



Ontario
Energy
Board | Commission
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de l'Ontario

DECISION AND ORDER

EB-2023-0268

**In the matter of regulatory charges effective January 1,
2024, for the Wholesale Market Services rate and the
Rural or Remote Electricity Rate Protection charge**

BY DELEGATION, BEFORE: Kevin Mancherjee

DECEMBER 7, 2023

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SCHEDULE A

SCHEDULE B

1 OVERVIEW

Every year, the Ontario Energy Board (OEB) sets the Wholesale Market Services (WMS) rate and Rural or Remote Electricity Rate Protection (RRRP) charge that all rate-regulated Ontario electricity distributors (distributors) charge their customers. These 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.

This Decision and Order establishes, effective January 1, 2024, that the WMS rate, including Capacity Based Recovery (CBR), remains unchanged at \$0.0045 per kilowatt-hour, and that the RRRP charge increases to \$0.0014 per kilowatt-hour from the current level of \$0.0007 per kilowatt-hour. As a result, there will be a monthly total bill increase of approximately \$0.52 for a residential customer consuming 750 kWh.

These rates appear on the tariffs of rates and charges of all 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 wholesale market services-related charges (collectively, the WMS charge) that distributors pay to the Independent Electricity System Operator (IESO). The WMS rate represents the cost of services provided by the IESO to distributors 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 distributors recover the IESO's WMS charge 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 \$0.0045 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 are higher. Pursuant to Ontario Regulation 442/01 (Rural or Remote Electricity Rate Protection), made under the *Ontario Energy Board Act, 1998* (the OEB Act), (the RRRP Regulation), 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 to eligible customers of Hydro One Networks Inc. was shifted to provincial revenues. The current RRRP rate is \$0.0007 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 takes effect January 1, 2024.

¹ 2023 Regulatory Charges Decision and Order EB-2022-0269, issued December 8, 2022.

² Ibid.

3 REGULATORY CHARGES

3.1 Wholesale Market Services

Customers of the wholesale electricity market (including electricity distributors) pay a WMS charge to the IESO. The WMS charge recovers the IESO's costs for operating the electricity system and administering the wholesale market. This includes 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 distributors recover the WMS charges they pay to the IESO 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 distributor's general ledger. 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 rate,² the OEB increased the WMS rate to \$0.0045 per kilowatt-hour effective January 1, 2023, for customers who are Class B consumers³, including a CBR component of \$0.0004 per kilowatt-hour. For customers who are Class A consumers⁴, 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, 2023 to October 31, 2023 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 2023 Regulatory Charges Decision and Order EB-2022-0269, issued December 8, 2022.

³ Class B consumers 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 consumers 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 \$0.0043 per kilowatt-hour. Comparing that to the same 10-month period last year, the WMS charge, including CBR, was \$0.0063 per kilowatt-hour. Looking at the entirety of 2022, the weighted average WMS charge, including CBR, declines to \$0.0053 per kilowatt-hour. This decrease is mainly attributable to the negative WMS charge in November 2022, which was mostly due to market rebates and adjustments.

Table 1 details the under- and over-collection of WMS related revenue by distributors for the period 2015-2023:

Table 1: Collection of WMS-related Revenue by Distributors (2015-2023)

In millions (\$)	2015	2016	2017	2018	2019	2020	2021	2022	2023 (January to October)
Under/(Over) Collection²	(251)	(128)	(119)	(31)	(39)	(65)	62	267	(24)

Table 2, below, sets out the year end accumulated balance in Account 1580 for 2017 to 2022 inclusive, each of which is a credit except 2022.

Table 2: Account 1580 Balance (2016-2022)

In millions (\$)	2017	2018	2019	2020	2021	2022
Accumulated Balance as at Dec. 31 of each year	(358)	(271)	(131)	(188)	(18)	254

A review of all distributors' deferral and variance account (DVA) continuity schedules for 2021 and 2022 indicates that the credit balance accumulated may not represent an accurate picture of the over-collection of the WMS revenue collected by all distributors.

¹ The weighted average WMS charges 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- and over-collection of the WMS revenue for the year is calculated as sum of monthly under/over-collection of the WMS revenue. The monthly under- or over-collection of the WMS revenue 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.

Table 3, below, shows the approximate net transactions in Account 1580 from the review for the years of 2020 to 2022.¹

Table 3: Account 1580 Net Transactions (2020 to 2022)

In millions (\$)	2020	2021	2022
Net Transactions in Account 1580 (Per DVA continuity schedules)	(68)	59	240

There are two principal reasons for the large differences between the accumulated balance as of December 31 of each year (as shown in Table 2) and the Account 1580 net transactions (as shown in Table 3). First, some distributors may not have transferred out the disposed balances in Account 1580 to another DVA by the time they report Account 1580 balance to the OEB. Second, some distributors may not have disposed the prior years' balances in Account 1580 whether because 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.

Variances between the WMS rate and the IESO's WMS charge result in an under- or over-collection of the WMS revenue collected by all distributors. In the last ten years period, the WMS rate declined from \$0.0052 per kilowatt-hour in 2013 to \$0.0044 per kilowatt-hour, effective January 1, 2014, primarily due to a history of significant over-collection.² The OEB reduced the WMS rate to \$0.0036 per kilowatt-hour, effective January 1, 2016³ and further reduced the WMS rate to \$0.0034 per kilowatt-hour, effective January 1, 2019⁴ due to the over-collection (Table 1).

With Account 1580 accumulating a large debit balance in 2022, the OEB increased the WMS rate to \$0.0045 per kilowatt-hour, effective January 1, 2023.⁵

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 2024 applications, if available, and the DVAs continuity schedules in the 2023 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.

⁵ 2023 Regulatory Charges Decision and Order EB-2022-0269, issued December 8, 2022.

Findings

The weighted average WMS charge in the first ten months of 2023 (\$0.0038 per kilowatt-hour) is lower than the current WMS rate of \$0.0045 per kilowatt-hour charged by distributors to their customers.

Having considered the large under-collection by distributors in 2022, the OEB finds that the current WMS rate (effective January 1, 2023), which results in a small over-collection in the first ten months of 2023, should sufficiently capture the costs incurred by the IESO in 2023 and also reduce the large under-collection by distributors in 2022. 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, 2024.

Account 1580 records the difference between the actual WMS charge paid by a distributor to the IESO and the amounts collected by a distributor from its customers through the WMS rate. Distributors will file the December 31, 2023 balances in this account with the OEB by April 30, 2024. The OEB will monitor the balances and net transactions in Account 1580 as well as the IESO's WMS charge to evaluate if an adjustment to the WMS rate is warranted in future.

3.2 Rural or Remote Electricity Rate Protection

Currently, all consumers in Ontario pay the OEB-approved RRRP charge based on how much electricity they consume. The total amount collected through the RRRP program cost 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. 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 \$0.0007 per kilowatt-hour¹, effective January 1, 2023 to December 31, 2023.

The RRRP requirement for 2024 is shown in the table below.

¹ 2023 Regulatory Charges Decision and Order EB-2022-0269, issued December 8, 2022.

Table 4: Calculation of RRRP Requirement for 2024

IESO estimated under/(over) collection as of December 31, 2023	6.2927
First Nations (O. Reg. 442/01, Schedule 1)	1.6000
Algoma Power ¹	17.1749
Hydro One Remote Communities Inc. ²	47.9310
Hydro One Remote Communities Inc. - Wataynikaneyap Power LP ³	119.2368
	192.2355

Determining the January 1, 2024 RRRP charge

The RRRP-related amount required to be collected by distributors from their customers for 2024 is \$192.2 million compared to \$90.6 million⁴ in 2023 as set out in the OEB's Decision and Order for 2023 Regulatory Charges.

The large variance is mainly driven by a substantial increase of \$65.2 million in the 2024 RRRP required amount (\$119.2 million) for Hydro One Remote Communities Inc. - Wataynikaneyap Power Limited Partnership compared to the 2023 approved RRRP amount of \$54.0 million.

Other components contributing to the large variance are the IESO's estimated under-collection amount of \$6.3 million in 2023 (compared to a forecast over-collection of 16.7 million⁵ from ratepayers in 2022) and a \$12.7 million increase in Hydro One Remote Communities Inc.'s RRRP amount (\$47.9 million) in 2024 from the 2023 amount of \$35.2 million⁶ (which used an approved 2022 RRRP amount as a proxy).

The IESO has reported a full-year 2024 energy forecast excluding the transmission line losses of 136.1 terawatt-hours. The resulting RRRP charge would be \$0.0014 per kilowatt-hour.

¹ Algoma Power's 2024 IRM, Decision and Rate Order EB-2023-0005, issued on December 7, 2023.

² In this Decision and Order, the 2023 approved RRRP required amount from Hydro One Remote Communities' 2023 Cost of Service Decision and Rate Order (EB-2022-0041) is used as a proxy for the 2024 required amount since the proposed 2024 RRRP required amount of \$48,192k from its 2024 IRM application (EB-2023-0031) has not been approved by the OEB.

³ Wataynikaneyap Power LP's 2024 Electricity Transmission Revenue Requirement and Related Matters, Decision and Order EB-2023-0168, issued on November 30, 2023.

⁴ 2023 Regulatory Charges Decision and Order EB-2022-0269, issued December 8, 2022.

⁵ Ibid.

⁶ Ibid.

Any under- or over- collection of RRRP 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 consider for any future variance account balance when it assesses the RRRP charge for 2024.

Findings

The OEB finds that, for electricity consumed on or after January 1, 2024, the RRRP charge shall be increased to \$0.0014 per kilowatt-hour.

A scenario analysis showed that by increasing the RRRP charge to \$0.0014 per kilowatt-hour, the forecasted balance in the IESO variance account would be a shortfall of \$3.9 million at the end of 2024. If the RRRP charge were to remain unchanged, the balance in the IESO variance account would have a shortfall of \$99.2 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-related annual revenues.

The IESO RRRP variance account records the difference between the benefit amounts paid to RRRP-eligible distributors and the amount collected by distributors from their 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.

4 ORDER

IT IS ORDERED THAT:

1. The WMS rate used by rate-regulated electricity distributors to bill their customers shall be \$0.0041 per kilowatt-hour for electricity consumed on or after January 1, 2024. For customers who are Class B consumers, 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 customers who are Class A consumers, distributors shall continue to bill the actual CBR costs to such customers in proportion to their contribution to peak.
2. The IESO's RRRP charge to rate-regulated electricity distributors shall be \$0.0014 per kilowatt-hour for electricity consumed on or after January 1, 2024.
3. The RRRP charge used by rate-regulated electricity distributors to bill their customers shall be \$0.0014 per kilowatt-hour for electricity consumed on or after January 1, 2024. 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 7, 2023

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar

SCHEDULE A

EB-2023-0268

COMMUNICATION TO THE IESO

DECEMBER 7, 2023



Ontario
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BY EMAIL

December 7, 2023

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-2023-0268

On December 7, 2023 the Ontario Energy Board (OEB) issued its Decision and Order in proceeding EB-2023-0268 which set the Ontario Wholesale Market Services (WMS) rate and the Rural or Remote Electricity Rate Protection (RRRP) charge effective January 1, 2024.

Amount to be charged by the IESO for RRRP

The OEB has determined that, effective January 1, 2024, the RRRP charge to be used by the IESO in order to collect the approved RRRP requirement amounts for eligible distributors shall increase to \$0.0014 per kilowatt-hour.

Yours truly,

Nancy Marconi
Registrar

SCHEDULE B

EB-2023-0268

COMMUNICATION TO DISTRIBUTORS AND RETAILERS

DECEMBER 7, 2023



BY EMAIL

December 7, 2023

To: Rate-Regulated Electricity Distributors
Electricity Retailers

**Re: Wholesale Market Services Rate and Rural or Remote Electricity Rate
Protection Charge – OEB File No. EB-2023-0268**

On December 7, 2023 the Ontario Energy Board (OEB) issued its Decision and Order in proceeding EB-2023-0268 which set the Ontario Wholesale Market Services (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, 2024, the amount to be charged by distributors, and retailers with retailer-consolidated billing, to their customers with respect to the WMS rate for customers who are Class A consumers shall be \$0.0041 per kilowatt-hour. For customers who are Class B consumers, 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, 2024, the amount to be charged by distributors, and retailers with retailer-consolidated billing, to their customers with respect to the RRRP shall be \$0.0014 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,

Nancy Marconi
Registrar