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Licensing and Applications Branch

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Compliance Bulletin 200402

To: Licensed Electricity Distributors

Re: Application of the Primary Adjustment Factor (PAF) to metered consumption in calculating the Debt Retirement Charge (DRC) for Primary Metered Accounts

This bulletin contains important information regarding your electricity distributor licence.

This Bulletin is issued to assist licensees in properly calculating the DRC for primary metered accounts.

The calculation of the DRC is governed by Ontario Regulation 493/01 of the Electricity Act, 1998. Section 2 (1) states: "The debt retirement charge payable by a user for a period commencing on or after the day subsection 26 (1) of the Act comes into force is the amount calculated by multiplying the prescribed rate, as determined under subsection (2) for the location at which the electricity is consumed, by the number of kilowatt hours of electricity consumed at that location during the period."

Section 6 (1) states: "For the purposes of sections 2 and 3, the amount of electricity consumed in a period by a user that is not self-generated electricity is determined in accordance with the Board's Retail Settlement Code (RSC) without any adjustment for total losses."

The purpose of the PAF is to ensure that primary metered customers are billed in a consistent manner to customers metered on the secondary side of the supply transformer. Ontario Regulation 493/01 requires the DRC to be calculated on the amount of electricity actually consumed. For primary metered customers, this means that the metered amount must be adjusted by the PAF before the DRC is calculated.

Example:

If, Primary Metered Consumption (PMC) = 1011kWh, and Primary Adjustment Factor (PAF) = 0.99, then,

$$\begin{aligned}\text{Electricity Consumed (EC)} &= \text{PMC} \times \text{PAF} \\ &= 1011 \times 0.99 = 1000\text{kWh},\end{aligned}$$

so that,

$$\begin{aligned}\text{Debt Retirement Charge (DRC)} &= \text{EC} \times \text{Legislated DRC Rate} \\ &= 1000 \text{ kWh} \times \$0.007/\text{kWh} \\ &= \$7.00\end{aligned}$$

Although the primary metered customer benefits from an adjustment related to energy lost in transformation (the PAF), this is not an adjustment for total losses as defined in the RSC. Accordingly, the PAF can be applied to the primary customer's metered consumption prior to calculating DRC, as permitted by subsection 6(1) of the DRC regulation. All licensed distributors and retailers who bill customers should adjust primary metered consumption by the PAF prior to calculating the DRC.

Distributors are reminded that billing practices are subject to audit.

If you have any questions on this matter, please contact Susanna Beatrice at 416 440 7613 or by e-mail at Susanna.Beatrice@oeb.gov.on.ca.

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