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NOTICE OF PROPOSAL TO AMEND A CODE

PROPOSED AMENDMENTS TO THE STANDARD SUPPLY SERVICE CODE

BOARD FILE NO.: RP-2004-0205

**To: All Licensed Electricity Distributors
All Licensed Electricity Retailers
All Participants in Proceeding RP-2004-0205**

**RE: Regulated Price Plan (RP-2004-0205)
Notice of a Proposed Amendment to the Standard Supply Service Code –
Bill Presentment and the Final RPP Variance Settlement**

The Ontario Energy Board (the “Board”) is giving notice under section 70.2 of the *Ontario Energy Board Act, 1998* of its proposal to amend the Standard Supply Service Code (the “SSS Code”). The purpose of the amendments is to address how the “final RPP variance settlement” for the regulated price plan (the “RPP”) should be presented on the electricity bills of consumers.

Background

Under amendments to the *Ontario Energy Board Act, 1998* contained in the *Electricity Restructuring Act, 2004*, the Board was mandated to develop the RPP.

The RPP went into effect on April 1, 2005 and replaced the previous electricity commodity pricing regime that went into effect on April 1, 2004.

The implementation of the RPP followed an extensive consultation process that began when the Board issued for public comment the *Board Proposal: Regulated Price Plan for Electricity Consumers* (the “Board Proposal”) on December 7, 2004. The Board Proposal was informed by the deliberations and recommendations of a multi-stakeholder Working Group that was established to assist Board staff in the development of the RPP.

A code amendment process followed which culminated in the adoption of a revised SSS Code on March 11, 2005. A final version of the Board’s *Regulated Price Plan Manual* (the “RPP Manual”) was also issued at that time.

As part of the SSS Code revision, the Board implemented the concept of the final RPP variance settlement, which will come into effect on July 1, 2005. Consumers that leave the RPP will thereafter be subject to a “final RPP variance settlement amount” to reflect their share (whether positive or negative) of any accumulated variance between the *actual* price paid to generators and the *forecast* price paid by RPP consumers. The final RPP variance settlement amount is to be charged or credited to a consumer that moves outside of the Province of Ontario, that switches to a retailer or that elects the spot market pricing option.

The RPP Manual sets out the methodology that electricity distributors will be required to use to calculate the final RPP variance settlement amount.

An issue that still needs to be addressed within the context of the final RPP variance settlement is how the final RPP variance settlement amount should be presented on the electricity bills of consumers. The sole purpose of the Board’s proposed amendments to the SSS Code is to address this outstanding matter.

Summary of the Proposed Amendments to the SSS Code

The existing legal framework limits the options available to the Board in terms of how the final RPP variance settlement amount can be reflected on the bills of low volume consumers. The *Information on Invoices to Low Volume Consumers of Electricity Regulation*, O. Reg. 275/04, only permits the Board to require that additional information be included under the “Electricity” sub-heading of a bill.

Accordingly, the Board’s consideration has focused on two options; that is, to either include the final RPP variance settlement amount as part of the charges on one of the existing “Electricity” lines or to add a separate line to the bill, when applicable, that is specific to the final RPP variance settlement amount.

The Board is proposing amendments to the SSS Code that would require electricity distributors to add a separate line to the bill under the “Electricity” sub-heading for consumers that are subject to the final RPP variance settlement amount. This line would appear directly below the lines representing either the tiered or the time-of use commodity prices payable, as applicable depending on whether the consumer is paying conventional meter RPP prices or smart meter RPP prices. The Board is also proposing that the same terminology be used by all electricity distributors in applying this credit or charge to the electricity bill. That terminology is “Final RPP variance settlement”. This additional line item would only appear on the bills of consumers that leave the RPP under the circumstances described above.

By virtue of section 1.9.3 of the Retail Settlement Code, the above requirements would apply equally to retailers that are billing RPP consumers using retailer-consolidated billing.

The text of the proposed amendments to the SSS Code is attached to this Notice.

Anticipated Costs and Benefits

The Board is concerned that the alternative approach of incorporating the final RPP variance settlement amount within the charge on an existing electricity line would cause confusion for consumers. If the final RPP variance settlement amount were included as part of the charges on the electricity line, consumers would not be able to perform a simple multiplication (prices times quantities) to verify the electricity charges on the bill. Many consumers would likely be led to believe that a billing error had been made and would, in turn, contact their distributor or retailer (in the case of retailer-consolidated billing). In that case, distributors and retailers would incur ongoing costs to respond to consumer concerns and to explain that there is no error on the bill but rather that the electricity charge has been adjusted to incorporate an additional charge or credit.

Accordingly, the Board is of the view that the proposed approach of requiring the final RPP variance settlement amount to be shown as a separate line will achieve the following objectives:

- Avoid unnecessary consumer confusion;
- Provide greater transparency and clarity for electricity consumers in relation to their electricity bills;
- Remain consistent with the intent of the *Information on Invoices to Low Volume Consumers of Electricity Regulation*, which is to keep the electricity bill as simple as possible for electricity consumers to understand;
- Continue to ensure consistency across all Ontario electricity distributors and retailers in terms of bill design and terminology; and
- Minimize the costs imposed on electricity distributors and on retailers that are billing using retailer-consolidated billing.

Electricity distributors and certain retailers may incur some one-time costs in modifying their billing systems to accommodate this additional line item. However, implementing this proposed option would avoid the potentially more significant ongoing costs associated with responding to customer complaints as described above.

Coming Into Force

The Board proposes that the amendments to the SSS Code come into force on July 1, 2005. This is the date on which the obligation to implement the final RPP variance settlement mechanism will become effective as stipulated in section 3.7 of the SSS Code.

Invitation to Comment

All interested parties are invited to make written submissions on the Board's proposed amendments to the SSS Code. Any person who wishes to make a written submission with respect to the proposed amendments must file eight (8) paper copies of the submission, and electronic copies in Adobe Acrobat (PDF) and either Word or WordPerfect. Individuals, such as electricity consumers, that wish to make submission

need only file one copy. Electronic copies may be submitted on diskette or by e-mail to boardsec@oeb.gov.on.ca.

Your submission must quote file number **RP-2004-0205** and include your name, address, e-mail address and fax number.

All submissions must be filed with the Board Secretary by **4:30 p.m.** on **June 1, 2005**.

This consultation is not intended to provide an opportunity for parties to revisit the Board's decision to require a final RPP variance settlement when consumers leave the RPP. Accordingly, the Board requests that interested parties **confine their comments** to the proposed amendments to sections 3.7.2 and 3.7.3 of the SSS Code as shown on the attached.

The attached proposed amendments to the SSS Code, and all written submissions received by the Board with respect to that document, will be available for public viewing on the Board's website at www.oeb.gov.on.ca and at the office of the Board during normal business hours.

If you have any questions regarding the proposed amendments to the SSS Code, please contact Chris Cincar at 416-440-7696 or Russell Chute at 416-440-7682. The Board's toll free number is 1-888-632-6273.

E-mail inquiries should be directed to RPP@oeb.gov.on.ca.

DATED at Toronto, May 18, 2005.

ONTARIO ENERGY BOARD

John Zych
Board Secretary

Attachment:

Proposed Amendments to the Standard Supply Service Code