

March 19, 2012

The Hon. Chris Bentley  
Minister of Energy  
Hearst Block  
900 Bay St, 4th Floor  
Toronto, ON M7A 2E1

Dear Minister Bentley:

I am writing to follow up to a meeting the Ontario Energy Association (OEA) had with your staff in order to provide you with background and further information on a recommended solution for capturing the line loss costs that is fully supported by both industry distributors and retailers. As well, the potential issues that will be incurred by the adoption of other identified options.

**On behalf of the OEA's Board of Directors and members, we recommend regulatory amendments that will ensure that the calculation of costs associated with electricity line losses appears as a separate item on electricity bills.** The OEA believes this change will provide clarity to consumers as to why their metered and billable consumption differs while ensuring that distributors and retailers are not subject to any costs that are not directly attributable to their business activity.

In February 2010 Measurement Canada alerted the Ministry of Energy that the current treatment of line losses on bills in Ontario contravenes federal legislation. In particular, Measurement Canada does not recognize the 'adjusted kWh' as a unit of measurement for the sale of electricity as described in s.3.(1) of the *Electricity and Gas Inspection Act, 1985*. The Ministry of Energy set up a working group made of representatives of distribution and electricity retail businesses and ministry staff to develop an appropriate solution that would comply with Measurement Canada.

**After examining a number of options, distributors and retailers agreed that a separate line item showing the calculation of line losses on electricity bills is the most neutral solution. It is the only solution that provides transparency to consumers as to how their individual consumption is billed and the only solution that does not impose an unnecessary burden on distribution and retail businesses.**

In accordance with Ontario Regulation 275/04, the metered and adjusted consumption is currently accounted for in the "Electricity" line of customer bills. On the back of the bill, as directed by O.Reg 275/04, the description of 'Electricity' states:

*The electricity consumed is multiplied by the adjustment factor... When electricity is delivered over a power line, it is normal for a small amount of power to be consumed or lost as heat. Equipment, such as wires and transformers, consumes power before it gets to your home or business. The adjustment factor accounts for these losses.*

Since 2004 a message on the front of the bill clearly shows that a loss factor adjustment is applied to the amount of kWh used, and customers do have a clear understanding of this.

The loss adjustment factor is applied and captured in the commodity (electricity) charge since losses are a natural component of any electricity system. Regardless of the system, supply will need to match not just the consumption of a customer, but also the amount of energy that was lost due to the natural phenomena of electricity as it travels through the system to the customer.

**Since the Minister announced a review of the electricity bill on March 13, the OEA suggests that any change related to how and where the line loss is displayed be delayed until this review is complete. The members of the OEA would support a request to Measurement Canada for a further delay of June 13<sup>th</sup> 2013 implementation date to ensure multiple changes to the customer bill over a short time period do not occur.**

Please feel free to contact Tina Arvanitis, Vice President, Communications and Stakeholder Relations directly at 416.920.3269 or [tarvanitis@energyontario.ca](mailto:tarvanitis@energyontario.ca) for more information.

Yours truly,



Elise Herzig  
President and CEO  
Ontario Energy Association

Cc: Hersh Perlis, Senior Policy Advisor & Outreach, Office of the Minister of Energy  
Craig MacLennan, Chief of Staff, Office of the Minister of Energy  
Brian Bentz, President and CEO, PowerStream Inc.; A/Chair, OEA Board of Directors

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