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## OEB Increases Service Charges From Distributors to Energy Retailers and Customers

By David Stevens

On November 29, 2018, the Ontario Energy Board (OEB) issued its Report on Energy Retailer Service Charges. The OEB concluded that the current retail service charges (RSCs) from electricity distributors to electricity retailers and their customers need to be increased so that all of the distributors' costs are recovered. Otherwise, existing ratepayers will effectively be subsidizing the retailers' activities. While the OEB does not see the need to increase the current RSCs from gas distributors to gas retailers, one charge will be added.

RSCs recover the cost of services provided by distributors to energy retailers or their customers, related to the supply of competitive electricity or natural gas. The services provided by electricity and natural gas distributors include service agreements, billing and other transactional activities. The OEB has approved RSCs since the time that competitive energy supply was first permitted.

As described in an earlier post, in mid-2017, the OEB decided to undertake a review of the RSCs because these have not been updated for more than 15 years. The OEB's review process included consulting with a working group and issuing a Draft Report for comment. The OEB's November 29<sup>th</sup> Final Report concludes this process.

As set out in the Report on Energy Retailer Service Charges, the OEB has determined that RSCs should reasonably reflect the distributors' costs of providing services to or on behalf of energy retailers, and should ensure that the users of services pay for all such costs. The OEB also determined that the same RSCs should apply for all electricity distributors, as this is a simple and fair approach. However, distributors will have the right to apply for specific different charges in their rebasing proceedings where the nature of the distributor's services or costs are different from its peers.

The table below sets out the new electricity RSCs that the OEB has determined.

The OEB also established a new Notice of Switch Letter Charge of \$2 for the letter that must be sent to a consumer to confirm that the consumer has switched its electricity or gas supply between system supply and a retailer. This new charge will apply to both electricity and gas distributors.

Along with the final Report on Energy Retailer Service Charges, the OEB has also issued a Notice and draft Rate Order setting out how the updated RSCs will be implemented. The new charges will be effective as of May 1, 2019, and inflationary increases will apply each year thereafter. Any comments on the draft Rate Order are due by December 17, 2018.

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