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To all Licensed Distributors, Licensed Retailers and Other Interested Parties

Re: Retail Settlement Code - Appendix A - RP-1999-0032

The Ontario Energy Board issued the Retail Settlement Code (“the Code”) on February 28, 2000. Compliance with the Code is a condition of licence for all licensed distributors and retailers. The Code establishes the obligations of licensed electricity distributors with regard to the settlement of competitive and non-competitive electricity costs as well as the requirements for billing options and processing of consumer requests for changes in service provision.

The Code includes a number of equations that are necessary for the purpose of calculating the competitive electricity costs that are to be used for the purpose of settlement. The basis for the determination of competitive electricity costs, as set out in Chapter 3 of the Code, are the competitive electricity services. The Board has determined that the component of the wholesale energy market that, is contained in Appendix A, attached to this letter, is to be included as a competitive electricity service.

Appendix A provides that the only component of the wholesale market to be included in the definition of competitive electricity services is the Hourly Ontario Energy Price (HOEP). The adoption of HOEP will ensure that all consumers in Ontario are receiving the uniform hourly energy price as envisioned by the Market Rules. It also ensures that generators in both the wholesale and retail markets have the same base price for payments for energy produced whether it is sold through the IMO-controlled grid or only within the service area of the local distributor.

Parties with questions regarding the Appendix or its implementation within the equations in Chapter 3 of the Code should contact Brian Hewson, Manager of Energy Licensing at (416) 440-7628.

Sincerely,

Paul B. Pudge
Board Secretary

Attachment

Appendix A

Competitive Electricity Costs

Section 3.1 of the Retail Settlement Code indicates that the Board shall establish the sub-set of the IMO-billed services that are deemed to be Competitive Electricity Services for the purposes of calculating settlement costs in accordance with Chapter 3 of the Code.

The hourly price to be used in the determination of any of the calculations shall be the Hourly Ontario Energy Settlement Price published by the IMO for the settlement hour. This price shall be used for the purpose of calculating equations 3.3.1 (a), 3.3.1 (b), 3.3.1 (c), and 3.3.1 (d).