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

March 31, 2025

Guideline

Electricity Distribution Retail Transmission Service Rates and Low Voltage Charges

2300 Yonge Street, 27th floor, P.O. Box 2319, Toronto, ON, M4P 1E4
2300, rue Yonge, 27e étage, C.P. 2319, Toronto (Ontario) M4P 1E4

T 416-481-1967 1-888-632-6273
F 416-440-7656 **OEB.ca**

1 PURPOSE

The purpose of this Guideline is to provide electricity distributors with instructions on the process to be used to perform adjustments to Retail Transmission Service Rates ("RTSRs") and Low Voltage Charges (LVs). RTSRs are charges that a distributor applies to its customers to recover the costs associated with the wholesale transmission line connection, transformation connection and network charges. LVs are charges that an embedded distributor applies to customers to recover the costs associated with distribution services provided to it by its host distributor.

Transmission connected customers in Ontario, including electricity distributors, pay Uniform Transmission Rates (UTRs) to the Independent Electricity System Operator (IESO), which then disburses funds to electricity transmitters. These UTRs are charged for network, line connection and transformation connection services. While there are three UTRs, there are only two RTSRs; the wholesale line and transformation connection rates are combined into one retail connection service charge. Transmission connected, rate regulated electricity distributors are charged the UTRs at the wholesale level and subsequently recover these charges from their distribution customers through the RTSRs.

An embedded distributor pays RTSRs and distribution rates to its host distributor and then recovers these costs from its own customers through its own RTSRs. A partially embedded distributor pays both RTSRs (to its host distributor) and UTRs (to the IESO). The partially embedded distributor then combines its RTSR expense with the UTR expense from transmission connection points, and these combined expenses are passed onto the embedded distributor's customers through its own RTSRs.

An embedded distributor that receives distribution services from its host distributor also pays distribution charges. The embedded distributor then recovers that cost from its own customers through its LV charges.

2 VARIANCE ACCOUNT BALANCES

The OEB has established two variance accounts to track any variances between the amounts a distributor collects through its RTSRs, and the amount it must pay for UTRs and RTSRs (as applicable): UsoA Accounts 1584 and 1586. These variances may accrue for several reasons, which include:

- The difference in the rate that a distributor pays for transmission service compared to the retail rate that the distributor is authorized to charge its customers.
- Changes in UTRs and host RTSRs are not immediately reflected in updated RTSRs that distributors charge their customers.
- The timing of payment of the UTRs by distributors does not match the timing of collection of the associated RTSRs from customers and estimates are required to align the period.

Variances between the LV charges and host distribution charges accrue for similar reasons as RTSRs. These variances are tracked in USoA Account 1550 LV Variance Account.

3 UNIFORM TRANSMISSION RATES

The OEB sets UTRs in January, with an update issued if necessary to reflect any transmission rate decisions issued after the January UTR decision. These UTRs are calculated to recover the costs of all transmitters in Ontario and are often not available before rates are set for distributors with January 1st rate years.

To facilitate the timely setting of distributor RTSRs that most accurately reflect expected UTR costs for the coming year, the OEB also issues preliminary UTRs in the Fall. Earlier availability of these transmission rates allows electricity distributors with January 1st rate years to capture the most up to date costs in the RTSRs as part of their rate applications. This approach decreases amounts accumulated in the RTSR variance accounts.

4 OPTIONS FOR UPDATES TO RTSRs

Distributors have individual RTSRs for each of their rate classes. These RTSRs were originally set based on each rate class's contribution to the monthly system peaks. These system peaks most closely reflected costs incurred by the utility in paying its UTR or host RTSR obligations. Most distributors have not updated their RTSRs to reflect rate class contributions to cost causation, in many years.

When distributors file for new rates at the time of rebasing, the OEB encourages distributors to propose updated RTSRs underpinned by updated cost causation data. This should reflect each rate class's contribution to the sum of the 12 coincident peaks for the distributor. A source of this information would be distributors' updated class load profiles, which are expected to be used in preparing cost allocation evidence as part of cost-of-service filings. In doing so, distributors should ensure that RTSRs are designed to achieve full recovery of the underlying costs. Any reset to cost causation should only be done in a rebasing proceeding.

The OEB provides an RTSR model to adjust RTSRs to achieve full recovery of transmission costs. The model calculates percentage shares of recovery from RTSRs on a class-by-class basis based on the most recent historical volumes and historical rates. These percentage shares are used to allocate UTRs and RTSRs, as applicable, to their own classes to set RTSRs. The costs are based on the most recent historic volumes, and, as well as final UTRs and host RTSRs. Where final UTRs or host RTSRs are not available, distributors should refer to the annual letter outlining preliminary UTRs and Hydro One ST RTSRs as appropriate, and where preliminary UTRs or host RTSRs are not available, the most recent approved rates should be used. The most recent historic year for both retail and supply volumes are available is to be used.

However, the OEB's model is based on the utility's existing allocation of its transmission-related expenses among its customer classes. The model does not provide for updating the allocation of RTSRs based on changes in cost causation among customer classes. As a result, distributors will need to provide their own worksheets to demonstrate cost causation and full recovery should they choose to update the underlying cost causation for their proposed RTSRs.

In the absence of updated cost causation information, distributors are permitted to continue to update RTSRs using the OEB supplied RTSR model. In the future, the OEB may require RTSR calculations based on updated cost causation information.

LV charges are allocated to rate classes based on the allocation of the transformation and connection RTSR. The RTSR model contains a worksheet to aid in this calculation.

5 ELECTRIC VEHICLE CHARGING (EVC) RATE

The OEB has implemented an EVC Rate applicable to certain Electric Vehicle (EV) charging facilities. The EVC Rate reduces the RTSR charges applied to these customers to reflect their lower contribution to transmission costs.

In the RTSR Workform, and the IRM Rate Generator Model, EV charging is presented as a separate rate for each general service rate class from 50 to 4,999 kW. Distributors will need to identify the quantity of load (energy and demand) used by these facilities. For the initial rate setting, distributors should use an estimate of the last actual year, of the amount of load used by customers expected to qualify for the EVC Rate.

Any questions relating to this guideline should be directed to Industry Relations at industryrelations@oeb.ca.