



**NOTICE OF REVISED PROPOSAL TO ISSUE A NEW CODE AND TO AMEND  
A CODE**

**NEW STANDARD SUPPLY SERVICE CODE**

**AND**

**AMENDMENTS TO THE RETAIL SETTLEMENT CODE**

**BOARD FILE NO.: RP-2004-0205**

**TO:** All Participants in Proceeding RP-2004-0205  
All Licensed Distributors and Licensed Retailers  
All Other Interested Parties

Under amendments to the *Ontario Energy Board Act, 1998* contained in the *Electricity Restructuring Act, 2004*, the Ontario Energy Board (the "Board") has been mandated to develop an annual regulated price plan ("RPP"). The RPP is intended to replace the current electricity commodity pricing regime that came into effect on April 1, 2004, and is expected to take effect as early as April 1, 2005 for eligible consumers.

By a Notice of Proposal to Issue a Code and to Amend a Code dated January 17, 2005, the Board proposed to issue a new Standard Supply Service Code (the "New SSS Code") to replace the existing Standard Supply Service Code issued by the Board on December 8, 1999. The Board also proposed amendments to the RSC (the "RSC Amendments"). The New SSS Code and RSC Amendments codify the rules by which licensed electricity distributors and licensed electricity retailers will implement the RPP.

The Board received a number of submissions on the Notice of Proposal. The Board has considered the submissions received from parties on this matter and has determined that no material changes need to be made to the New SSS Code or the RSC Amendments as originally proposed as a result of those submissions. The Board has, however, made two categories of changes to the originally proposed New SSS Code and RSC Amendments. The first category comprises minor clarifying revisions to the originally proposed New SSS Code and RSC

Amendments. The second category comprises changes that reflect the Board's understanding that its authority in relation to RPP prices will now arise under section 79.16 of the *Ontario Energy Board Act, 1998* (the "Act"), rather than under section 78 of the Act as originally contemplated. Additional detail regarding both categories of changes is set out below.

The Board acknowledges the concerns raised by various interested parties in relation to the potential gaming opportunity that may arise as a result of the ability of certain consumers to switch back and forth from RPP pricing to spot market pricing. While the Board does not consider it necessary to restrict that movement at this time, the Board will monitor this situation. To that end, the Board requests that distributors advise the Board in the event that such gaming comes to their attention. In the event that significant gaming does occur, the Board will consider the need to amend the New SSS Code at that time.

The Board also acknowledges the requests for clarification made by interested parties in relation to the delayed implementation of the obligation to charge or credit a final RPP variance settlement amount under section 3.7 of the New SSS Code. The Board wishes to clarify that consumers that leave the RPP during the three-month period following the coming into force of the New SSS Code will not be charged or credited a final RPP variance settlement amount. Consumers that leave the RPP on or after that date will be charged or credited a final RPP variance settlement amount. In such cases, the amount will be based on any variance that has accumulated since the date of coming into force of the New SSS Code, calculated in accordance with the methodology set out in the Board's RPP Manual. A draft of that Manual was issued for public comment on February 10, 2005.

The Board also wishes to clarify that a consumer that receives RPP through a retailer and that stays on the RPP when the consumer's retail contract ends (in other words, does not renew the contract or enter into a new one) will not be subject to the final RPP variance settlement amount. Such consumers are not considered to have left the RPP for purposes of the New SSS Code.

### **Proposed Revisions to New SSS Code and RSC Amendments**

As noted above, the Board is proposing two categories of revisions to the originally proposed New SSS Code and RSC Amendments.

#### ***Category 1 Revisions***

The Board is proposing some minor clarifying revisions to the originally proposed New SSS Code and RSC Amendments, including the following:

## New SSS Code

- sections 1.2.1, 3.2.1 and 3.2.2: for consistency with the RSC, the reference to the global adjustment has been removed from the definition of “spot market price” and integrated into sections 3.2.1 and 3.2.2
- section 2.1.4: for consistency with the RSC, the reference to notice being given to a retailer within ten days has been replaced with a reference to notice being given in accordance with the RSC
- section 2.2.2: for consistency with the RSC, this section has been clarified to reflect that embedded distributors obtain supply through their host distributors, and that a distributor may obtain supply from embedded retail generators only if they are located within the distributor’s service area
- sections 3.2.5 and 3.2.6: for consistency with the remainder of the New SSS Code, a new section 3.2.5 has been added (and former section 3.2.5 has been renumbered to 3.2.6) to reflect that an electing spot consumer that returns to the RPP before the second term commencement date will only be charged time-of-use prices under section 3.4 of the New SSS Code if the consumer’s distributor has elected to make that pricing available (new section 3.2.5 will cease to apply on and after the second term commencement date)
- section 3.4.2: for consistency across distributors and to reflect actual consumer consumption patterns, paragraph (d) has been added to clarify that times of use during a day are to be determined on the basis of prevailing time (standard time or daylight savings time, as applicable)
- section 3.5.3: to ensure that consumers have adequate lead time in cases where a distributor elects to implement time-of-use pricing during the first term of the RPP, this section has been revised to quantify (30 days) the minimum advance notice that must be given by the distributor
- section 3.6.1: to reflect existing variations in distributor business and billing practices, this section has been revised to allow time-of-use pricing to be implemented as early as the date on which a consumer’s eligible time-of-use meter becomes usable for billing purposes
- section 3.8.4: for consistency with the remainder of the New SSS Code, this section has been added to eliminate the obligation to

publish and give notice of time-of-use price and structure information for distributors that do not elect to implement time-of-use pricing prior to the second term commencement date

### RSC Amendments

- section 1.9.1: for consistency with the terminology used in the New SSS Code, this section has been revised to refer to “electing spot consumers” rather than to consumers that have not elected the “spot price pass through”
- section 1.9.2: for consistency with the remainder of the RSC, this section has been revised to clarify that settlement obligations in relation to transitional consumers apply to a retailer only where the transitional consumer is being billed using retailer-consolidated billing
- section 1.9.3: for consistency with the New SSS Code, paragraph (c) has been revised to incorporate by reference the separate line item billing requirement for consumers with conventional meters (paragraph (c) already contained the same requirement for consumers with eligible time-of-use meters)

### ***Category 2 Revisions***

It is now the Board’s understanding that its authority in relation to RPP prices will arise under section 79.16 of the Act, rather than under section 78(3.1) of the Act as originally contemplated. As a result, the Board is proposing the following revisions to the New SSS Code and the RSC Amendments as originally proposed:

### New SSS Code

- sections 1.1.1, 1.1.2, 1.2.1 (definition of “electing spot consumer”, “first term commencement date” and “standard supply service”), 1.7.2 and 3.1.1: these sections have been revised to reflect the Board’s understanding that its authority in relation to RPP pricing will now arise under section 79.16 of the Act
- section 1.3.3: under section 78 of the Act, rates charged by distributors are required to be included in an order of the Board (a rate order). Section 79.16 of the Act applies despite any order of the Board made under section 78 of the Act. To reflect this change in the RPP pricing process, a new section 1.3.3 has been added. This section reaffirms that the Board will act in all cases in accordance with the Act and the regulations, and clarifies that determinations under the New SSS Code may be made by the Board with or without a hearing. This

type of provision is expressly contemplated by section 70.1(3) of the Act, and is included in various other codes issued by the Board

### RSC Amendments

- section 1.9.1: for consistency with section 79.16 of the Act, paragraph (e)(i) has been revised to refer to contracts entered into or renewed on or before December 9, 2002

All of the proposed revisions to the originally proposed New SSS Code and RSC Amendments, including the above, are contained in the versions of these documents attached to this Notice.

### **Purpose and Impact of Revised Proposal**

The purpose of the New SSS Code and the RSC Amendments remains the same under the revised proposal described in this Notice of Revised Proposal as it was under the original proposal issued on January 17, 2005. The principal purpose is to codify the rules by which licensed electricity distributors and licensed electricity retailers will implement the RPP. The New SSS Code also reflects certain updating and improvements relative to the current version of the same code.

The Board is not proposing to change any elements of the RPP price structure relative to the structure contained in the original proposal. Nor is the Board's revised proposal expected to result in additional costs for distributors relative to the original proposal. Thus, the revisions now proposed by the Board do not affect the anticipated costs and benefits described in the Board's January 17, 2005 original Notice of Proposal:

“The RPP pricing structure, as reflected in the New SSS Code and set out in greater detail in the RPP Manual, provides realistic opportunities for load shifting and conservation. Preserving the two-tier structure for consumers with conventional meters provides an incentive to reduce consumption. The introduction of time of use pricing for RPP consumers with smart meters provides an incentive to reduce consumption during peak periods. The seasonal tier variation proposed for the conventional meter RPP recognizes that the ability of smaller consumers to shift or curtail electricity consumption can vary at different times of the year.

Electricity distributors will incur system costs in implementing the RPP since their customer information and billing systems will need to be modified to accommodate seasonal and smart meter pricing. The New SSS Code attempts to minimize the immediate impact of such costs through transitional provisions that defer the implementation of the seasonal tier variations for the conventional meter RPP to the fall of 2005

as well as the mandatory implementation of the smart meter RPP to the spring of 2006. In addition, the methodology that the Board intends to propose in the RPP Manual for the calculation of “final variance settlement amounts” for consumers that leave the RPP will be based on historical consumption figures. Finally, the obligation to charge or credit the final variance settlement amount will be deferred for three months.

The Board is of the view that the New SSS Code facilitates the implementation of a pricing structure that is capable of balancing the objectives of price stability and cost reflectivity set by the Government in a cost-efficient manner. The Board has also aimed to make implementation of the RPP as simple as possible.”

As indicated in the Board’s January 17, 2005 original Notice of Proposal, the RPP pricing structure that is reflected in the New SSS Code has been developed within a broader policy context that incorporates objectives relating to price stability, cost reflectivity and support for conservation, smart metering and load shifting initiatives.

### **Cost Awards**

The Board will not be granting cost awards in this matter. Availability of stakeholder funding for this phase of the RPP consultation is addressed in the Board’s letter of October 18, 2004, which is available on the “Regulated Price Plan” web page of the “Key Initiatives” portion of the Board’s website at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca).

### **Invitation to Comment**

Any interested person that wishes to make a written submission with respect to the Board’s revised proposal must file eight (8) paper copies of the submission, and an electronic copy in Adobe Acrobat (PDF) and in Word or WordPerfect, with the Board Secretary by **4:30 pm on March 4, 2005**. Individuals that wish to make a submission need only file one copy. Electronic copies may be submitted on diskette or by e-mail to [boardsec@oeb.gov.on.ca](mailto:boardsec@oeb.gov.on.ca).

Your submission must quote file number **RP-2004-0205** and include your name, address, e-mail address and facsimile number.

The Board asks that any person wishing to provide written submissions on the Board’s revised proposal **confine their comments** to the revisions identified above as “**Category 2 Revisions**”.

This Notice of Revised Proposal, the revised proposed New SSS Code and the revised proposed RSC Amendments, as well as other documents referred to in this Notice of Revised Proposal, are available on the “Regulated Price Plan” web

page of the “Key Initiatives” portion of the Board’s website at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca) and at the office of the Board during normal business hours. All submissions received by the Board in response to this Notice of Revised Proposal will also be available in the same manner.

If you have any questions regarding the proposed revised New SSS Code or the proposed revised RSC Amendments, please contact Russell Chute at 416-440-7682 or Chris Cincar at 416-440-7696. The Board’s toll free number is 1-888-632-6273.

E-mail inquiries should be directed to [RPP@oeb.gov.on.ca](mailto:RPP@oeb.gov.on.ca).

**DATED** at Toronto, February 25, 2005.

ONTARIO ENERGY BOARD

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Attachments:

Revised version of New Standard Supply Service Code  
Revised version of amendments to the Retail Settlement Code