



Generic Hearing on Uniform Transmission Rates (UTR) – Phase 2

DECISION ON ISSUES 1, 2 AND 3

MAY 9, 2024

The Ontario Energy Board (OEB) is holding a public hearing on its own motion under sections 19, 21 and 78 of the *Ontario Energy Board Act, 1998* to consider various issues related to Ontario's Uniform Transmission Rates (UTR). This is the second phase of this proceeding.

A Notice of Hearing was issued on October 27, 2023. In the Notice of Hearing, the OEB identified the following six issues:

- 1) The timing of UTR decisions
- 2) Number of decimal places for UTRs
- 3) Prorating transmission charges for new connections to account for when the connection took place in the month
- 4) Charges caused by planned transmission outages
- 5) Basis for billing renewable, non-renewable, and energy storage facilities for transmission
- 6) Gross load billing thresholds for renewable and non-renewable generation

On December 8, 2023, the OEB issued Procedural Order No. 1 that, among other things, provided OEB staff background information and recommendations on how to address Issues 1, 2, and 3 and invited intervenors to consider these recommendations and provide submissions.

The following intervenors provided submissions: Association of Major Power Consumers in Ontario (AMPCO), Consumers Council of Canada (CCC), Distributed Resource Coalition (DRC), Electricity Distributors Association (EDA), Energy Probe, Hydro One Networks Inc. (Hydro One), London Property Management Association (LPMA), School Energy Coalition (SEC) and Vulnerable Energy Consumers Coalition (VECC).

Issue 1: The timing of UTR decisions

Transmitter revenue requirements are recovered through UTRs which are charged to all wholesale market participants, including electricity distributors. The UTRs are usually established annually with an effective date of January 1, and are based on the revenue requirements of Ontario's rate-regulated electricity transmitters. The timing of transmitter revenue requirement proceedings does not always allow for the annual UTR decision to be finalized in December for January 1. This can lead to forgone revenue, which must then be calculated and included when UTRs are updated. In addition, new transmitters are being added to UTRs when their assets come into service, and this does not always align with a January 1 UTR update.

OEB staff recommended that the OEB should continue its current practice (Current Practice) for addressing UTR timing-related issues that arise in the following scenarios:

- transmitter revenue requirement proceedings that are not finalized in December for inclusion in January 1 UTRs
- new transmitters entering service after UTRs for the year have already been set
- other updates during the calendar year

In these scenarios, the OEB's Current Practice has been to issue interim UTR decisions effective January 1 and final UTRs by way of updated UTR decisions during the calendar year. The Current Practice has also established deferral/variance accounts to address potential implementation timing issues. OEB staff recommended that the Current Practice should continue, since it has provided transmitters with timely revenue adjustments.

Last year, the OEB issued a letter¹ setting out preliminary UTRs for use by distributors with rate years commencing January 1st in preparing their distribution rate applications. The OEB intends to continue the practice. Where final OEB-approved UTRs are available (particularly where the distributor's rate year begins May 1st), the final UTRs will be used. OEB staff also anticipated that the new practice of issuing preliminary UTRs will decrease balances accumulated in distributors' transmission variance accounts.

All intervenors, except DRC and SEC which took no position, supported staff's recommendations and the new practice of issuing forecast UTRs.

Hydro One took no issue with OEB staff's submission to continue the Current Practice regarding the timing of the UTR decisions including the issuance of UTRs effective

¹ OEB [Letter](#) 2024 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, dated September 28, 2023.

January 1 and any updates during the year as appropriate. Hydro One also agreed with OEB staff that establishing forecast UTRs minimizes the regulatory lag.

VECC noted that for existing electricity distributors, the OEB annually issues letters setting out the filing deadlines for Cost of Service, Custom IR, and IRM Applications. The OEB does not currently set filing deadlines for transmitter annual revenue requirement applications, but VECC submitted that establishing similar annual deadlines for existing transmitters planning on submitting rate applications for an upcoming test year would help ensure that final UTR are issued on a timely basis.

Findings

The OEB finds it appropriate to continue its Current Practice for addressing UTR timing-related issues that may arise for the following scenarios (and could also apply to other scenarios):

- For transmitter revenue requirement proceedings that are not finalized by December for inclusion in January 1 UTRs
- For new transmitters entering service after UTRs for the year have already been set
- For other updates during the calendar year

Issue 2: Number of decimal places for UTRs

UTRs paid by transmission customers are calculated to two decimal places (unlike distribution rates, which are calculated to four decimal places).

OEB staff recommended that the UTRs should remain at two decimal places at this time. OEB staff noted that the impact of a \$0.01/kW/Month increase to the UTRs in any transmission pool (Network, Line Connection or Transformation) does not meet any transmitter's materiality threshold. OEB staff also noted that maintaining the status quo would avoid adding any administrative burden or potential implementation costs.

OEB staff also recommended that if through future OEB initiatives, including other issues that may evolve through the OEB's Generic Hearings on UTR-related issues, there becomes a need for four decimal places, the OEB could revisit this issue at that time.

AMPCO, CCC, LPMA and VECC supported OEB staff's recommendations.

Hydro One did not object to OEB staff's recommendations to maintain the UTRs to two decimal places and agreed that there might be a need to revisit the decision based on future OEB initiatives, including as other issues in this generic proceeding are addressed.

EDA disagreed with the UTRs remaining at two decimal places. EDA submitted that the decimal places of UTRs should be converted to four decimal places. EDA believes that a consistent approach should be applied throughout the rate making process. On the principle of consistency and billing accuracy, EDA supports further consideration by all parties to explore the benefits of aligning the number of decimal places.

DRC and SEC took no position on OEB staff's recommendations.

Findings

While the OEB agrees with the general consensus that UTRs should continue to be set to two decimal places, it acknowledges that this finding may be subject to reconsideration pending the resolution of other issues in this proceeding.

Analytical support for maintaining the status quo was underpinned by OEB staff's and Hydro One's refinements to the analysis that showed that the dollar impact of changing the UTRs to four decimal places resulted in a monetary difference to the UTRs in transmission revenue pools that was less than any transmitter's revenue requirement materiality threshold.

Continuing to set UTRs to two decimal places will avoid adding administrative burden and avoid unnecessary implementation costs.

As noted by the parties, should there be a need to set UTRs to four decimal places in the future, the OEB can revisit the issue at that time.

Issue 3: Prorating transmission charges for new connections to account for when the connection took place in the month

Transmission customers are charged a monthly rate (\$ per kW) for line connection billing demand and a monthly rate (\$ per kW) for transformation connection billing demand. Line connection and transformation connection charges for newly connected transmission customers in their first month of connection are not revised upward or downward in proportion to when in the month the new connection was made.

OEB staff recommended that line connection and transformation connection charges for new connections should be prorated to account for when in the month the new connections were made. OEB staff supported the proration of line connection and transformation connection charges for new connections on the principle of cost-follows-benefit and that the proration should be a simple calendar days-based proration.

OEB staff also recommended that the proration should apply to new connections in the future, beginning on an effective date to be specified. Implementation of the proration should be coordinated between the OEB and the Independent Electricity System Operator (IESO) and others as applicable to work out timelines and other practical matters.

AMPCO, CCC, DRC and Energy Probe supported OEB staff's recommendations.

LPMA submitted that the OEB should state whether or not the day of connection is considered a day of service in the calculation of the proration factor.

EDA, LPMA, SEC and VECC submitted that the same proposed proration approach should apply to customers that disconnect from the transmission system at a time other than the end of the month.

All intervenors supported the proration approach proposed by OEB staff for line connection and transformation connection charges for new connections, but some intervenors submitted that the proration approach should also apply to network charges. Hydro One submitted that OEB staff's submission is consistent with the definition of the issue in the Notice which only covered the proration of line connection and transformation connection charges.

EDA, LPMA, SEC and VECC also submitted that a similar proration issue exists for distribution connection customers who connect or disconnect during a billing period. They suggested that the OEB should initiate a separate process to determine whether proration is appropriate in such circumstances.

Findings

The OEB finds that the line connection and transformation connection components of the UTR charge will be prorated to account for the date in a month when a new connection is made, as well as for when a disconnection is made. This finding is firmly aligned with the fundamental rate-making principle that costs follow benefits.

The OEB does not find it appropriate at this time to prorate the network charge component of the UTR, as a comprehensive examination into the network charge methodology should be undertaken. The current methodology for setting the network charge dates back many years and, given the complexity of the methodology underpinning the setting of this component, a change such as prorating this charge for when in the month a service connection takes place should properly be preceded by a comprehensive examination of the overall methodology for determining the network charge.

The OEB also notes that there are various implementation issues that underlie the proration of the UTRs. These implementation issues include, but may not be limited to, basing the proration on the total charge (\$/month), or the connection rate (\$/kW/month), or on the billing demand (kW), as well as the date for commencing the proration of UTRs. The OEB asks that staff work with transmitters to ensure that any adverse revenue impacts to transmitters are minimized and asks that staff work with the IESO to coordinate a date for implementing the commencement of the proration mechanism.

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The OEB will continue its current practice for addressing UTR timing-related issues that may arise for the transmitter revenue requirement proceedings that are not finalized by December for inclusion in January 1st UTRs; for new transmitters entering service after UTRs for the year have already been set; and for other updates during the calendar year.
2. The UTRs shall remain at two decimal places at this time.
3. The OEB directs OEB staff to work with the IESO and transmitters to coordinate the implementation of the proration of line connection and transformation connection charges, and to minimize any adverse revenue impacts to transmitters, with proration to begin effective January 1, 2025.

DATED at Toronto, **MAY 9, 2024**

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar