESO.
<a href="#">8. Streetlighting</a>	A blank spreadsheet is provided to allow LDCs to populate data on streetlighting projects whose savings were not provided by the IESO in the CDM Final Results Report.

# Ontario Fair Hydro Plan (OFHP)

## Documents Issued:

- OEB issued its Report on Regulated Price Plan Prices and the Global Adjustment Modifier for the Period July 1, 2017 to April 30, 2018 on June 22, 2017.
  - GA Modifier set at  $-\$32.90/\text{MWh}$
- OEB issued Implementation of the *Fair Hydro Act, 2017* letter on June 29, 2017
- OEB Accounting Guidance Letter to be issued shortly

# OFHP – Measures effective July 1, 2017

- Bill Reductions under Part II of the OFHP Act
  - Electricity bill mitigation initiative for RPP customers through RPP prices
  - Application of GA modifier to specified customers
- Electricity-related relief programs for certain electricity consumers with respect to amendments to the OEB Act under Schedule 2 of the OFHP Act
  - Distribution Rate Protection (DRP)
  - First Nations Delivery Credit program (FNDC)

# OFHP - Accounting

- For GA Modifier, amounts provided to the specified customers based on loss adjusted volumes are to be debited to a balance sheet account receivable/payable. LDC's are to recover the amounts recorded in this account through the settlement process with the IESO and clear out the balance sheet amount.
- DRP credits provided to the DRP customers is recorded in a balance sheet receivable/payable account. The credits provided are recovered through the settlement process with the IESO and the balance sheet account is cleared.
- FNDC credits provided to the FNDC customers is recorded in a balance sheet receivable/payable account. The credits provided are recovered through the settlement process with the IESO and the balance sheet account is cleared.

# OFHP – Accounting

## Bill Reductions for RPP customers

- Bill Reductions - electricity bill mitigation initiative for RPP customers through RPP prices
  - Bill reductions are achieved through the commodity price. The June 22, 2017 report describes the methodology for calculating reductions. RPP prices published in the June 22, 2017 OEB report include the embedded reductions in commodity price (GA).
  - For settlement with the IESO, distributors use the new RPP prices, and continue to account for RPP related GA as they have done in the past. Settlement process for RPP has not changed.
  - IESO has replaced Charge Type 142 with 1142. Distributors should account for Charge Type 1142, as they have done for 142 in the past.

# OFHP – Accounting

## Global Adjustment Modifier

- Bill Reductions effective July 1, 2017 consumption - electricity bill mitigation initiative for Specified customers (customers that are RPP-eligible, but have opted out / customers that are not eligible for the RPP but are eligible for the 8% ORECA rebate)
  - Specified customers will receive bill relief in the form of a reduction to the GA charges that they would otherwise pay in the form of GA Modifier.
  - GA Modifier has been set at  $-\$32.90/\text{MWh}$  for the period from July 1, 2017 to April 30, 2018.
  - For settlement with the IESO distributors make a claim for the loss-adjusted consumption of specified non-RPP customers. The claim amount will be reflected in Charge Type 1143.
  - Distributors would be billing the specified customers the GA rate net of the GA Modifier

- Distribution Rate Protection (DRP) applicable to eligible customers served by the 8 licensed distributors (DRP distributors)
  - See June 29, 2017 OEB letter for a description of DRP distributors and DRP eligible customers
  - DRP program provides for a cap on the amount that DRP-eligible customers can be charged for base distribution charges, which consist of the base monthly fixed service charge and base variable distribution charge. In the D&O dated June 22, 2017 OEB set the cap at \$36.43.
  - DRP distributors must calculate the actual total base distribution charge and compare this to the maximum OEB approved charge no more than the maximum amount.
  - DRP distributors claim the difference from the IESO.
  - The amount claimed will appear as the new CT 706 on the IESO invoice.

- First Nations On-Reserve Delivery Credit (FNDC) applies a customer of a licensed distributor (FNDC Distributor) that occupies residential premises located on or within a reserve and has a residential-rate account with that distributor.
- Applicability of the FNDC credit to FNDC-eligible customers is described in the OEB letter dated June 29, 2017.
- Dates for Payments by DRP Distributors and FNDC Distributors
  - See OEB letter of June 29, 2017
- Invoicing Requirements for DRP and FNDC Distributors
  - DRP and FNDC Distributors are required to adapt their invoices in conformity with the DRP Regulation and the FNDC Regulation by October 1, 2017. A delay in adaptation of invoices is permitted only for technical or operational reasons.
  - A consumer's entitlement to DRP and FNDC credits arises for all consumption as of July 1, 2017, and entitlement is not affected by delay in issuance of compliant invoices.
  - FNDC Distributors are required to show the FNDC credit as a "First Nations Delivery Credit" on invoices issued to FNDC-eligible customers.
  - FNDC Distributors will file the claim with the IESO. The current month's claim should equal the total delivery charges after RRRP credit.
  - The total claim FNDC amounts will be reflected in Charge Type 705.

# Quick Links

- Link for Filing Requirements and models [here](#)
- If you have questions in regard to the 2018 IRM Model and Filing Requirements following this webinar, please send enquiries to [IRM@oeb.ca](mailto:IRM@oeb.ca)
- Questions & Answers