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Licensing and Applications Branch

June 23, 2000

**To: All Licensed Distributors, Retailers and Other Interested Parties**

**Re: Consultation on Proposed Retail Settlement Code Amendments**

The Ontario Energy Board issued the Retail Settlement Code (“Code”) on February 28, 2000. This 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 Board is considering amendments to the Code in the areas of the treatment of energy losses and matters arising from the authorization of Electronic Business Transaction (EBT) Standards.

### **Treatment of Energy Losses**

Appendix A to the Retail Settlement Code was recently issued by the Board. It determines that the Hourly Ontario Energy Price (HOEP) is the only component of the wholesale market to be included in the definition of competitive electricity services. The adoption of this price ensures that all consumers in Ontario receive 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.

Staff wish to consult on proposed amendments to the Code that deal with the treatment of site-specific losses incurred between the point of sale on the IMO-controlled grid and the Registered Wholesale Meter at the distributor’s wholesale supply connection. The proposed amendments are intended to simplify the settlement calculations. The Code, under equation 3.3.1(a), indicates that the price to be used for the purpose of the calculation is the uniform market price adjusted for site specific losses to the distributor’s wholesale meter. Such site-specific losses are to be calculated using equation 3.3.1(c).

As currently interpreted the Code requires a distributor to adjust its HOEP price at the wholesale meter for all transformation and site-specific losses. Given the fact that the market place will be operating at the outset based on a uniform price, it may not be appropriate to adjust the distributor's price, but rather adjust the quantity to reflect losses. The proposed amendments clarify that the hourly price for purposes of all calculations in Chapter 3 of the Code is the HOEP and that the adjustment for site-specific losses shall be captured by an uplift to the metered quantity. The distributor would be required to record in its Retail Settlement Variance Account any differences between the actual transformation losses and the losses included in the uplift. Each distributor would be required to adjust its loss calculation (equation 3.2 (a)) to include a site-specific loss factor to create a total distribution loss factor to be applied as an uplift to individual consumer's metered quantities.

### **EBT Standards**

The Board has reviewed the Draft EBT Standards ("Standards") submitted by Hydro One Networks Inc. and Toronto Hydro Electric Systems Limited on behalf of the EBT Standards Working Group on May 26, 2000. On June 23, 2000 the Board informed Hydro One and Toronto Hydro that the Board had authorized the adoption of the Standards for the EBT System for the purposes specified in the Code. The Standards proposed modifications to the Code to simplify certain provisions specified in section 10.5.4 of the Code, namely: a limitation on the stacking of transactions for the change in suppliers and the consolidation of the two 10 day periods of contesting a switch by an existing retailer.

In order to simplify the distributor's management of the supplier change process, the Standards adopted a rule that limits the number of pending supplier service transaction requests to one existing and one new transaction request. The Code, in section 10.5.4, permits unlimited stacking. The EBT Standards Working Group that developed the Standards indicated that the imposition of unlimited stacking of STRs would involve considerable cost for distributors and would create a significant barrier to efficiency in the processing of STRs. The Board has considered these submissions and the response of interested parties to this proposal as part of the consultation on the EBT Standards. The Board is considering amending Code to limit the provisions of section 10.5.4 to one existing and one pending STR for active change in supplier per consumer. The proposed amendment is posted on the Board's website.

The other proposal of the EBT Standard is that the two ten day waiting periods established under section 10.5.4 of the Code should be combined into a one 20 day period. The reasons supporting the proposed amendment are again to simplify the distributor's administration of the change process by limiting the number of steps the distributor was to follow. The adoption of this amendment would not eliminate the requirement that a distributor proceed to complete a switch or terminate the switch earlier than the 20 days if the consumer (in accordance with the Code) so advises the distributor. The proposed amendment to the Code is posted on the Board's website.

**Staff requests comments on the proposed amendments to the Code by July 7, 2000.** Copies of the proposed amendments are posted to the What's New page of the Ontario Energy Board's web site [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca). All comments received will be provided to the Board for its consideration of the proposed amendments.

Please send comments to:

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Your assistance in this matter is greatly appreciated.

Sincerely,

Anne Powell  
Director of Licensing