



**AFFILIATE RELATIONSHIPS CODE
FOR
ELECTRICITY DISTRIBUTORS
AND TRANSMITTERS**

ONTARIO ENERGY BOARD

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Table of Contents

1.	GENERAL AND ADMINISTRATIVE PROVISIONS	1
1.1	Purpose of this Code	1
1.2	Definitions	1
1.3	Interpretations	4
1.4	To Whom this Code Applies	4
1.5	Hierarchy of Codes	4
1.6	Amendments to this Code	4
2.	STANDARDS OF CONDUCT	5
2.1	Degree of Separation	5
2.2	Sharing of Services and Resources	5
2.3	Transfer Pricing	6
2.4	Financial Transactions with Affiliates	7
2.5	Equal Access to Services	7
2.6	Confidentiality of Information	8
2.7	Compliance Measures	9
2.8	Record Keeping and Reporting Requirements	9

1. GENERAL AND ADMINISTRATIVE PROVISIONS

1.1 Purpose of this Code

The purpose of the Affiliate Relationships Code is to set out the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies. The principal objectives of the Code are to enhance the development of a competitive market while saving ratepayers harmless from the actions of electricity transmitters and distributors with respect to dealings with their affiliates. The standards established in the Code are intended to:

- (a) minimize the potential for a utility to cross-subsidize competitive or non-monopoly activities;
- (b) protect the confidentiality of consumer information collected by a transmitter or distributor in the course of provision of utility services; and
- (c) ensure there is no preferential access to regulated utility services.

1.2 Definitions

In this code:

“Act” means the *Ontario Energy Board Act, 1998*;

“affiliate” with respect to a corporation, has the same meaning as in the *Business Corporation Act* (Ontario);

“agent” means a person acting on behalf of a utility and includes persons contracted to

provide services to a utility;

“Board” means the Ontario Energy Board;

“Code” means this Affiliate Relationships Code for Electricity Distributors and Transmitters;

“confidential information” means information the utility has obtained relating to a specific consumer, retailer or generator in the process of providing current or prospective utility service;

“Director” means the Director of Licensing appointed under section 5 of the *Act*;

“distribution system” means a system for distributing electricity at voltages of 50 kilovolts or less along with the related facilities and structures;

“distributor” means a person who owns or operates a distribution system;

“energy service provider” means a person, other than a utility, involved in the supply of electricity or gas or related activities, including retailing of electricity, marketing of natural gas, generation of electricity, energy management services, demand-side management programs, and appliance sales, service and rentals;

“fair market value” means the price reached in an open and unrestricted market between informed and prudent parties, acting at arm’s length and under no compulsion to act;

“information services” means computer systems, services, databases and persons knowledgeable about the utility’s information technology systems;

“licence” means a licence issued under Part V of the *Act*;

“licensee” means a transmitter or distributor licensed under Part V of the *Act*;

“marketing” means to provide a contract or an offer, and is characterized by door-to-door selling, telemarketing, direct mail selling activities, and any other means by which an energy marketer or a salesperson interacts directly with a consumer;

“Municipal utility” means a utility which is a corporation established pursuant to section 142 of *Electricity Act*, 1998 that is exempt under subsection 149(1) of the *Income Tax Act (Canada)* from payment of tax under that Act;

“rate” means a rate, charge or other consideration and includes a penalty for late payment;

“Rate Order ” means an order of the Board that is in force at the relevant time which, among other things, regulates distribution and transmission rates to be charged by a licensee;

“Services Agreement” means an agreement between a utility and its affiliate(s) for the purpose of subsection 2.2 of this Code;

“transmission system” means a system for transmitting electricity at voltages of 50 kilovolts or greater, and includes any wires, structures, transformers, equipment or other things used for that purpose;

“transmitter” means a person who owns or operates a transmission system;

“utility” means, for the purpose of this Code, an electricity transmitter or distributor that is licensed under Part V of the *Act*;

“utility services” means the services provided by a utility for which a regulated rate, charge or range rate has been approved by the Board under section 78 of the *Act*, and

includes a distributor's obligation to sell electricity pursuant to section 29 of the *Electricity Act, 1998*.

1.3 Interpretations

Unless otherwise defined in this Code, words and phrases that have not been defined shall have the meaning ascribed to them in the licences issued by the Board, the *Act* or the *Electricity Act, 1998* as the case may be. Headings are for convenience only and shall not affect the interpretation of this Code. Words importing the singular include the plural and vice versa. A reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document.

1.4 To Whom this Code Applies

This Code applies to all electricity distributors and transmitters licenced by the Ontario Energy Board under Part V of the *Act*. All licensed distributors and transmitters are obligated to comply with the Code as a condition of their licence.

1.5 Hierarchy of Codes

The Affiliate Relationships Code shall prevail over any other code established by the Board where there is a conflict, subject to any specific conditions of a distributor's or transmitter's licence.

1.6 Amendments to this Code

This Code may be amended only in accordance with the procedures set out in the licence issued to a utility.

2. STANDARDS OF CONDUCT

2.1 Degree of Separation

2.1.1 A utility shall ensure accounting and financial separation from all affiliates and shall maintain separate financial records and books of accounts.

2.1.2 A utility shall be physically separated from any affiliate who is an energy service provider.

2.1.3 A utility shall ensure that at least one-third of its Board of Directors is independent from any affiliate.

2.1.4 Section 2.1.3 does not apply to a municipal utility until January 1, 2004.

2.2 Sharing of Services and Resources

2.2.1 Where a utility shares services or resources with an affiliate it shall do so in accordance with a Services Agreement, the terms of which may be reviewed by the Board to ensure compliance with this Code. The Services Agreement shall include:

- (a) the type, quantity and quality of service;
- (b) pricing mechanisms;
- (c) cost allocation mechanisms;
- (d) confidentiality arrangements;
- (e) the apportionment of risks (including risks related to under or over provision of service); and
- (f) a dispute resolution process for any disagreement arising over the terms or implementation of the Services Agreement.

2.2.2 Where a utility shares information services with an affiliate, all confidential information must be protected from access by the affiliate. Access to a utility's information services shall include appropriate computer data management and data access protocols as well as contractual provisions regarding the breach of any access protocols. Compliance with the access protocols and the Services Agreement shall be ensured as necessary, through a review which complies with the provisions of section 5900 of the CICA Handbook. The Board may provide direction regarding the terms of the section 5900 review. The results of any review shall be made available to the Board.

2.2.3 A utility may share employees with an affiliate provided that the employees to be shared are not directly involved in collecting, or have access to, confidential information.

2.2.4 A utility shall not share with an affiliate that is an energy service provider employees that carry out the day-to-day operation of the utility's transmission or distribution network.

2.2.5 In the event of an emergency situation a utility may share services and resources, without a Services Agreement, with an affiliate which is also a utility.

2.3 Transfer Pricing

2.3.1 Where a utility provides a service, resource or product to an affiliate, the utility shall ensure that the sale price is no less than the fair market value of the service, resource or product.

2.3.2 In purchasing a service, resource or product, from an affiliate, a utility shall pay no more than the fair market value. For the purpose of purchasing a service, resource or product a valid tendering process shall be evidence of fair market value.

2.3.3 Where a fair market value is not available for any product, resource or service, a utility shall charge no less than a cost-based price, and shall pay no more than a cost-based price. A cost-based price shall reflect the costs of producing the service or product, including a return on invested capital. The return component shall be the higher of the utility's approved rate of return or the bank prime rate.

2.3.4 A utility shall sell assets to an affiliate at a price no less than the net book value of the asset.

2.4 Financial Transactions with Affiliates

2.4.1 A utility may provide loans, guarantee the indebtedness of, or invest in the securities of an affiliate, but shall not invest or provide guarantees or any other form of financial support if the amount of support or investment, on an aggregated basis over all transactions with all affiliates, would equal an amount greater than 25 percent of the utility's total equity.

2.4.2 A utility shall ensure that any loan, investment, or other financial support provided to an affiliate is provided on terms no more favourable than what that affiliate would be able to obtain on its own from the capital markets and in all cases at no more favourable terms than the utility could obtain directly for itself in capital markets.

2.5 Equal Access to Services

2.5.1 A utility shall not endorse or support marketing activities of an affiliate which is an energy service provider. A utility may include an affiliate as part of a listing of alternative service providers, but the affiliate's name shall not in any way be highlighted.

- 2.5.2 A utility, including its employees and agents, shall not state or imply to consumers a preference for any affiliate who is an energy service provider.
- 2.5.3 A utility shall take all reasonable steps to ensure that an affiliate does not use the utility's name, logo or other distinguishing characteristics in a manner which would mislead consumers as to the distinction between the utility and the affiliate.
- 2.5.4 A utility shall take reasonable steps to ensure that an affiliate does not imply in its marketing material favoured treatment or preferential access to the utility's system. If the utility becomes aware of inappropriate marketing activity by an affiliate, it shall:
- (a) immediately take reasonable steps to notify affected customers of the violation;
 - (b) take necessary steps to ensure the affiliate is aware of the concern; and
 - (c) inform the Director in writing of such activity and the remedial measures that were undertaken by the utility.
- 2.5.5 A utility shall apply all Rate Orders and rate schedules to an affiliate in the same manner as would be applied to similarly situated non-affiliated parties.
- 2.5.6 Requests by an affiliate or an affiliate's customers for access to a utility's transmission and distribution network or for utility services shall be processed and provided in the same manner as would be processed or provided for similarly situated non-affiliated parties.
- 2.5.7 A utility shall not transfer or assign to an affiliate a consumer for whom the utility is providing utility services (as defined in this Code), unless the customer gives permission to such transfer or assignment in writing.

2.6 Confidentiality of Information

- 2.6.1 A utility shall not release to an affiliate confidential information relating to a consumer, retailer or generator without the consent of that consumer, retailer, or generator.
- 2.6.2 A utility shall not disclose confidential information to an affiliate without the consent in writing of the consumer, retailer or generator, as the case may be, except where confidential information is required to be disclosed:
- (a) for billing or market operation purposes;
 - (b) for law enforcement purposes;
 - (c) for the purpose of complying with a legal requirement; or
 - (d) for the processing of past due accounts of the consumer which have been passed to a debt collection agency.
- 2.6.3 Confidential information may be disclosed where the information has been sufficiently aggregated such that any individual consumer, retailer, or generator's information cannot reasonably be identified. If such information is aggregated it must be disclosed on a non-discriminatory basis to any party requesting the information.

2.7 Compliance Measures

- 2.7.1 A utility shall be responsible for ensuring compliance with this Code and shall:
- (a) perform periodic compliance reviews;
 - (b) communicate the Code to its employees; and
 - (c) monitor its employees' compliance with this Code.

2.8 Record Keeping and Reporting Requirements

2.8.1 A utility shall maintain updated records in a form and manner as prescribed by the Board so as to be able to substantiate compliance with this Code.

2.8.2 In addition to any other reporting requirements contained in this Code a utility shall provide the following information, in a form and manner and at such times as may be requested by the Board:

- (a) a list of all affiliates with whom the utility transacts, including business addresses, a list of the officers and directors, and a description of the affiliate's business activity;
- (b) a corporate organization chart indicating relationships and ownership percentages; and
- (c) the utility's specific costing and transfer pricing guidelines, tendering procedures and Services Agreement(s).

2.8.3 Where the total cost of transactions with a particular affiliate exceeds on an annual basis \$100,000 the utility shall maintain, and make available upon request by the Board, separate records showing:

- (a) the name of the affiliate;
- (b) the product or service in question;
- (c) the form of price or cost determination; and
- (d) the start date and expected completion date of the transaction.

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