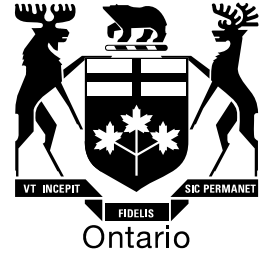


Ontario EnergyBoard

Commission de l'énergie de l'Ontario



G-2008-0001

Guideline

Electricity Distribution Retail Transmission Service Rates

Originally issued: October 22, 2008

Revision 1.0: July 22, 2009

1 Purpose

The purpose of this guideline is to provide electricity distributors with instructions on the evidence needed, and the process to be used, to adjust retail transmission service rates to reflect changes in the Ontario Uniform Transmission Rates (“UTRs”). Retail Transmission Service Rates (“RTSRs”) are charges that a distributor applies to end-use customers to recover the costs associated with the payment by the distributor of wholesale transmission line connection, transformation connection and network rates.

On July 3, 2009 the Ontario Energy Board issued its Decision and Rate Order in proceeding EB-2008-072, setting new Uniform Transmission Rates for Ontario transmitters, effective July 1, 2009. With the change in the UTRs, there is a need to review the rates charged by distributors for the corresponding retail transmission service.

This document describes how the uniform transmission rates affect the retail transmission service rates and the process that should be used by distributors to apply for the necessary changes to their RTSRs. It also identifies how the balances in the deferral accounts associated with RTSRs should be considered.

2 Ontario Uniform Transmission Rates

Electricity transmitters in Ontario charge Uniform Transmission Rates to their transmission connected customers. These UTRs are charged for network, line connection and transformation connection services. Based on the Decision and Rate Order of the Board in the EB-2008-0272 proceeding, the new UTRs are effective July 1, 2009 and have been approved as follows:

- Network Service Rate has increased from \$2.57 to \$2.66 per kW per month, a 3.5% increase.

- Line Connection Service Rate remains unchanged at \$0.70 per kW per month, and
- Transformation Connection Service Rate has decreased from \$1.62 to \$1.57 per kW per month, for a combined Line and Transformation Connection Service Rates reduction of 2.2%.

Low voltage charges are affected by factors beyond changes in UTR rates, and are therefore best addressed on a case-by-case basis. This guideline therefore does not address changes to low voltage charges flowing from the change in the UTRs.

3 Linkage of Ontario Uniform Transmission Rates to Retail Transmission Service Rates

Electricity distributors are charged the UTRs at the wholesale level and subsequently pass these charges on to their distribution customers through the retail transmission service rates. There are two RTSRs, whereas there are three UTRs. The two RTSRs are for network and connection. As such, the wholesale line and transformation connection rates are combined into one retail connection service charge.

4 Deferral Account Balances

The timing of payment of the UTRs by distributors does not match the timing of collection of the associated RTSRs from customers. The distributor is charged for transmission services provided in a given month in the following month. When the distributor bills the end-use customer, several additional months could have passed since the distributor received an invoice for transmission services. Therefore, deferral accounts are needed to track the timing difference between when the distributor pays for the transmission service charges and when it

receives payment of the corresponding retail transmission service charges from customers.

Deferral accounts are also used to account for the difference in the rate that a distributor pays for transmission service compared to the retail rate that the distributor is authorized to charge when billing its customers. While the transmission rates will change on July 1, 2009 and January 1, 2010, retail rates will not change prior to May 1, 2010.

Amounts associated with both the timing difference and the rate difference are recorded in deferral accounts. The pattern over time of the amounts being recorded in these accounts can guide the distributor as to what adjustments may be needed to maintain the balance of the deferral accounts at a reasonable level. If the deferral accounts show a pattern whereby the distributor is, every month, undercharging its customers, then an adjustment to counteract that undercharging should be considered when the retail rates are determined. Similarly, if the distributor is overcharging customers each month and the credit balance is growing at a predictable trend then the retail rates should be adjusted to minimize this over collection in the future.

5 Evidence to be Filed in Support of a Change in the RTSR for Cost of Service Applications

The adjustment to the RTSRs for the 2010 rate year for distributors that file cost of service applications will be based on the specific changes in the connection and network rates that were determined in the uniform transmission rates proceeding referred to above. The adjustment will also consider any trends in the deferral accounts referred to above. Distributors should file the following material:

- A variance analysis using 2 years of actual data examining what, if any, trend is apparent in the monthly balances in the RTSR deferral accounts

- A calculation of the proposed RTSR rates that includes the adjustment of the UTRs effective July 1, 2009 and an adjustment to eliminate ongoing trends in the balances in the RTSR deferral accounts

As indicated in a Board letter dated February 19, 2008, the Board has launched an initiative relating to the review and disposition of certain deferral accounts. Therefore, the Board expects that distributors will not apply to recover amounts in the deferral accounts associated with the RTSRs until that initiative has been completed. The purpose of the variance analysis and the adjustment to the RTSRs referred to above is to eliminate the trend in the growth of the balances; it is not to recover the existing balances.

6 Evidence to be Filed in Support of a Change in the RTSR for Incentive Regulation Applications

The adjustment to the RTSRs for the 2010 rate year for distributors that file incentive regulation applications will be based only on the specific changes in the connection and network rates that were determined in the uniform transmission rates proceeding referred to above. This will be accomplished by inclusion of a module in the rate application model that distributors are to use when filing either 2nd or 3rd generation incentive regulation applications.

The module will adjust RTSRs in the same manner as the uniform transmission rates have been changed. Once the January 1, 2010 adjustment is determined the Board will adjust each distributor's rate application model.

7 Further Information

This guideline provides instructions to electricity distributors regarding how they are to apply for a change in their RTSRs for the 2010 rate year starting May 1, 2010.

Questions related to this guideline should be addressed to:

Ontario Energy Board

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