

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Toronto, ON, M4P 1E4

February 17, 2012

Dear Ms. Walli,

**Re: Possible revisions to the OEB Cost Assessment Model (EB-2012-0018)**

On behalf of the Ontario Energy Association's ("OEA") Board of Directors and members, I am writing to provide the views of our membership in response to the OEB's Cost Assessment Model review, specifically as it pertains to the allocation of indirect costs to the electricity retailer and natural gas marketer payor classes.

As you know, the OEA has more than 150 corporate members that represent the full diversity of the energy industry in Ontario – power producers, firms that transport, transmit and deliver natural gas and electricity, marketers and retailers, manufacturers, contractors, service providers, and energy consultants. This allows us to offer a broader perspective on how regulatory changes may affect both energy market participants and energy consumers in Ontario.

The OEA does not offer an opinion as to the appropriateness of allocating the indirect costs to the payor classes in question, however does submit the following position regarding changes to the cost allocation methodology.

Should the Board conclude that changes are warranted, the OEA submits that the manner in which the costs are calculated and applied should be transparent to those parties affected in accordance with the Board's stated guiding principles<sup>1</sup>.

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<sup>1</sup> *Ontario Energy Board Cost Assessment Model*, March 2011 (first guiding principle)

The reallocation of existing costs under the current model would require changes to both the new payor classes (retailers and marketers) and the existing payor classes (electricity and gas utilities and perhaps others). Specifically;

- The new payor classes will need to design and implement changes to their existing contractual arrangements and billing systems to facilitate cost recovery of the new charges.
- The current payor classes will need to reduce their current approved rates to consumers for the offsetting rate reductions.

The OEA members share the view that the change in CAM allocation should provide all affected parties reasonable time to implement the revisions to adjust to the resulting financial and operational impacts and thereby ensure that ratepayers are not adversely double charged for recovery of the same OEB costs by the two parties.

Thank you for your consideration.

Yours truly,

A handwritten signature in black ink, appearing to read 'Elise A.', written in a cursive style.

Elise Herzig  
President and CEO  
Ontario Energy Association