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BY EMAIL AND WEB POSTING

November 29, 2018

NOTICE OF HEARING

REVIEW OF ENERGY RETAILER SERVICE CHARGES FOR ELECTRICITY AND NATURAL GAS DISTRIBUTORS: IMPLEMENTATION OF UPDATED ELECTRICITY DISTRIBUTOR RETAIL SERVICE CHARGES

BOARD FILE NO.: EB-2015-0304

**To: All Rate-Regulated Electricity Distributors
All Rate-Regulated Natural Gas Distributors
All Licensed Electricity Retailers
All Licensed Gas Marketers
All Other Interested Parties**

Today the Ontario Energy Board (OEB) issued its final [Report of the Ontario Energy Board: Energy Retail Service Charges](#) (the Report). The Report sets out the OEB's conclusions following the review of energy retailer service charges. Energy retailer service charges refer to the charges that recover the cost of services provided by electricity and natural gas distributors to energy retailers or to customers, related to the supply of competitive electricity or natural gas.

The OEB initiated this proceeding on its own motion under sections 19(4), 36 and 78 of the *Ontario Energy Board Act, 1998*, to implement the Report, and specifically the updated charges for electricity distributors (and the related accounting requirements) and the new notice of switch letter service charge for electricity and natural gas distributors. Attached to this Notice is a Draft Order for electricity and natural gas distributors.

Background

On November 5, 2015, the OEB initiated a policy review of the miscellaneous rates and charges applied by electricity distributors for specific activities or services they provide.

The OEB noted that it would commence the review of miscellaneous rates and charges in phases, beginning with the review of wireline pole attachment charges.

On May 31, 2017, the OEB issued a [letter](#) announcing that the next phase in its review of miscellaneous rates and charges would be the review of electricity distributor retail service charges. The OEB further indicated in this letter that the review would include natural gas distributors and also examine the potential establishment of a new service charge for electricity and natural gas distributors to recover the transactional cost of sending a “notice of switch” letter to low volume customers who have signed a contract with an energy retailer. To assist the OEB with this review, a working group comprised of electricity distributors, natural gas distributors, and energy retailers was established.

On July 19, 2018, the OEB issued a Draft Report for stakeholder comment. The OEB received nine letters of comment from stakeholders. Working group meeting materials, the Draft Report, and written comments on the Draft Report are posted on the OEB’s Review of Miscellaneous Rates and Charges [webpage](#).

Report of the OEB

The Report concludes that the default OEB-established electricity distributor retail service charges are in need of updating, but does not propose any changes to the existing charges for natural gas distributors. The Report also concludes that a new service charge is warranted for both electricity and natural gas distributors of \$2.00 to recover the incremental cost of sending a notice of switch letter to low volume customers who sign a contract with an energy retailer.

Draft Order

Attached to this Notice is a Draft Order for electricity and natural gas distributors. Schedule A of the Draft Order sets out the updated charges for all rate-regulated electricity distributors, including the new notice of switch letter charge. Schedule B of the Draft Order establishes a new variance account for electricity distributors who no longer use the Retail Service Cost Variance Accounts. Schedule C of the Draft Order sets out the new notice of switch letter charge for all rate-regulated natural gas distributors.

Invitation to Comment on the Draft Order

The OEB invites written submissions on the Draft Order attached to this Notice. Submissions are due by **December 17, 2018**.

All written comments sent to the OEB will be placed on the public record, which means that the comments will be available for viewing at the OEB's offices and will be placed on the OEB's website. If the comments are from a private citizen, then, before placing

the written submission on the public record, the OEB will remove any personal (i.e., not business) contact information from the submission (e.g., the address, phone number, and e-mail address of the individual). However, the name of the individual and the content of the submission will become part of the public record.

How to File Documents with the OEB

All written submissions filed with the OEB must quote file number **EB-2015-0304** and clearly state the sender's name, postal address, telephone number and e-mail address. If possible, submissions should be in searchable PDF format and submitted through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice/>. All submissions should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date:

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Attention: Board Secretary
Filings: www.pes.oeb.ca/eservice/.

E-mail: boardsec@oeb.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

Cost Awards

The OEB does not intend to make provision for interested parties to seek cost awards in relation to comments provided on the Draft Order.

Any questions relating to this Notice should be directed to Vince Mazzone at vince.mazzone@oeb.ca or 416-544-5159. The OEB's toll free number is 1-888-632-6273.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Attachment: Draft Order for Electricity and Natural Gas Distributors

ATTACHMENT
DRAFT ORDER FOR ELECTRICITY AND NATURAL GAS
DISTRIBUTORS

EB-2015-0304

November 29, 2018

DRAFT ORDER
ENERGY RETAILER SERVICE CHARGES
EB-2015-0304

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Effective May 1, 2019, all rate-regulated electricity distributors shall charge the service charges set out in **Schedule A**.
2. The Accounting Order for rate-regulated electricity distributors attached as **Schedule B** is approved.
3. Effective May 1, 2019, all rate-regulated natural gas distributors shall charge the service charge set out in **Schedule C**.

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SCHEDULE A

APPROVED ELECTRICITY RETAIL SERVICE CHARGES, EFFECTIVE MAY 1, 2019

Retail Service Charge ¹	Amount
One-time charge, per retailer, to establish the service agreement between the distributor and the retailer ²	\$100.00
Monthly fixed charge, per retailer	\$40.00
Monthly variable charge, per customer, per retailer	\$1.00
Distributor-consolidated billing monthly charge, per customer, per retailer	\$0.60
Retailer-consolidated billing monthly credit, per customer, per retailer	\$(0.60)
Service Transaction Requests – Request fee, per request, applied to the requesting party	\$0.50
Service Transaction Requests – Processing fee, per request, applied to the requesting party	\$1.00
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction system, applied to the requesting party	No Charge (Up to twice a year) \$4.00 (More than twice a year, per request, plus incremental delivery costs)
Notice of switch letter charge, per letter	\$2.00

Notes:

¹ The descriptions in this table are taken from the current electricity distributor tariffs except for the notice of switch letter charge which is a new charge.

² There has been no update to this service charge amount.

The new notice of switch letter service charge will apply only to letters that are sent by standard hard copy mail. In accordance with the *Report of the Ontario Energy Board: Energy Retailer Services Charges* issued on November 29, 2018, electricity distributors may opt out of applying the charge to energy retailers by notifying the OEB within 60 days of the issuance of this Order.

The charges set out in the table above supersede and replaces any previously approved electricity Retail Service Charges.

SCHEDULE B
ACCOUNTING ORDER
**ACCOUNT 1508 OTHER REGULATORY ASSETS, SUB-ACCOUNT RETAIL
SERVICE CHARGES INCREMENTAL REVENUE**

Background:

On November 29, 2018, the OEB issued its *Report of the Ontario Energy Board: Energy Retailer Service Charges* (the Report), which sets out the OEB's conclusions following the review of energy retailer service charges.

This Accounting Order is being issued to implement the accounting guidance set out in the Report.

Electricity distributors that are unaffected by this Accounting Order:

As discussed in the Report, electricity distributors that currently record the revenues and costs associated with retail services in Retail Cost Variance Accounts (RCVAs) 1518 and 1548 are expected to continue to do so until their next rebasing application.

Electricity distributors that are affected by this Accounting Order:

Electricity distributors who have discontinued the use of RCVAs 1518 and 1548 (collective referred to as affected electricity distributors) are required to establish the two new variance accounts described below, in order to track the difference between the revenue collected from the current electricity distributor Retail Service Charges (electricity RSCs) and the revenue to be collected when the updated electricity RSCs come into force on May 1, 2019, for eventual disposition to distribution ratepayers.

ACCOUNTING ORDER

Affected electricity distributors are required to establish two new variance accounts effective May 1, 2019:

1. 1508 Other Regulatory Assets, Sub-account Retail Service Charges Incremental Revenue
2. 1508 Other Regulatory Assets, Sub-account Retail Service Charges Incremental Revenue Carrying Charges

In Account 1508 Other Regulatory Assets, Sub-account Retail Service Charge Incremental Revenue, affected electricity distributors will record the difference between revenues collected at the previously set electricity RSCs and the revenue collected based on the electricity RSCs established pursuant to the Report.

Only credit entries may be recorded in the sub-accounts. Carrying charges at the OEB prescribed rate will apply to the principal sub-account.

Once an affected electricity distributor rebases and includes the revenues and costs associated with retail services in the calculation of its base distribution rates, these new variance accounts will be discontinued.

Sample journal entries are provided below:

To record incremental revenue associated with establishing service agreements, distributor-consolidated billing, and retailer-consolidated billing services:

Dr. 4082 Retail Services Revenues
 Cr. 1508 Other Regulatory Assets, Sub-account Retail Service Charge
 Incremental Revenue

To record the difference between the electricity RSCs established in the *Report of the OEB: Energy Retailer Service Charges* and the RSCs used to calculate base distribution rates in the electricity distributor's most recent rebasing application.

Dr. 6035 Other Interest Expense
 Cr. 1508 Other Regulatory Assets, Sub-account Retail Service Charge
 Incremental Revenue Carrying Charges

To record the carrying charges on the monthly opening balance in Account 1508 Other Regulatory Assets, Sub-account Retail Service Charge Incremental Revenue.

To record the incremental revenue associated with Service Transaction Request (STR) services:

Dr. 4084 STR Revenues
 Cr. 1508 Other Regulatory Assets, Sub-account Retail Service Charge
 Incremental Revenue

To record the difference between the electricity RSCs established pursuant to the *Report of the OEB: Energy Retailer Service Charges* and the electricity RSCs used to calculate base distribution rates in the electricity distributor's most recent rebasing application.

Dr. 6035 Other Interest Expense
 Cr. 1508 Other Regulatory Assets, Sub-account Retail Service Charge
 Incremental Revenue Carrying Charges

To record the carrying charges on the monthly opening balance in Account 1508 Other Regulatory Assets, Sub-account Retail Service Charge Incremental Revenue.

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SCHEDULE C

APPROVED NOTICE OF SWITCH LETTER CHARGE FOR NATURAL GAS DISTRIBUTORS, EFFECTIVE MAY 1, 2019

Service Charge	Amount
Notice of switch letter charge, per letter	\$2.00

The new notice of switch letter service charge will apply only to letters that are sent by natural gas distributors by standard hard copy mail. In accordance with the *Report of the Ontario Energy Board: Energy Retailer Services Charges* issued on November 29, 2018, natural gas distributors may opt out of applying the charge to energy retailers by notifying the OEB within 60 days of the issuance of this Order.

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