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## VIA E-MAIL AND WEB POSTING

March 26, 2012

**To: All Interested Stakeholders**

**Re: Revision to the Board's Cost Assessment Model EB-2012-0018**

The Ontario Energy Board (the "Board") would like to inform stakeholders that its cost assessment model has been revised and is now available on the Board's website. The revision to the cost assessment model details the Board's decision to assess the appropriate share of direct and indirect costs to retailers and marketers, to be phased in over five years starting April 1, 2013. Until that time the cost assessment model dated March 2011 remains in effect.

In 2011 the model was amended to assess retailers and marketers a portion of the direct cost associated with regulating these licensees. Direct costs associated with the Board's Consumer Protection unit were assessed. At that time the Board committed to a further consideration of whether to assess the remaining direct costs and a proportionate share of indirect costs to these two payor classes.

The Board engaged Navigant Consulting, Ltd. ("Navigant") to conduct a review of this matter. Navigant's report is posted on the Board's website. It concluded that there is "no reason to not allocate indirect costs to the electricity retailers and natural gas marketers. In fact, not allocating those costs triggers cost shifting to other industry participants thus triggering a cross-subsidy".

In 2012, the Board consulted with stakeholders regarding the Navigant report and the manner in which retailers and marketers should be assessed costs. The comments received from stakeholders are available on the Board's website at:

<http://www.ontarioenergyboard.ca/OEB/Industry/Media+Room/Publications/Corporate+Information+and+Reports#costassessment>

The revised Cost Assessment Model reflects the Board's decision to assess all payor classes identified in Regulation 16/08 on the same basis and in accordance with the principles set out in the Cost Assessment Model. The Board appreciates that this

change has a financial impact on retailers and marketers and has therefore determined to mitigate that change by providing for a phased implementation over a five year period.

Yours truly,

*Original Signed By*

Kirsten Walli  
Board Secretary