



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

DECISION AND ORDER

EB-2022-0269

**In the matter of regulatory charges effective January 1,
2023, for the Wholesale Market Services rate and the
Rural or Remote Electricity Rate Protection charge**

BY DELEGATION, BEFORE: Kevin Mancherjee

DECEMBER 8, 2022



TABLE OF CONTENTS

1	OVERVIEW	1
2	CONTEXT AND PROCESS	2
3	REGULATORY CHARGES	3
3.1	WHOLESALE MARKET SERVICES	3
3.2	RURAL OR REMOTE ELECTRICITY RATE PROTECTION.....	6
4	ORDER	9
	SCHEDULE A	10
	SCHEDULE B	12

1 OVERVIEW

Every year, the Ontario Energy Board (OEB) sets the Wholesale Market Service (WMS) rate and Rural or Remote Electricity Rate Protection (RRRP) charge that all rate-regulated Ontario electricity distributors charge their customers. The rates recover the costs of the day-to-day operations of the electricity market, support system planning and administration, and fund provincial rate assistance programs.

The Decision and Order establishes, effective January 1, 2023, that the WMS rate, including Capacity Based Recovery (CBR), increases to \$0.0045 per kilowatt-hour from the current level of \$0.0034 per kilowatt-hour, and that the RRRP charge also increases to \$0.0007 per kilowatt-hour from the current level of \$0.0005 per kilowatt-hour. As a result, there will be a monthly total bill increase of approximately \$0.98 for a residential customer consuming 750 kWh.

These charges appear on the tariffs of rates and charges of all electricity distributors and are reflected under the line item called Regulatory Charges on customers' bills.

2 CONTEXT AND PROCESS

The WMS rate is the rate set by the OEB for distributors to charge their customers to recover the costs of the services provided by the Independent Electricity System Operator (IESO). WMS-related charges recover the cost of services provided by the IESO to operate the electricity system and administer the wholesale market. The IESO charges all entities that participate in its wholesale market the actual market service costs that vary from month to month. Individual electricity distributors recover the WMS charges from their customers through a WMS rate. The WMS rate is set by the OEB with consideration of historical wholesale market costs and factors that might influence the upcoming period. The current WMS rate is \$0.0034 per kilowatt-hour.¹

The RRRP charge is designed to reduce costs for eligible customers located in rural or remote areas, where the costs of distributing electricity is higher. Pursuant to Ontario Regulation 442/01 (the RRRP Regulation), made under the *Ontario Energy Board Act, 1998* (the OEB Act), the RRRP program cost is recovered from all electricity consumers in the province through a charge that is reviewed annually and approved by the OEB. As a result of changes to the RRRP Regulation which took effect on July 1, 2017, the cost of providing RRRP of eligible customers of Hydro One Networks Inc. was shifted to provincial revenues. The current RRRP rate is \$0.0005 per kilowatt-hour.²

The calculations of the WMS rate and the RRRP charge are largely mechanistic exercises. The IESO provides the OEB with forecasts of energy consumption for the upcoming year to calculate certain rates as required by regulations. Information on costs comes from prior OEB decisions and the IESO. Accordingly, this Decision and Order is being issued by Delegated Authority without a hearing, pursuant to section 6(4) of the OEB Act.

The WMS rate and RRRP charge established by this Decision and Order will be effective January 1, 2023.

¹ 2022 Regulatory Charges Decision and Order EB-2021-0300, issued December 16, 2021.

² 2022 Regulatory Charges Supplementary Decision and Order EB-2021-0300, issued July 12, 2022.

3 REGULATORY CHARGES

3.1 Wholesale Market Services

Customers of the wholesale electricity market (including electricity distributors) pay WMS charges to the IESO. WMS charges recover the cost of services required to operate the electricity system and administer the wholesale market. These charges include the costs of items such as operating reserve, certain market costs related to system congestion and imports, as well as other costs such as losses on the IESO-controlled grid. Individual electricity distributors recover the WMS charges from their customers through the WMS rate, which is authorized by the OEB under section 78 of the OEB Act.

WMS Rate Methodology

The WMS rate is intended to compensate distributors for the charge they receive from, and pay to, the IESO for the cost to operate the electricity system and administer the wholesale market. The difference between the IESO's charges to a distributor and the payments received by the distributor from its customers is recorded in Account 1580 of the Uniform System of Accounts in the distributors' books. Any audited balances within Account 1580 are typically considered for disposition in the distributor's next rate proceeding.¹

Determining the WMS Rate

In its last decision regarding the WMS rate², the OEB kept the WMS rate at the level of \$0.0034 per kilowatt-hour effective January 1, 2022, for Class B customers³, including a CBR component of \$0.0004 per kilowatt-hour. For Class A customers⁴, distributors bill their share of the actual CBR charge based on their contribution to peak.

The WMS charge billed by the IESO over the 10-month period from January 1, 2022 to October 31, 2022 has fluctuated from month-to-month. On average, the weighted

¹ OEB policy requires that Group 1 accounts be disposed if they exceed (as a debit or credit) a pre-set disposition threshold of \$0.001 per kWh, unless a distributor justifies why balances should not be disposed. If the balance does not exceed the threshold, a distributor may elect to request disposition.

² 2022 Regulatory Charges Decision and Order EB-2021-0300, issued December 16, 2021.

³ Class B customers are those with a peak demand of 50 kilowatts and up to five megawatts typically pay the Global Adjustment through their regular billing cycle with their local distribution company.

⁴ Class A customers are those with an average peak demand of above 1 megawatt who opt to participate in the Industrial Conservation Initiative (ICI).

average WMS charge, including CBR¹, for the 10-month period is \$0.0063 per kilowatt-hour (with the weighted average CBR charge being \$0.0003 per kilowatt-hour).

Comparing that to the same 10-month period last year, the WMS charge, including CBR, was \$0.0041 per kilowatt-hour. Looking at the entirety of 2021, the weighted average WMS charge, including CBR, declines to \$0.0038 per kilowatt-hour. This decrease is mainly attributable to the negative WMS charge in November 2021, which was mostly due to market rebates and adjustments.

A review of the WMS charges for the period from 2014 to 2022 indicates the following under/(over) collection of revenue by distributors (LDCs) regarding WMS in the sector:

Table 1: Under/(Over) - Collection of revenue by LDCs for WMS (2014 to 2022)

In millions (\$)	2014	2015	2016	2017	2018	2019	2020	2021	2022 (January to October)
Under/(Over) Collection of revenue by LDCs for WMS²	22	(251)	(128)	(119)	(31)	(39)	(65)	62	329

Table 2, below, sets out the year end accumulated balances in Account 1580 for 2016 to 2021 inclusive, each of which is a credit.

Table 2: Account 1580 Balances (2016 to 2021)

In millions (\$)	2016	2017	2018	2019	2020	2021
Accumulated Balance as at Dec 31 of each year	(482)	(358)	(271)	(131)	(188)	(18)

¹ The weighted average WMS charge including CBR is calculated by summing up the weighted monthly WMS charge net of RRRP charge, including the CBR. The weighted monthly WMS charge is derived from the monthly WMS charge net of RRRP charge posted by the IESO multiplied by the weight of the monthly Ontario demand for the specific month.

² The under/(over) collection of the WMS costs for the year is calculated as sum of monthly under/over-collection of the WMS costs. The monthly under/(over) collection of the WMS costs are calculated as the Ontario monthly demand multiplied by the variance between monthly WMS charge posted by the IESO and the WMS rate posted by the OEB.

A review of the distributors' deferral and variance accounts (DVAs) continuity schedules for 2020 and 2021 indicates that the credit balance accumulated may not represent an accurate picture of the under/(over) collection of the WMS costs by all distributors.

Table 3, below, shows the approximate net transactions in Account 1580 from the review for the years of 2019 to 2021.¹

Table 3: Account 1580 Net Transactions (2019 to 2021)

In millions (\$)	2019	2020	2021
Net Transactions in Account 1580 (Per DVA continuity schedules)	(110)	(68)	59

There are two principal reasons for the large differences between the accumulated balance as of December 31 of each year and Account 1580 net transactions. First, some distributors may not have transferred out the disposed balances in Account 1580 due to the reporting time of the balances. Second, some distributors may not have disposed the prior years' balances in Account 1580 – because either their net DVA balances did not meet the disposition threshold set by the OEB or there was a need for further review (or audit) of the balances.

The OEB has reduced the WMS rate three times in the past. The OEB reduced the WMS rate from \$0.0052 per kilowatt-hour to \$0.0044 per kilowatt-hour, effective January 1, 2014, primarily considering a history of significant over-collection². The OEB reduced the WMS rate to \$0.0036 per kilowatt-hour, effective January 1, 2016³. The OEB further reduced the WMS rate to \$0.0034 per kilowatt-hour, effective January 1, 2019⁴.

¹ The net transactions in the year of Account 1580 are summarized based on the review of the continuity schedules filed in the distributors' DVAs continuity schedules in the 2023 applications, if available, and the DVAs continuity schedules in the 2022 applications. The amounts are approximate because certain assumptions must be made regarding the transfer of the disposed amounts in Account 1580.

² 2014 Regulatory Charges Decision and Order EB-2013-0067, issued March 21, 2013.

³ 2016 Regulatory Charges Decision and Order EB-2015-0294, issued November 19, 2015.

⁴ 2019 Regulatory Charges Decision and Order EB-2018-0294, issued December 20, 2018.

Findings

The weighted average WMS charges in the first ten months of 2022 (\$0.0063 per kilowatt-hour) is significantly higher than the current WMS rate charged to customers by electricity distributors.

Given that there has been a large under-collection by distributors in 2021 and the first ten months of 2022, the OEB finds that the current WMS rate (effective January 1, 2022) does not sufficiently capture the increase in the WMS charge and costs incurred by the IESO. The OEB will therefore set the WMS rate at \$0.0045 per kilowatt-hour, including a CBR component of \$0.0004 per kilowatt-hour, effective January 1, 2023.

Account 1580 records the difference between distributors' actual WMS-related costs paid to the IESO and the WMS-related amounts collected from customers at this rate. The December 31, 2022 balances in this account will be filed with the OEB by April 30, 2023. The OEB will monitor the balances and net transactions in Account 1580 as well as the WMS charges by the IESO to evaluate if an adjustment to the WMS rate is warranted in future.

3.2 Rural or Remote Electricity Rate Protection

Currently, all customers in Ontario pay the OEB-approved RRRP charge based on how much electricity they consume. The total amount collected through the RRRP is a source of revenue for identified rural or remote electricity distributors (RRRP-eligible distributors) whose costs are higher because they serve small numbers of customers over large geographic areas or in remote regions. The RRRP revenue allows them to reduce the amount they would otherwise have to charge their customers.

The OEB approves the RRRP requirement amounts, set out in Table 4 below, for the RRRP-eligible distributors each year. The OEB also approves a charge that the IESO applies to recover the RRRP requirement amount from all customers in the province. Electricity distributors in turn levy an OEB-approved retail RRRP charge to recover the RRRP amount paid to the IESO. The OEB last approved a RRRP charge of \$0.0005 per kilowatt-hour¹, effective January 1, 2022 to December 31, 2022.

The RRRP requirement for 2023 is shown in the table below.

¹ 2022 Regulatory Charges Supplementary Decision and Order, issued July 12, 2022.

Table 4: Calculation of RRRP Requirement for 2023

Inputs for 2023 RRRP Requirement	In millions (\$)
IESO estimated under/(over) collection as of December 31, 2022	(16.7366)
First Nations (O. Reg. 442/01, Schedule 1)	1.6000
Algoma Power ¹	16.4907
Hydro One Remote Communities Inc. ²	35.2230
Hydro One Remote Communities Inc. - Wataynikaneyap Power LP ³	54.0204
2023 RRRP Requirement Total	90.5975

Determining the January 1, 2022 RRRP charge

The RRRP amount required to be collected from ratepayers for 2022 is \$90.5975 million. The IESO's full-year 2023 energy forecast excluding the transmission line losses is 133.8 terawatt-hours. The resulting RRRP charge would be \$0.00068 per kilowatt-hour.

Any under/(over) collection of the total RRRP amount recoverable in 2023 through ratepayer funds by the IESO shall continue to be tracked in the variance account held by the IESO. As required under subsections 5(12) and (13) of the RRRP Regulation, the OEB will account for any future variance account balance when it assesses the RRRP charge for 2023.

Findings

The OEB finds that, for electricity consumed on or after January 1, 2022, the RRRP charge will increase to \$0.0007 per kilowatt-hour.

A scenario analysis showed that by increasing the RRRP charge to \$0.0007 per kilowatt-hour, the forecasted balance in the IESO variance account would be a surplus of \$3.1 million at the end of 2023. If the RRRP charge remains unchanged, the balance in the IESO variance account would have a shortfall of \$23.7 million. If the OEB were to set the charge at \$0.0006 per kilowatt-hour (i.e., increase the current RRRP charge by

¹ Algoma Power 2023 IRM EB-2021-0014, issued on December 8, 2022.

² In this Decision and Order, the 2022 approved RRRP required amount from Hydro One Remote Communities' 2018 Cost of Service EB-2017-0051, Final Rate Order is used as a proxy for the 2023 required amount since its 2023 Cost of Service (EB-2022-0041) has not been approved by the OEB.

³ Wataynikaneyap Power LP EB-2022-0149, Decision and Order, issued on November 29, 2022.

\$0.0001 per kilowatt-hour), the balance in the IESO variance account would have a shortfall of approximately \$10.3 million. The OEB finds that the charge should be increased at this time to reduce the variance between the annual payout to the RRRP-eligible distributors and the IESO RRRP annual revenues.

The IESO RRRP variance account records the difference between the benefit amounts paid to RRRP-eligible distributors and the amount collected from customers. The OEB reviews the RRRP charge at least once annually and will consider whether any further changes to the charge should be made at the next review.

The RRRP retail charge that distributors bill to their customers shall also increase to \$0.0007 per kilowatt-hour effective with January 1, 2023 consumption.

4 ORDER

IT IS ORDERED THAT:

1. The WMS rate used by rate-regulated distributors to bill their customers shall be \$0.0041 per kilowatt-hour for electricity consumed on or after January 1, 2023. For Class B customers, a CBR component of \$0.0004 per kilowatt-hour shall be added to the WMS rate for a total of \$0.0045 per kilowatt-hour. This unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor. For Class A customers, distributors shall continue to bill the actual CBR costs to Class A customers in proportion to their contribution to peak.
2. The IESO's RRRP charge to rate-regulated distributors shall be \$0.0007 per kilowatt-hour for electricity consumed on or after January 1, 2023.
3. The RRRP charge used by rate-regulated distributors to bill their customers shall be \$0.0007 per kilowatt-hour for electricity consumed on or after January 1, 2023. This unit charge shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor.

DATED at Toronto, December 8, 2022

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar

SCHEDULE A
EB-2022-0269
COMMUNICATION TO THE IESO
DECEMBER 8, 2022



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

BY EMAIL

December 8, 2022

Beverly Nollert
Senior Manager, Regulatory Affairs
Independent Electricity System Operator
120 Adelaide Street West
Suite 1600
Toronto ON M5H 1T1
Beverly.Nollert@ieso.ca

Dear Ms. Nollert:

Re: Rural or Remote Electricity Rate Protection – OEB File No. EB-2022-0269

On December 8, 2022 the Ontario Energy Board (OEB) issued its Decision and Order in proceeding EB-2022-0269 which set the Ontario Wholesale Market Service (WMS) rate and the Rural or Remote Electricity Rate Protection (RRRP) charge effective January 1, 2023.

Amount to be charged by the IESO for RRRP

The OEB has determined that, effective January 1, 2023, the RRRP charge to be used by the IESO in order to collect the approved RRRP requirement amounts for eligible distributors shall increase to \$0.0007 per kilowatt-hour.

Yours truly,

Original Signed By

Nancy Marconi
Registrar

SCHEDULE B

EB-2022-0269

COMMUNICATION TO DISTRIBUTORS AND RETAILERS

DECEMBER 8, 2022



BY EMAIL

December 8, 2022

To: Rate-Regulated Electricity Distributors
Electricity Retailers

**Re: Wholesale Market Service Rate and Rural or Remote Electricity Rate
Protection Charge – OEB File No. EB-2022-0269**

On December 8, 2022 the Ontario Energy Board (OEB) issued its Decision and Order in proceeding EB-2022-0269 which set the Ontario Wholesale Market Service (WMS) rate and the Rural or Remote Electricity Protection (RRRP) charge.

Amount to be Charged by Distributors, and Retailers with Retailer-Consolidated Billing, for WMS

Effective January 1, 2023, the amount to be charged by distributors, and retailers with retailer-consolidated billing, to their customers with respect to the WMS rate for Class A customers shall be \$0.0041 per kilowatt-hour. For Class B customers, a Capacity Based Recovery component of \$0.0004 per kilowatt-hour is added to the WMS rate for a total of \$0.0045 per kilowatt-hour.

These unit rates shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor.

Amount to be Charged by Distributors, and Retailers with Retailer-Consolidated Billing, for RRRP

Effective January 1, 2023, the amount to be charged by distributors, and retailers with retailer-consolidated billing, to their customers with respect to the RRRP shall be \$0.0007 per kilowatt-hour.

The unit rate shall apply to a customer's metered energy consumption adjusted by the distributor's OEB-approved Total Loss Factor

Yours truly,

Original Signed By

Nancy Marconi
Registrar