

CHAPTER 10

STANDARD SUPPLY SERVICE

10.1 INTRODUCTION

On October 18, 1999, the Board issued its *Decision with Reasons in the Matter of a Proposed Standard Supply Service Code for Electricity Distributors* (the “Decision”) in the proceeding under Board docket RP-1999-0040. In its Decision, the Board considered the following principles and objectives to apply to standard supply service (“SSS”).

- Customers should have access to electricity through their current supplier at market based prices.
- Customers should not be locked into the standard supply service, but should be free to move to and from the distributors’ obligation to sell electricity in order to facilitate retail competition.
- The provider of standard supply service should be indifferent with respect to whether a consumer switches to an alternative supplier.
- Standard supply service is a regulated activity that should not cross subsidize competitive activities.
- A distributor should not bear any significant volume risk or price risks in providing standard supply service.
- Rules related to standard supply service should ensure that all retail market participants operate on a level playing field.

The Decision also identified the following implementation requirements:

- Detailed methodology for the pricing and procurement of standard supply;
- Specific rules relating to the distributors’ SSS account true-ups;

- Administration of a Purchase Power Variance/Deferral Account (“PPVA”);
- Methodology for setting the rate to be charged by third parties delivering standard supply;
- Mechanism to determine that third party procured SSS power rates are just and reasonable; and
- Minimum contract requirements to be imposed by utilities on third party SSS providers.

The purpose of this Chapter is to address the above requirements and provide guidelines regarding the establishment of SSS rates for distributors in order to meet their obligations under the Standard Supply Service Code (“SSS Code”).

10.2 STANDARD SUPPLY SERVICE CODE

These guidelines must be interpreted and applied in conjunction with the SSS Code issued December 8, 1999 which sets out the minimum conditions that a distributor must meet in carrying out its obligation to sell electricity under paragraph 14 of its Distribution Licence.

10.3 QUALIFICATION FOR STANDARD SUPPLY SERVICE FIXED PRICE

Sections 2.5.2 and 2.5.3 of the SSS Code stipulate that electricity distributors must supply consumers with a peak demand above 50 kW at a Weighted Average Hourly Spot Price (“WAHSP”) for electricity. Customers (or “consumers”) with a peak demand of 50 kW or less must be provided a “fixed price”, unless the distributor has been granted an exemption by the Board. The use of proxy measures of demand are necessary due to the fact that a large majority of small volume customers use volumetric meters that are unable to measure demand.

This Chapter will use the following definitions of pricing terms:

WAHSP	The “Weighted Average Hourly Spot Price” for competitive electricity is derived from the utility-specific Net System Load Shape (“NSLS”) calculations as described in Chapter 3 of the Retail Settlement Code (“RSC”). The WAHSP is the SSS price used for consumers with volumetric meters that have an energy consumption of greater than 150,000 kWh/yr. The WAHSP is also the SSS price for consumers with non-interval meters having a demand of greater than 50 kW.
SMP	The “Spot Market Price” for competitive electricity is defined in Chapter 3 of the Retail Settlement Code as the Hourly Price Calculation for Wholesale Market Participant Distributors. The Chapter also defines the spot market price for Embedded Distributors. The SMP is the price to be used for interval-metered SSS customers.
Fixed Reference Price	The “Fixed Reference Price” means the Board-approved price to be offered to small volume/residential customers as stipulated in section 2.5.3 of the SSS Code. This is equivalent in meaning to the term “fixed one year price for SSS” referenced in paragraph 3.1.10 of the Board’s Decision on SSS. The Fixed Reference Price will be “trued up” to the WAHSP periodically.

10.3.1 Customers Without Demand Meters

All residential customers with kilowatt-hour meters shall be deemed to have a demand of 50 kW or less. All non-residential customers with kilowatt-hour meters and annual energy consumption of 150,000 kWh or less during the preceding twelve months shall also be deemed to have a demand equivalent to 50 kW or less. Therefore, the SSS price for these customers will be the Fixed Reference Price, unless the distributor has been granted an exemption by the Board.

10.3.2 Customers with Demand Meters

Customers with demand meters that record the customer's average monthly peak demand as greater than 50kW during a specified twelve month period shall receive WAHSP pricing.

10.3.3 Customers with Interval Meters

All residential or non-residential customers with interval meters, irrespective of demand levels above or below 50kW, shall receive SMP pricing.

10.3.4 Customers with Time-of-Use Meters

Time-Of-Use ("TOU") metered customers that do not record the customer's peak demand shall be treated as in section 10.3.1, "Customers Without Demand Meters". TOU metered customers that record demand shall be treated as in section 10.3.2, "Customers with Demand Meters".

The applicability requirements are summarized in the table below.

Table 10-1 Customer Categorization

Customer Class	Meter Type	Fixed Reference Price ¹	Wtd Avg Hourly Spot Price (WAHSP)	Spot Mkt Price (SMP)
Residential Customers	Volume Meters	automatic	n/a ²	n/a
	Demand Meters ³	~ 50 kW	™ 50 kW	n/a
	Interval Meters	n/a	n/a	automatic
Non-Residential Customers	Volume Meters	~ 150,000kWh/yr	™ 150,000kWh/yr	n/a
	Demand Meters	~ 50 kW	™ 50 kW	n/a
	Interval Meters	n/a	n/a	automatic

10.3.5 Measurement Period for Assignment

For customer classification and measurement purposes, the specified twelve month period will be the most recent twelve months corresponding to the distributor’s fiscal year period. If sufficient data are not available, a distributor may choose an alternate 12 consecutive month period for customer assignment.

¹ Not applicable if the distributor has been granted an exemption from the Board

² n/a = not available, unless the distributor has been granted an exemption from the Board

³ Time-Of-Use meters (Residential or Non-Residential) that record peak demand are categorized in the table as demand meters; otherwise, TOU meters shall be categorized as volume meters as outlined in section 10.3.4.

10.3.6 Abnormal Conditions

Distributors may take into account abnormal conditions that may have occurred during the measurement period and choose to maintain the existing customer categorizations if they are considered to be reflective of normal operations. Abnormal conditions would include significant weather events having a direct influence on normal electricity demand levels.

10.3.7 New Customers

Distributors will be responsible for categorizing new customers according to their expected consumption characteristics and service size. Once categorized, new customers will maintain their status until a one year period of data are available. Should the data indicate a different classification, the distributor shall perform a re-assignment.

10.3.8 Customer Request for Change of Assignment

All customers, excluding those that use demand or interval meters, may request to be deemed by the electricity distributor to be below or above the 50 kW demand level. In such cases the utility will review the customer's most recent 12 consecutive month consumption and any other information provided by the customer that may be relevant to future consumption levels. If a re-assignment is warranted, the distributor shall re-assign the customer before the next billing period is finalized. Customer-requested re-assignments shall be limited to once annually, unless the customer is able to demonstrate that its load will be permanently expanded or reduced by a significant amount.

10.3.9 Review of Assignment

Following an assignment review, the distributor shall notify those customers whose actual or deemed demand reflects a potential change in assignment to either the fixed or WAHSP price. Such notice shall be given no later than January 31st of each year.

Distributors shall make all re-assignments resulting from the annual review effective at the time of the implementation of rate adjustments. As detailed in Chapter 12 of the Rate Handbook, section 12.2.8, Summary of Events, the implementation of distribution rate adjustments occurs on March 1st of each year.

10.4 FIXED REFERENCE PRICE

The SSS Code, in section 2.5.3, requires that small volume/residential consumers with a peak demand of 50 kW or less receive a fixed price subject to terms established by the Board. The Board will periodically notify distributors by letter as to the level of the fixed reference price and may issue a price cap for SSS procured through a third party (see “ceiling price” in section 10.6, Third Party SSS Provision).

Customers assigned to fixed pricing will receive the Fixed Reference Price and the distributor shall bill Fixed Reference Price customers for energy consumption (adjusted for any losses as outlined in the Retail Settlement Code) at this rate until a new Fixed Reference Price becomes effective.

10.4.1 True up

The Fixed Reference Price shall be “trued up” to equal the WAHSP periodically. The Board may direct whether the true up will be in the form of a rebate or surcharge or as a rate rider rolled forward into the next period.

10.4.2 SSS Filing Requirements

In accordance with paragraph 14.3 of the Distribution Licence, a distributor shall notify the Board of the manner it intends to fulfill SSS and it shall not proceed until approval has been granted in the form of an approved Schedule 2 to its Licence.

All electricity distributors shall prepare a written filing for SSS that addresses the following:

1. The SSS pricing intentions of the distributor:
 - Fixed Reference Price
 - Third party-provided SSS and the price selected
 - Application for exemption to Fixed Reference Price
2. For Third Party SSS, please include the requested letter and filing requirements listed in Chapter 10, section 10.6.2.
3. For the exemption application, please provide a letter from the General Manager (or other senior officer) that addresses the requirements of section 2.5.6 (new section) of the SSS Code.

10.5 PURCHASED POWER VARIANCE/DEFERRAL ACCOUNT (PPVA)

The purpose of the PPVA is to capture price differentials between the Fixed Reference Price and the WAHSP. The PPVA is available only to an electricity distributor that offers a Board-approved Fixed Reference Price and that purchases power from the IMO-administered spot market either as a Wholesale Market participant or through a host distributor. A PPVA cannot be established by an electricity distributor who has received approval to provide SSS service through an affiliate or third party supplier or where an exemption to the Fixed Reference Price has been granted by the Board.

10.5.1 Definition and Calculation of PPVA

The PPVA is a Board-approved variance account to record the difference between the energy charge billed to a distributor's SSS customers using the Board-approved Fixed Reference Price and the cost of power as billed to the distributor either by the Independent Market Operator ("IMO") or billed by a host distributor.

In order to calculate entries in the PPVA, distributors must refer to the Retail Settlement Code ("RSC") which outlines the distributor's settlement cost calculation methodology. The settlement provisions relating to SSS are set out in section 7.4 of the RSC and the detailed calculations and settlement pricing formulas in Chapter 3 of the RSC. As stated in the RSC, the detailed methodology for determining settlement costs differs depending on whether the consumer has an interval meter or non-interval meter and whether the distributor is a wholesale market participant or an embedded distributor. In this regard, a careful review of the RSC will determine precisely which calculations are appropriate.

A distributor shall calculate its aggregated utility PPVA in a manner mathematically equivalent to equation 10-1.

Equation 10-1 Calculation of Aggregate Distributor PPVA Balance

$$PPVA_{Agg} = \sum_t [(fixedprice_t - WAHSP_t^{dx})] \bullet E_t^{imo}$$

where

$PPVA_{Agg}$ = Aggregate utility PPVA

$fixedprice_t$ = Fixed Reference Price over period t

$WAHSP_t^{dx}$ = distributor's weighted average hourly spot price over the period t as described in Chapter 3 of the RSC

E_t^{imo} = total electricity supplied to the distributor's Fixed Reference Price customers by the IMO (or host distributor) for period t

A debit or credit to the distributor's PPVA account shall be calculated and posted at the close of the distributor's standard billing cycle.

Entries in the PPVA shall be made in accordance with the Board's Accounting Procedures Handbook for Electric Distribution Utilities.

10.5.2 PPVA Allocation to Customers

A distributor shall calculate an exit true-up for each customer if any of the following circumstances occur: customer exits the distributor's service territory; customer is re-assigned to an above 50 kW peak demand class; or customer switches from SSS to a competitive retailer. The true-up amount to be billed will be calculated as a volume-weighted price variance between the Fixed Reference Price and the WAHSP for the period from the date of the last clearance of the PPVA.

The volume portion shall be the customer's actual kilowatt-hour energy consumption over the period under review up to the final meter read. The price differential will be the difference between the Fixed Reference Price and the utility's WAHSP price over the same period. Multiplying the customer's volume by the price differential will yield the customer's exit true-up cost.

A distributor shall calculate its customer-specific exit true-up in a manner mathematically equivalent to equation 10-2.

Equation 10-2 Calculation of Customer-Specific Exit True-Up

$$EXIT_{IND} = (fixedprice_B - WAHSP_B^{dx}) \bullet E_B^c$$

where

$EXIT_{IND}$ = individual customer true-up on exit over a billing period B

$fixedprice_B$ = Fixed Reference Price over billing period B

$WAHSP_B^{dx}$ = distributor's weighted average spot price over billing period B as described in Chapter 3 of the RSC

E_B^c = cumulative energy use by customer c in billing period B

Customer-Specific PPVA Reporting

The Board believes that consumers will be better informed and a more transparent market will develop if the customer's PPVA amount is shown on the customer's bill. The Board understands that the implementation of customer-specific PPVA reporting may prove to be too complex and time-consuming to be functional as an integrated part of the distributor's Customer Information Systems ("CIS") in time for market opening. Therefore, the Board expects that no later than February 2002, in conjunction with a distributor's Year 3 of the PBR plan, as set out in Chapter 12 of the Rate Handbook, electricity distributors will have in place functional CIS systems with the capability of accurately handling customer-specific PPVA reporting. This would include display of PPVA information on each customer's bill.

In the interim, the following points address the minimum PPVA requirements that must be functional at or before the time of market opening.

- 1) All electricity distributors using the Fixed Reference Price will be able to maintain an aggregate utility PPVA balance.
- 2) Individual customer true-ups will be provided for any customer exiting a distributor's Fixed Reference Price SSS.

10.5.3 PPVA Review and Disposition

The accumulation of significant balances in the PPVA may signal that the WAHSP price is varying in a systemic manner from the Fixed Reference Price and that there may be a need to make a disposition of the PPVA balance. The Board will employ a review mechanism to provide an indication of the extent of the variance. To accomplish this, the distributor shall, on an aggregate basis in accordance with equation 10-1, compare the Fixed Reference Price to the WAHSP price over the first two month period after market opening. The utility shall report the differential to the Board indicating the percentage variance amount, the PPVA account balance, the number of affected customers and the average balance per customer in each rate class. The report shall be submitted to the Board either in conjunction with the distributor's rate adjustment filing on Feb 1st 2001 or three months after the market opening, whichever is sooner. The Board may also order the filing of this information at other times.

A distributor shall calculate the pricing differential in a manner mathematically equivalent to equation 10-3.

Equation 10-3 Calculation of Comparison of Prices

$$\% DIF_{Agg} = \left[(fixedprice_t - WAHSP_t^{dx}) / fixedprice_t \right] \bullet 100$$

where

$$\% DIF_{Agg} = \text{Distributor's percentage price differential over period } t$$

If the differential in Equation 10-3 is deemed by the Board to be sufficient to require disposition, the Board may require the distributor to initiate a true-up for the aggregate amount. The Board will then determine the timing and manner of disposition of PPVA account balances.

10.5.4 Carrying Charges for PPVA

The carrying charge amount shall be calculated and recorded using simple interest applied to the opening balances in the PPVA account at the beginning of the distributor's standard billing cycle. The distributor shall use an interest rate based on 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.

10.6 THIRD PARTY SSS PROVISION

The legislation provides for a distributor to engage third parties (including affiliates) to meet its SSS obligations, subject to certain requirements regarding third party pricing and contract arrangements.

Any electricity distributor electing to have SSS provided by a third party must provide evidence to the Board that the resulting SSS price is just and reasonable and that the rates are no higher than if the distributor procured and sold the electricity directly. This requirement can be met by an electricity distributor sourcing electricity through competitive processes in the manner described in the following sections for third party procured SSS.

In all cases involving third party supply, a distributor may not charge a price to its SSS customers that exceeds the SSS ceiling price applicable to the same period.

With regard to third party procurement fees or administration fees charged to a distributor, the Board will not permit a distributor to recover through its rates any additional charges for procurement over and above the SSS Administrative Charge amount set out in this Chapter.

10.6.1 Arrangements to Enable Third Party Supply

The Board recognizes that in addition to permitting single distributors to meet their SSS obligation through a third party, there may be efficiencies and other benefits to permitting groups of distributors that combine loads to manage power procurement on an aggregate basis. However, there are risk considerations that must be accounted for in structuring such multiple distributor arrangements. The distributor must satisfy the Board that there are provisions to mitigate the risk to individual distributors contractually involved in third party SSS provision. In this regard, distributors are advised to consult with Board staff on the form and content of a Standard Service Agreement (“SSA”) that governs arrangements between the third party supplier and members of a distributor group.

10.6.2 Request for Proposals (“RFP”)

The model of competitive selection that the Board will adopt for distributors and third parties in tendering for SSS supply is a Request for Proposal (“RFP”) approach. The main objective of the RFP model is to ensure that there is a level of price competition among the bidding parties to provide SSS. An equally important objective is to ensure that the process is open and transparent to all interested suppliers.

All parties employing the RFP process must be able to show price transparency and be able to clearly demonstrate, if required, that the price resulting from the successful RFP bidder(s) is passed through, without a premium, to the end consumer.

Distributors intending to utilize a third party for SSS shall file with the Board, as part of their SSS rate filing, a letter from a senior officer of the company warranting that the distributor (or service provider) has conducted an RFP tendering process.

There should be supporting auditable records and background details available to the Board upon request, in addition to the standard third party filing requirements listed below:

- Evidence of the publication of the RFP in newspapers or other wide circulation print and/or other appropriate media;
- Names of parties submitting bids;
- Name and licence number of the successful bidder;
- Assurance that all deals were made on an arm’s length basis;
- Particulars about the successful bid including length of contract(s) and volumes; and
- List of the member distributors in the group (if RFP issued by, or on behalf of, a group).

The following confidential information must also be available, if requested, to the Board’s Audit and Compliance group under the Board’s Energy Returns Officer:

- List of all bid prices received.

10.7 SSS ADMINISTRATIVE CHARGE

Section 2.5.1 of the Code states that the SSS charge should allow for the distributor to recover its cost of providing SSS.

The administration charge should cover only incremental costs that arise as a sole consequence of the existence of SSS. These costs shall include customer service call handling related to SSS, Customer Information Systems (CIS) expenses related to PPVA account administration, CIS expenses related to bill display requirements and power procurement costs/contract administration costs for distributors who use third party SSS supply.

Until detailed cost of service/cost allocation studies are completed, it is difficult to set the appropriate level of this charge. Therefore, for an interim period, a standard charge will be set by the Board. The Board expects that each distributor will, in accordance with section 1.4 of the Rate Handbook, establish a specific utility charge for recovery of SSS administrative costs.

10.7.1 SSS Interim Charge

SSS Administrative Charge	\$0.25 per customer per month
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A SSS Administration Charge of \$0.25 per customer per month may be applied and added to the Monthly Service Charge for all SSS customers.

10.7.2 Utility Specific SSS Administration Charge

As part of a second generation rate study made in accordance with the requirements set out in the Rate Handbook, a distributor may make application for a utility-specific SSS Administration Charge and include in the study, details of the charge components and calculation methodology used.