



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

DECISION AND ORDER

EB-2024-0282

In the matter of regulatory charges effective January 1, 2025, for the Wholesale Market Services rate and the Rural or Remote Electricity Rate Protection charge

BY DELEGATION, BEFORE: Kevin Mancherjee
Director
Operations Decision Support

December 10, 2024

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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, 2025, that the WMS rate, including Capacity Based Recovery (CBR), will remain unchanged at \$0.0045 per kilowatt-hour, and that the RRRP charge will increase to \$0.0015 per kilowatt-hour from the current level of \$0.0014 per kilowatt-hour. As a result, there will be a monthly total bill increase of approximately \$0.08 for a residential customer consuming 750 kWh.

The WMS rate and the RRRP charge appear on the tariffs of rates and charges of all distributors and are reflected under the heading “Regulatory charges” on customers’ bills.

2 CONTEXT AND PROCESS

The OEB's 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 *Ontario Energy Board Act, 1998* (OEB Act).

The WMS rate and RRRP charge established by this Decision and Order each take effect January 1, 2025.

3 WHOLESALE MARKET SERVICES

WMS charges are paid by all customers of the wholesale electricity market, including electricity distributors, 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 charges distributors pay to the IESO and revenue distributors receive from customer WMS payments 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.

Determining the WMS Rate

In its last decision regarding the WMS rate,¹ the OEB maintained the WMS rate unchanged at \$0.0045 per kilowatt-hour effective January 1, 2024 for Class B consumers, including a CBR component of \$0.0004 per kilowatt-hour (for Class A consumers, distributors bill their share of the actual CBR charge based on their contribution to peak).²

The WMS charge billed by the IESO over the 10-month period from January 1, 2024 to October 31, 2024 has fluctuated from month-to-month. The weighted average WMS charge, including CBR,³ for the 10-month period in 2024 is \$0.0047 per kilowatt-hour. In comparison, the WMS charge, including CBR, in the same 10-month period in 2023 was

¹ Decision and Order, EB-2023-0268, December 7, 2023.

² Electricity consumers in Ontario pay Global Adjustment as either a Class A or Class B consumer, as prescribed by O. Reg. 429/04, Adjustments Under Section 25.33 of the Act, made under the *Electricity Act, 1998*.

³ 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.

\$0.0043 per kilowatt-hour. For the entirety of 2023, the weighted average WMS charge, including CBR, declined to \$0.0037 per kilowatt-hour. This decrease is primarily attributable to the negative WMS charge in November 2023, which was mostly caused by market rebates and adjustments.

Table 1 details the under- and over-collection of WMS related revenue by distributors for the period 2016-2024:

Table 1: Collection of WMS-related Revenue by Distributors (2016-2024)

In millions (\$)	2016	2017	2018	2019	2020	2021	2022	2023	2024 (Jan.- Oct.)
Under/(Over) Collection⁴	(128)	(119)	(31)	(39)	(65)	62	267	(102) ⁵	27

Table 2 sets out the year-end accumulated balance in Account 1580 for all distributors for the period 2018 to 2023.

Table 2: Account 1580 Balance (2016-2023)

In millions (\$)	2016	2017	2018	2019	2020	2021	2022	2023
Accumulated debit/(credit) balance at Dec. 31 each year	(482)	(358)	(271)	(131)	(188)	(18)	254	125

A review of all distributors' deferral and variance account (DVA) continuity schedules for 2021 to 2023 indicates that the credit balance accumulated may not represent an accurate picture of the over-collection of the WMS revenue collected by all distributors.

⁴ 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 is 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.

⁵ There is a variance between the over-collection of \$102 million in 2023 as stated above in Table 1 and the over-collection of \$24 million for the period January to October 2023 in the previous Decision and Order (EB-2023-0268) due to several corrections made by the IESO for two components of WMS charges being the monthly uplifts and monthly class B capacity-based DR recovery charges.

Table 3 shows the approximate net transactions in Account 1580 from the review for the years of 2021 to 2023.⁶

Table 3: Account 1580 Net Transactions (2021 to 2023)

In millions (\$)	2021	2022	2023
Net Transactions in Account 1580 (Per DVA continuity schedules)	59	240	(123)

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 either 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. Since 2013, the WMS rate has been reduced three times, primarily in response to over-collection, and has increased once. The rate changed from \$0.0052 per kilowatt-hour in 2013 to \$0.0044 per kilowatt-hour effective January 1, 2014,⁷ reduced to \$0.0036 per kilowatt-hour effective January 1, 2016,⁸ and then further reduced to \$0.0034 per kilowatt-hour effective January 1, 2019.⁹ Then, with Account 1580 having accumulated a large debit balance in 2022, the OEB increased the WMS rate to \$0.0045 per kilowatt-hour, effective January 1, 2023 (and it remained unchanged in 2024).¹⁰

⁶ 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 2025 applications, if available, and the DVAs continuity schedules in the 2024 applications. The amounts are approximate because certain assumptions must be made regarding the transfer of the disposed amounts in Account 1580.

⁷ Decision and Order, EB-2013-0067, March 21, 2013

⁸ Decision and Order, EB-2015-0294, November 19, 2015

⁹ Decision and Order, EB-2018-0294, December 20, 2018

¹⁰ Decision and Order, EB-2022-0269, December 8, 2022 and Decision and Order, EB-2023-0268, December 7, 2023

Impact of Market Renewal Program on the Wholesale Electricity Market

The implementation phase of the IESO's Market Renewal Program (MRP) is scheduled to begin in May 2025. Launched in 2016, the MRP is aimed at redesigning Ontario's wholesale electricity market to improve how electricity is supplied, scheduled, and priced, leading to system efficiencies and supporting the grid of the future.

The IESO has advised that the MRP will replace its two-schedule market with a single-schedule market that will address current misalignments between price and dispatch, and eliminate the need for unnecessary out-of-market payments.¹¹

Findings

The IESO's weighted average WMS charge in the first ten months of 2024 (\$0.0047 per kilowatt-hour) is higher than the current WMS rate of \$0.0045 per kilowatt-hour charged by distributors to their customers.

The OEB has considered the over-collection by distributors in 2023 and the impact of the MRP on the wholesale market costs in 2025. The OEB finds that the current WMS rate of \$0.00045/kWh, which results in a small over-collection in the first ten months of 2024, should continue to sufficiently capture the costs incurred by the IESO in 2025. 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, 2025.

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 shall file the December 31, 2024 balances in this account with the OEB by April 30, 2025 as part of Electricity Reporting and Recording Keeping Requirements (RRR).¹² The OEB will monitor the balances and net transactions in Account 1580, and the impact of the MRP on the IESO's WMS charge to evaluate if an adjustment to the WMS rate is warranted in future.

¹¹ <https://www.ieso.ca/Market-Renewal/Background/Overview-of-Market-Renewal>

¹² [Electricity Reporting and Recording Keeping Requirements](#), March 27, 2024

4 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 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 eligible customers for distribution service.

The OEB approves each of the RRRP requirement amounts, as set out in Table 4 below, to be collected from distributors by the IESO each year. Distributors in turn levy an OEB-approved retail RRRP charge to their customers to recover the RRRP amount paid to the IESO. The OEB last approved a RRRP charge of \$0.0014 per kilowatt-hour,¹³ effective January 1, 2024 to December 31, 2024.¹⁴

The RRRP requirement for 2025 is shown in the table below.

Table 4: Calculation of RRRP Requirement for 2025

Inputs for 2025 RRRP Requirement	In millions (\$)
IESO estimated under/(over) collection as of December 31, 2024	5.8173
First Nations ¹⁵	1.6000
Algoma Power ¹⁶	18.5456
Hydro One Remote Communities Inc. ¹⁷	50.1380
Hydro One Remote Communities Inc.-Wataynikaneyap Power LP ¹⁸	132.7312
Total	208.8321

Determining the January 1, 2025 RRRP charge

The RRRP-related amount required to be collected by distributors from their customers for 2025 is \$208.8 million. In 2024, this amount was \$192.2 million.¹⁹

¹³ Decision and Order EB-2023-0268, December 7, 2023.

¹⁴ Ibid.

¹⁵ O. Reg. 442/01, Rural or Remote Electricity Rate Protection, made under the *Ontario Energy Board Act, 1998*, [Schedule 1](#).

¹⁶ Rate Order, EB-2024-0007, December 10, 2024

¹⁷ Hydro One Remote Communities' current approved RRRP required amount (as established in EB-2023-0031) is being used as a proxy in this Decision and Order to set the 2025 required amount.

¹⁸ Decision and Order, EB-2024-0176, December 10, 2024.

¹⁹ Decision and Order, EB-2023-0268, December 7, 2023.

The variance is mainly driven by an increase in the 2025 RRRP required amount for Hydro One Remote Communities Inc. - Wataynikaneyap Power LP compared to its 2024 approved RRRP.

The IESO has reported a full-year 2025 energy forecast excluding the transmission line losses of 140.5 terawatt-hours. The resulting RRRP charge would be \$0.0015 per kilowatt-hour.

Findings

The OEB finds that, for electricity consumed on or after January 1, 2025, the RRRP charge shall be increased to \$0.0015 per kilowatt-hour.

A scenario analysis showed that by increasing the RRRP charge to \$0.0015 per kilowatt-hour, the forecasted balance in the IESO variance account would be a small surplus of \$1.9 million at the end of 2025. If the RRRP charge were to remain unchanged, the balance in the IESO variance account would have a shortfall of \$12.2 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.

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 any future variance account balance and any further changes to the charge when it sets the RRRP charge for 2026.

The RRRP charge distributors bill to their customers shall also increase to \$0.0015 per kilowatt-hour effective with January 1, 2025 consumption.

5 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, 2025. 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 \$0.0015 per kilowatt-hour for electricity consumed on or after January 1, 2025.
3. The RRRP charge used by rate-regulated electricity distributors to bill their customers shall be \$0.0015 per kilowatt-hour for electricity consumed on or after January 1, 2025. 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 10, 2024

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar

SCHEDULE A

EB-2024-0282

COMMUNICATION TO THE IESO

DECEMBER 10, 2024



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

BY EMAIL

December 10, 2024

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

Dear Carrie Aloussis:

Re: Rural or Remote Electricity Rate Protection – OEB File No. EB-2024-0282

On December 10, 2024 the Ontario Energy Board (OEB) issued its Decision and Order in proceeding EB-2024-0282 which set the Wholesale Market Services (WMS) rate and the Rural or Remote Electricity Rate Protection (RRRP) charge effective January 1, 2025.

Amount to be charged by the IESO for RRRP

The OEB has determined that, effective January 1, 2025, the RRRP charge to be used by the IESO in order to collect the approved RRRP requirement amounts for eligible distributors shall increase to \$0.0015 per kilowatt-hour.

Yours truly,

Nancy Marconi
Registrar

SCHEDULE B

EB-2024-0282

COMMUNICATION TO DISTRIBUTORS AND RETAILERS

DECEMBER 10, 2024



BY EMAIL

December 10, 2024

To: Rate-Regulated Electricity Distributors
Electricity Retailers

**Re: Wholesale Market Services Rate and Rural or Remote Electricity Rate
Protection Charge – OEB File No. EB-2024-0282**

On December 10, 2024 the Ontario Energy Board (OEB) issued its Decision and Order in proceeding EB-2024-0282 which set the 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, 2025, 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, 2025, the amount to be charged by distributors, and retailers with retailer-consolidated billing, to their customers with respect to the RRRP shall be \$0.0015 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