

## **CHAPTER 11**

### **OTHER REGULATED CHARGES**

#### **11.1 INTRODUCTION**

This Chapter provides policies and guidance to utilities with respect to the application of Other Regulated Charges (“ORC”).

ORC refers to costs incurred to bring the commodity to the utility or the wholesale meter and include costs incurred to facilitate the operation of the retail market. They are non-competitive in nature and are either regulated by the Board, required under Ontario Energy Board codes and guidelines, governed by the Market Rules, or under the direction of the Government of Ontario. These charges are exclusive of the distribution delivery monthly service charges and volumetric rates covered in Chapter 3 to 6 and are treated separately from the charges related to Standard Supply Service (“SSS”) in Chapter 10.

This Chapter is organized in five sections: Retail Services, Non Competitive Electricity Costs (“NCEC”) Rate, Charges levied under the direction of the Government of Ontario, the Retail Settlement Variance Account, and Distribution Services.

In order to simplify the process and ensure that charges are in place for market opening, the Board will approve a set of standard charges for these services as a transitional arrangement. This chapter contains a number of “standard rates”. Some services described in this chapter may currently be provided under an approved rate the utility currently has in place. If a utility has an approved rate for the same service described herein, it may continue to use that rate. If a utility has a similar service that it believes is applicable, it may apply to use those approved rates.

The manner of how these items are required to be presented in the customer (or consumer) bill will be discussed in Chapter 9 of this Handbook.

#### Filing Dates

Distributors shall file their application regarding all charges under this Chapter on or before August 1, 2000.

## **11.2 RETAIL SERVICES**

Retail services refer to services provided to licensed retailers and/ or customers related to the supply of competitive electricity under the Retail Settlement Code (“RSC”). This section provides a standard rate and / or guidance in determining appropriate utility specific charges for these services.

### **11.2.1 Distributor-Consolidated Billing**

Section 7.2 of the RSC requires that a distributor provide a distributor consolidated billing option to electricity retailers. The distributor provides a billing and collection service, including the recovery of non-payment risk premiums.

**Standard Distributor-Consolidated Billing charge: \$0.25 per customer per month**

This is a charge by a distributor to customers of a retailer that has selected the distributor consolidated billing option. The retailer may choose to have this charge either collected from the customer directly or paid by the retailer on an aggregate basis.

### **11.2.2 Split Billing**

Section 7.3 of the RSC requires that a distributor provide a split billing option to electricity retailers. However, the Board currently does not require distributors make split billing available to retailers. A distributor must apply to the Board for an appropriate rate to charge retailers if it chooses to provide this billing option.

### **11.2.3 Distributor-Consolidated Billing: Rate-ready billing**

Section 7.2 of the RSC requires that a distributor, upon request from a retailer, shall make good faith effort to provide rate-ready billing. The rate for this service will be determined based on the incremental cost to the distributor to provide this service. A distributor must apply to the Board for an appropriate rate to charge retailers when this option is requested.

### **11.2.4 Service Transaction Requests (“STR”)**

Under Chapter 10 of the RSC, there are 6 types of service transaction requests. A distributor shall charge the following standard rate to the requesting party:

(1) A change in electricity supplied to a consumer from SSS to a competitive retailer;

**Transfer charge - SSS to retailer**                      **\$0.25 per request + associated commodity option change fee<sup>1</sup>**

(2) A change in electricity supplied to a consumer from one competitive retailer to another;

**Transfer charge - retailer to retailer**                      **\$0.25 per request + associated commodity option change fee**

(3) A change in electricity supplied to a consumer from a competitive retailer to SSS;

**Transfer charge - retailer to SSS**                      **No charge**

(4) A change in a consumer's metering or billing options for consumers currently served by a retailer;

**Option change charge**                      **\$0.25 per request + any associated costs relating to metering and billing option**

(5) A change in consumer location;

- i) a change in location within the same distributor's area;
- ii) a change in location, out of the distributor's area.

In either case, the following charge will apply:

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<sup>1</sup> Commodity Option Change Fee represents the charge for changing the commodity option on the billing system. The standard charge is \$2.00 per request.

|   |   |
|---|---|
| <b>Change in location charge - admin charge</b> | <b>\$0.25 per request + any specific costs related to change in location (eg. final meter read, commodity option change fee etc.)</b> |
|---|---|

(6) A request to deliver consumer-specific information to consumers or to one or more retailers. (Please see section 11.2.6)

### 11.2.5 Information Requests

Under section 10.6.3 of the RSC, once the Electronic Business Transaction (“EBT”) is operational, a distributor shall recover a reasonable fee for the provision of consumer-specific information to customers and their authorized retailers in excess of twice per year if not delivered electronically.

|   |                      |
|---|----------------------|
| <b>Information delivery charge - through EBT</b>                | <b>No charge</b>     |
| <b>Information delivery charge - hard copy (first 2 copies)</b> | <b>No charge</b>     |
| <b>Information delivery charge - hard copy (more than 2)</b>    | <b>\$2 + postage</b> |

### 11.2.6 Establishing Service Agreements

Chapter 12 of the RSC requires a Service Agreement to be entered into between each licensed retailer and a distributor. A distributor shall recover all reasonable costs incurred for signing Service Agreements with retailers and achieving prudential requirements.

|  |   |
|--|---|
| <b>Standard charge (one-time charge)</b> | <b>\$100 per agreement per retailer</b> |
|--|---|

### 11.2.7 Default process

Under section 8.4 of the RSC, in the event of settlement payment default by a retailer, if the account remains unpaid after 10 business days and the parties have not agreed on a remedy, the distributor may notify the retailer’s consumers that they will become SSS consumers.

A distributor may incur extra costs by returning consumers to SSS under this default

process. In the absence of previously approved rates currently in place for eligible services, a distributor shall apply the following standard rates, if applicable:

Rates to Customers:

|                                    |                |
|------------------------------------|----------------|
| <b>Final Meter Reading Charge</b>  | <b>\$10.00</b> |
| <b>Commodity Option Change Fee</b> | <b>\$ 2.00</b> |

Rates to Retailers:

|  |                |
|--|----------------|
| <b>Standard Dispute Involvement Charge</b> | <b>\$10.00</b> |
| <b>Standard Collection of Account</b>      | <b>\$ 9.00</b> |

**11.3 NCEC RATE**

**11.3.1 NCEC Rate**

Chapter 4 of the RSC indicates that a distributor shall recover non-competitive electricity service costs through a variable kwh charge to be set by the Board.

The NCEC rate is intended to recover costs incurred by the IMO in the operation of the IMO administered markets and the operation of the IMO-controlled grid. These costs will be passed on to distributors and are listed in the table below.

| <u>Table 11.1</u> |   |
|-------------------|---|
| <u>Item</u>       | <u>Description</u>                        |
| 1                 | Net Energy Market Settlement Uplift       |
| 2                 | Operating Reserve Uplift                  |
| 3                 | Operating Reserve Market Shortfall Rebate |
| 4                 | Capacity Reserve Uplift                   |
| 5                 | Capacity Reserve Market Shortfall Rebate  |
| 6                 | Congestion Management Uplift              |
| 7                 | Black Start Capability Uplift             |

|    |   |
|----|---|
| 8  | Reactive Support and Voltage Control Uplift |
| 9  | Regulation Service Uplift                   |
| 10 | Must Run Contract Settlement Uplift         |
| 11 | Outage Cancellation/ Deferral Uplift        |
| 12 | IMO Usage Fee                               |
|    |   |
|    | <u>Transmission Service Charges</u>         |
| 13 | Line Connection Service Charge              |
| 14 | Transformer Connection Service Charge       |
| 15 | Network Service Charge                      |

**Standard NCEC Rate** [ ] per Kwh

The NCEC Rate shall be applied to the loss adjusted consumption of the customer.

Adjustment to the Standard NCEC Rate

If a distributor owns specific equipment that may impact the services listed above, it may apply for an adjustment to the Standard NCEC Rate. Such an application should contain sufficient information and justification to allow the Board to determine the nature and quantum of the requested adjustment.

**11.3.2 Non-recurring IMO charges**

The following IMO charges are non-recurring in nature and are not incorporated in the NCEC Rate.

|                   |                    |
|-------------------|--------------------|
| <u>Table 11.2</u> |                    |
| <u>Item</u>       | <u>Description</u> |

|    |   |
|----|---|
| 16 | IMO Transaction Fee   |
| 17 | IMO Application Fee   |
| 18 | Market Participant Default Settlement Debit                 |
| 19 | Market Suspension Additional Compensation Settlement Uplift |
| 20 | IMO penalties   |
| 21 | Dispute Resolution Board Service Debit                      |
|    |   |

If a distributor is billed the above charges by the IMO, then these charges shall be recorded in the appropriate RSVA account. Recovery of these costs will be subject to the RSVA guidelines set out in section 11.6 below.

## **11.4 CHARGES LEVIED BY THE GOVERNMENT OF ONTARIO**

### **11.4.1 Rural Rate Assistance (“RRA”)**

**This matter is currently under review by the Government of Ontario. It is expected that any RRA costs will be recovered through a kwh charge to all customers.**

### **11.4.2 Debt Retirement Charge**

The Government of Ontario has released its plan to service and pay down the residual stranded debt of the former Ontario Hydro. The plan would see a Debt Retirement Charge (“DRC”) on electricity used by most industrial, commercial and residential power consumers across the province. Under the proposed plan, there will be a flat rate charge of 0.7 cents per kwh of electricity consumed.

The DRC will be collected by all entities which bill consumers for electricity. Distributors are responsible to collect DRC for customers receiving Standard Supply Service or distributor-consolidated billing, and any other customers. Collectors would be required to process any applicable exemption from the charge, in whole or part, for specific customers.

## 11.5 RETAIL SETTLEMENT VARIANCE ACCOUNT (“RSVA”)

The RSVA is a variance account established for the purpose of recording variances between the amount owed to the IMO by a Wholesale Market Participant Distributor or to a host distributor by an embedded distributor and the amount collected from customers and retailers.

### 11.5.1 Nature of RSVA

The RSVA is established under section 4.1 and 5.1 of the RSC. The RSVA is available to both Wholesale Market Participant Distributors and embedded distributors (collectively referred to as “distributors” for the purpose of this section unless stated otherwise). Essentially there are two components of RSVA:

- (a) For transactions between the IMO and a distributor:

A distributor shall record in the RSVA any variance between the preliminary and final data on IMO-administered trading transactions.

Under this scenario, there are two sub-categories of differences between preliminary and final data:

- (1) The difference between preliminary and final data on the commodity settlement costs (see  $RSVA_{power}$  in section 11.5.2)
- (2) The difference between preliminary and final data on the costs for other services offered by the IMO (see  $RSVA_{service}$  in section 11.5.2)

- (b) For transactions between a distributor and its customers

A distributor shall record in the RSVA any variance between the NCEC Rate and the costs for other services provided by the IMO calculated using the IMO preliminary data (see  $RSVA_{service}$  &  $RSVA_{one-time}$  in section 11.5.2)

### 11.5.2 Maintenance of RSVA balances

The distributor shall record the different components of RSVA into separate RSVA sub-accounts as follows:

- (i)  $RSVA_{power}$  - represents the competitive electricity services settlement price variance between the preliminary and final data provided by the IMO-administered trading transactions.
- (ii)  $RSVA_{service}$  - represents the price and volume variances between the NCEC Rate and the final settlement amount with the IMO for items 1 to 15 under Table 11.1
- (iii)  $RSVA_{one-time}$  - represents the non-recurring IMO charges under item 16 to 21 of section 11.3.2 of this Chapter, Table 11.2

All of the above accounts shall be maintained in aggregate at the utility level.

### 11.5.3 Calculation of specific RSVA Balances

#### 11.5.3.1 Calculating $RSVA_{power}$

The purpose of  $RSVA_{power}$  is to capture the variances in the competitive settlement costs resulting from differences in preliminary and final data on the competitive electricity costs per Chapter 3 of the RSC.

#### Equation 11-1 Calculation of $RSVA_{power}$ Balance

$$RSVA_{power} = PCEC_B - FCEC_B$$

Where:

$PCEC_B$  = Summation of all settlement costs calculated by distributor  $dx^2$  as set out under Chapter 3 of the RSC utilizing preliminary data from the IMO in billing period  $B$ .

$FCEC_B$  = Summation of all settlement costs calculated by distributor  $dx$  under methodology set out in Chapter 3 of the RSC utilizing final data from the IMO in billing period  $B$ .

### 11.5.3.2 Calculating $RSVA_{service}$

The purpose of  $RSVA_{service}$  is to record the difference between the amount billed by the IMO to the distributor  $dx$  for non-competitive services (items 1 to 15 under Table 11.1) and the amount billed by  $dx$  to customers (including retailers and embedded distributors) through the NCEC Rate. This calculation includes a price variance and a volume variance.

#### Equation 11-2 Calculation of $RSVA_{service}$ Balance

$$RSVA_{service} = \underbrace{(EP_B - FP_B) \cdot EV_B^{dx}}_{\text{Price Variance}} + \underbrace{\left\{ [EV_B^{dx} - \left( \sum_{t=1}^k EV_B^t \cdot DLF_{dx} \right)] \cdot EP_B \right\}}_{\text{Volume Variance}}$$

Where:

$k$  = Total number of customers served by distributor  $dx$  including all embedded distributors and exclude all wholesale market participants

$EP_B$  = The NCEC Rate

$FP_B$  = Final IMO charges on item 1 to 15 calculated using final data under section 11.3.1 of this Chapter over the period  $B$

$EV_B^{dx}$  = Total energy volume consumed by distributor  $dx$  from the IMO over

<sup>2</sup> There may be revisions to this section to account for the impact to embedded distributors.

the period  $B^3$

$EV_B^t$  = Total energy volume consumed by customer  $t$  for the period  $B$

$DLF_{dx}$  = Distribution Loss Factor for distributor  $dx$  as defined under equation 3.3.1(a) of the RSC<sup>4</sup>

### 11.5.3.3 Calculating $RSVA_{one-time}$

The purpose of  $RSVA_{one-time}$  is to record any non-recurring IMO charges incurred by distributor  $dx$  during the period. A distributor shall record all costs relating to item 16 to 21 under section 11.3.2 into this account. The Board will review the validity of such costs on a utility-specific basis. The timing, manner and scope of such reviews will be determined at a later date.

### 11.5.4 Net System Load Shape correction variance

On an annual basis, any variance in competitive electricity settlement costs (calculated under Chapter 3 of the RSC) and other IMO services arising from the correction of a distributor's Net System Load Shape ("NSLS") shall be recorded in  $RSVA_{service}$ . Variance in the NSLS must be allocated to all embedded distributors.

### 11.5.5 Recording of RSVA balance

A debit or credit to the customers' balances of the RSVA accounts shall be calculated and posted at the close of the standard billing period in accordance with the Board's Accounting Procedures Handbook for Electric Distribution Utilities. At the end of each fiscal year, any outstanding balances in the RSVA accounts will be carried forward to the opening balance for the following year.

### 11.5.6 Customer Exit RSVA Disposition

A distributor shall calculate an exit true-up for each customer when a customer exits the

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<sup>3</sup> There may be a need to revised this section to account for site specific losses from host distributor.

<sup>4</sup> If a distributor has more than one DLF, sub-accounts shall be created to track  $RSVA_{service}$  for customer classes.

distributor’s service territory or for all customers upon an order of the Board. The commodity portion of RSVA shall be allocated according to energy usage for customer  $t$  in proportion to all customers in the distribution system for time period  $pd$ . The service portion of RSVA shall be allocated according to energy usage for customer  $t$  in proportion to all customers in class  $a$  for time period  $pd$ .

Individual customer true-ups are mandatory for any customer exiting a distributor’s distribution system.

**Equation 11-3 Calculation of Customer-Specific Exit True-Up**

$$EXIT_{RSVA} = (RSVA_{power}^{pd} / \sum_{t=1}^k EV_{pd}^t + RSVA_{service}^a / \sum_{t=1}^n EV_{pd}^t) \cdot EV_{pd}^t$$

Where:

$pd$  = the time period during which the customer  $t$  was in the distributor’s system since the last disposition of the RSVA balances

$RSVA_{power}^{pd} = RSVA_{power}$  balance that relates to the time period  $pd$

$a$  = the customer class to which customer  $t$  belongs

$n$  = the total number of customer in class as  $a$

$EV_{pd}^t$  = Total energy volume consumed by customer  $t$  over the period  $pd$

**11.5.7 Carrying Charges for RSVA**

The carrying charge amount shall be calculated and recorded using simple interest applied to the opening balances in the RSVA accounts at the beginning of the distributor’s standard billing cycle. The distributor shall assign an interest rate equal to the applicable deemed debt rate set out in Chapter 3 of the Rate Handbook, Table 3-1. The same rate shall be applied to any balance in the account, either positive or negative.

## **11.5.8 RSVA Review and Disposition**

### *11.5.8.1 Review Period and Reporting Requirements*

A distributor shall review the RSVA on a periodic basis. The distributors are expected to inform the Board of the balances in the RSVA and the reasons for any significant fluctuations or trends.

The distributors are required to report to the Board on the balances of the RSVA accounts, the number of affected customers and the average balance per customer in each class. A report on the status of the RSVA will be included in any rate filing made by the utility. The Board will determine the disposition of the RSVA accounts at a later date.

## **11.6 DISTRIBUTION SERVICE**

Some utilities distribute power to embedded distributors. As a result, they may pass on certain approved charges to the embedded distributors. This section will contain direction regarding the recovery of these costs when they become available.

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