

Ontario Energy Board
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November 16, 1999

TO: All Interested Parties

RE: Request for Comment: Draft Retail Settlement Code - RP-1999-0032

The Retail Settlement Code (“RSC”) will apply to all electricity distributors licenced by the Board under part V of the *Ontario Energy Board Act, 1998*. The RSC will also apply to electricity retailers licensed by the Board under part V subsection 129 (1) of the Act.

In March 1999, a letter was sent by the Director, Licensing to all municipal electric utilities and other parties on the Board’s interested parties list, inviting participation in an industry task force charged with developing the RSC. All those parties who responded to the Director’s letter and expressed an interest in participating, were invited to join the Retail Settlement Code Task Force (“RSCTF”). The RSCTF began meeting in April with 45 members representing 34 different organizations. The task force and its subgroups have conducted over 50 meetings, countless telephone meetings and other informal discussion around these matters.

On October 29, 1999 the task force presented to Board staff its final report, Task Force Recommendations. A draft Code was developed by Board staff based on these recommendations and was circulated to the Task Force for comment. These documents are available on the Board’s Web site www.oeb.gov.on.ca or can be attained by contacting the Board Secretary’s Office.

The Board has requested that further consultation be held regarding matters contained in the draft Retail Settlement System Code so that the Board will have the benefit of submissions from all parties before finalizing the Code.

Specifically, parties should provide comments on the following:

- Does the decision to offer a fixed price to consumers below 50 kW offer any opportunities to simplify the settlement process for Standard Supply Service customers relative to the approach outlined in Section 3 of the Code? In particular, might it be possible to avoid estimating settlement costs for individual consumers on SSS using the spot price and, instead, to periodically calculate the magnitude of the Purchase Power Variance Account on an aggregate basis?
- Is the method of calculating the maximum allowable security (Section 8 of the Code), which takes into consideration a retailer’s market share, billing options and

customer usage characteristics, appropriate? Is the period of time upon which the amount of security is based (e.g., a billing period plus 30 days) appropriate?

- Does the proposed flexibility in allowing distributors to accept less than the maximum amount of security from a retailer give distributors the option of taking undue risk? Should the Board set more stringent and detailed guidelines regarding how much coverage should be maintained and what parameters distributors must consider when examining retailer creditworthiness and the amount of security they should require from a retailer?
- Are the information access requirements identified in sections 11.1 and 11.3 reasonable? In particular, are there any variables listed in these sections that are not kept as a matter of standard business practice today? Are the descriptions and definitions of variables clear?
- Section 3.2 of the Code describes the application of losses as a constant value based on historical utility average energy losses in accordance with the Rate Handbook. Through the work of the Task Force it had been suggested that a strict application of losses based on an average energy loss percent could result in the under collection of loss costs since prices and loss percent generally vary with load. The Board is interested in reviewing alternate proposals which are designed to ensure that loss costs are accurately recovered and simple to apply.
- The Code as it is currently proposed does not require distributors to settle (beyond the application of Net System Load Shape) Time-of-Use meters or those loads which may be controlled but are not separately interval metered. Please comment on the appropriateness of Sections 3.6 and 3.8.
- Section 12 of the Code refers to a standardized service agreement that will be required to be consummated between distributors and retailers. It will contain certain terms and conditions that will be common throughout the province. The Board would appreciate any input regarding which terms and conditions should be common and which should be allowed to vary across distributors.
- The Code refers to a mandatory Electronic Business Transaction (EBT) system that will be used to handle selected high-volume transactions between distributors and retailers. In appendix D to the companion document to the Code, a few high-level recommendations were provided to the Board regarding the nature of such an EBT system, its governance and options for development of such a system. The Board staff will soon embark on an effort to ensure that such a system is developed. Any input regarding the nature of an EBT system to support market implementation would be appreciated.

Parties are also invited to comment on sections of the Code other than those specifically addressed above.

With respect to the written comments to be provided, Board staff requests that:

- In advance of submitting written comments on the Code it is suggested that parties review the report of the Task Force (Companion Document). This document provides a great deal of valuable insight into the matters addressed by the Code.
- To the extent possible comments be organized to follow the draft Code; and
- Written comments are to be mailed or faxed to Leigh-Anne Echlin by **December 13, 1999** at:
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Finally, Board staff will be hosting an information session to discuss the draft Code. This session is tentatively scheduled to be held at the Board's offices on December 1st and 2nd. It would be appreciated if parties would indicate their intention to participate in this session as soon as possible by contacting Shela Chan (416-440-7603) or E-mail chansh@oeb.gov.on.ca. Please note that once the Code is finalized, Board staff will be conducting additional information sessions throughout the province.

Any questions relating to the draft Retail Settlement Code are to be directed to Brian Hewson (416-440-7628) or Leigh-Anne Echlin (416-440-8109) or toll free at 1-888-632-6273.

Yours sincerely,

Anne Powell
Director of Licensing