



Ontario  
Energy  
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BY EMAIL AND WEB POSTING

December 4, 2019

**To: All Licensed Electricity Distributors  
All Licensed Unit Sub-Meter Providers  
Independent Electricity System Operator  
All Other Interested Parties**

**Re: Accounting Guidance for Changes to the *Ontario Rebate for Electricity Consumers Act, 2016*, RPP Settlement, and Resuming the Final RPP Variance Settlement**

On November 1, 2019, amendments to the *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA) and the regulations under ORECA<sup>1</sup> came into force. The Ontario Energy Board (OEB) issued a [letter](#) on October 25, 2019, providing guidance on the implementation of the changes to the rebate, including some accounting guidance. The purpose of this letter is to confirm the accounting guidance related to the changes under the ORECA. In addition, this letter provides accounting guidance on the RPP Settlement and Final RPP Variance Settlement.

### **The Ontario Electricity Rebate**

Effective November 1, 2019, the 8% Provincial Rebate was renamed the Ontario Energy Rebate (OER), and the amount of the rebate increased to 31.8% of the base invoice amount. As previously indicated in the OEB's October 25, 2019 letter, the OER credit on an invoice issued to a customer with an eligible account will continue to be calculated on the basis of the pre-tax base invoice amount for a billing period.

i. OER Settlements with the IESO

As before the amendments, licensed distributors or licensed retailers may continue to use estimates for the purposes of obtaining reimbursement for the amount of OER that

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<sup>1</sup> O. Reg. 363/16 (General) and O. Reg. 364/16 (Invoicing Requirements).

they are required to provide customers. As previously indicated in the OEB's February 9, 2017 [letter](#) regarding the implementation of the 8% Provincial Rebate, it is expected that licensed distributors or licensed retailers avail themselves of this flexibility as appropriate, and will do so using reasonable estimates. Where estimates are used, an adjustment for the difference between the estimate and the actual amount of financial assistance must be made as soon as possible, after the actual amount becomes known. Monthly reconciliations between the amount of the OER rebate provided to customers and the amounts claimed from the Independent Electricity System Operator (IESO) must be performed.

## ii. OER Accounting Guidance

The accounting treatment of the OER is expected to remain the same as what was used for the 8% Provincial Rebate. OER settlements with the IESO will be made through charge type 9983 "Ontario Electricity Rebate Settlement Amount" (previously charge type 9982 "Ontario Rebate for Electricity Consumers (8% Provincial Rebate) Settlement Amount"). The OER related transactions for both billings and settlements are to be accounted for using accrual accounting. The OEB's October 25, 2019 letter indicated that distributors are to record amounts credited to eligible customers in new sub-accounts of a clearing Accounts Payable or Accounts Receivable account, as applicable. The same treatment is to apply to amounts received from the IESO. OER-related transactions will not flow through expenses, revenues or variance accounts.

## **RPP Settlements**

Effective November 1, 2019, the provisions of the *Ontario Fair Hydro Plan Act, 2017* (OFHPA) under which the OEB was setting RPP prices since July 2017 were repealed, as was the associated regulation. As a result, also effective November 1, 2019, RPP prices are once again being set under section 79.16 of the *Ontario Energy Board Act, 1998* (OEB Act).

There are no changes to the accounting related to the RPP settlement process. The IESO has replaced charge type 1142 "Ontario Fair Hydro Plan Eligible RPP Consumer Discount Settlement Amount" with the previous charge type 142 "Regulated Price Plan Settlement". Distributors should record charge type 142 in their general ledger in the same manner as before charge type 1142 was introduced. There is no other change in accounting for RPP-related revenues, expenses or variance account transactions. Distributors should continue to follow the accounting guidance<sup>2</sup> that is already in place.

## **Final RPP Variance Settlement**

The Final RPP Variance Settlement Amount (FVSA) mechanism set out in section 3.7 of the Standard Supply Service Code was put into place so that customers who leave the RPP for certain reasons, pay or are paid their share of the accumulated variance

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<sup>2</sup> Including the new accounting guidance dated February 21, 2019, *Accounting Procedures Handbook Update – Accounting Guidance Related to Pass-Through Commodity Accounts 1588 & 1589*.

between the actual RPP supply cost and the amounts collected from RPP customers on account of the electricity commodity. While the OEB was setting RPP prices under the OFHPA, the FVSA was no longer required to serve the purpose for which it was designed, and the OEB suspended the FVSA mechanism for any customers that left the RPP on or after July 1, 2017, until further notice.

As noted above, the OEB is once again setting RPP prices under section 79.16 of the OEB Act. The FVSA will be charged or credited to customers that leave the RPP on or after November 1, 2019. The OEB will be publishing the Final RPP Variance Settlement Factor to be used by distributors and retailers for FVSA billing purposes in mid-December and the middle of every month thereafter.

The accounting for the FVSA has not changed. The FVSA is a pass-through amount for distributors. Distributors are reminded that the Sale of Electricity accounts (Accounts 4006 to 4055) and Cost of Power account (Account 4705) should be used to record FVSA transactions, in a manner similar to other commodity transactions that are ultimately recorded in the deferral and variance account RSVA<sub>Power</sub> (Account 1588).

Any questions relating to this letter should be directed to the OEB's Industry Relations Enquiry email at [Industry.Relations@oeb.ca](mailto:Industry.Relations@oeb.ca). The Board's toll-free number is 1-888-632-6273.

Yours truly,

*Original Signed By*

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