



Memorandum

To: Muneeb Chaudhary, Vice President, Ontario Electricity Financial Corporation
From: Pedro Torres-Basanta
Date: March 05, 2025
Re: Second Interim (2024) and Provisional (2025) 115-230kV DCR_{new} Calculations

Introduction

The Ontario Electricity Financial Corporation (“OEF”) is required to calculate and publish the Second Interim (2024) and Provisional (2025) TMC and DCR_{new} for 115-230kV as soon as market data is available. The data for both calculations are now available and OEF has asked Guidehouse to perform these calculations. This memo will provide the Second Interim (2024) and Provisional (2025) DCR_{new} 115-230kV calculation, which have been carried out in accordance with past practice, as summarized in the DCR_{new} memo from August 28, 2020¹. Changes to the calculation that have been made since are summarized below.

The calculation of the 115-230kV TMC reflects interim rates resulting from the EB-2023-0222 Uniform Transmission Rate decision and its June 2024 update (EB-2024-0183), issued by the Ontario Energy Board (“OEB”) on January 18, 2024² and June 27, 2024³, respectively.

Global Adjustment (“GA”) – Provincial Funding

Under Ontario Regulation 735/20 amounts payable under certain IESO renewable energy contracts are funded by the Province under section 25.34 of *Electricity Act, 1998*. As a result, the costs associated with such contracts are not included in the GA paid by electricity ratepayers starting January 1, 2021. However, the GA component of TMC has been calculated such that the costs associated with these renewable energy contracts are included in the GA component of TMC after January 1, 2021. The data for the dollar amount of GA used in the TMC calculation is available at the following website: <https://www.ieso.ca/-/media/Files/IESO/Market-Summaries/GA-by-Components.ashx>

Methodology and Results

The Second Interim (2024) and Provisional (2025) DCR_{new} for 115-230kV is given in Table 1. Supporting information on the calculations involved is provided in the sections that follow.

¹ OEF – DCR_{new} Memo https://www.oefc.on.ca/pdf/2019_final_DCRnew_memo_08-28-2020_en.pdf

² OEB – 2024 UNIFORM TRANSMISSION RATES <https://www.rds.oeb.ca/CMWebDrawer/Record/830975/File/document>

³ OEB – 2024 UNIFORM TRANSMISSION RATES UPDATE <https://www.rds.oeb.ca/CMWebDrawer/Record/857793/File/document>

Table 1: Second Interim (2024) and Provisional (2025) 115-230kV DCR_{new} (cents/kWh)

Voltage	Second Interim (2024) and Provisional (2025)
115-230kV	12.7106

Total Market Cost Calculations

The Second Interim (2024) and Provisional (2025) TMC value for 115-230kV is 12.7291 cents/kWh as shown in Table 2.

Table 2: Calculation of Second Interim (2024) and Provisional (2025) 115-230kV TMC

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total /
MONTHLY STATISTICS														
days		31	29	31	30	31	30	31	31	30	31	30	31	366
total hours		744	696	744	720	744	720	744	744	720	744	720	744	8784
		Weighted Average												
MARKET RATES														
HOEP	c/kWh	4.227	2.794	2.837	2.806	2.731	2.901	3.544	3.615	3.043	3.286	2.932	3.843	3.2187
WMSC	c/kWh	0.588	0.502	0.449	0.488	0.517	0.550	0.473	0.464	0.301	0.360	0.384	0.513	0.4659
Tx network	\$/kW-mth	5.780	5.780	5.780	5.780	5.780	5.780	6.120	6.120	6.120	6.120	6.120	6.120	5.950
Tx line connection	\$/kW-mth	0.950	0.950	0.950	0.950	0.950	0.950	0.950	0.950	0.950	0.950	0.950	0.950	0.950
Global Adjustment	c/kWh	5.975	7.777	9.013	8.407	8.670	8.781	7.551	7.371	8.783	8.358	9.452	7.160	
TOTAL MARKET COST CALCULATION														
Total market cost per month	c/kW-mth	8,701	8,380	9,823	9,098	9,540	9,480	9,314	9,226	9,438	9,638	9,900	9,275	
Total annual market cost	c/kW-yr													111,812
TMC = total market cost	c/kWh													12.7291

Second Interim (2024) and Provisional (2025) 115-230kV DCR_{new} Calculations

The Second Interim (2024) and Provisional (2025) 115-230kV DCR_{new} is the greater of (i) the average of the 115-230kV TMC for the three-year period from January 2022 through December 2024 inclusive, based on the number of days in each period and (ii) the Final (2023) 115-230kV DCR_{new}. The Second Interim (2024) and Provisional (2025) 115-230kV DCR_{new} is 12.7106 cents/kWh as shown in Table 3.

Table 3: Second Interim (2024) and Provisional (2025) 115-230kV DCR_{new}

	2022 Final	2023 Final	2024 Second Interim	2025 Provisional
TMC (P) Current, based on actual HOEP WMSC, regulated tariffs, estimated rebate, etc.	12.6242	12.7784	12.7291	
DCR _{new}	12.5105	12.5817		
DCR _{new} 2023 Second Interim = greater of: i) Average of TMC (2022, 2023, 2024) ii) DCR _{new} 2023 Final	12.7106 12.5817			
DCR _{New} 2024 Second Interim			12.7106	
DCR _{New} 2025 Provisional				12.7106

Background on TMC and the DCR

A significant number of Non-Utility Generator (“NUG”) Power Purchase Agreements (“PPAs”) contain provisions that provide for annual contract price adjustment based on the Ontario Hydro Direct Customer Rate (“DCR”). Since the DCR ceased to exist upon market opening it was necessary to establish a replacement index. OEFC approved the replacement of the DCR in the PPAs between OEFC and NUG’s on the basis set out in the draft working paper dated June 24, 2002 prepared by the working committee of OEFC representatives and Independent Power Producers Society of Ontario representatives (“*working paper*”). This replacement index is based on the fully loaded cost of 100% load factor power that the typical direct customer would pay going forward in the restructured market, at the voltage provided. Values for DCR_{new}(P) and TMC(P) in this paper are calculated in accordance with the *working paper*, for year P.

Calculation of the Wholesale Market Service Charge (“WMSC”) for a given month currently includes the following components:

1. Hourly Uplift Settlement Charges (amount in \$/MWh from IESO data identified as being ‘final’);
2. Daily Uplift Charges (amount in \$/MWh from IESO data identified as being ‘final’);
3. Monthly Uplift Charges (amount in \$/MWh from IESO data identified as being ‘final’);
4. IESO Administration Charge (amount in \$/MWh as determined by the OEB);
5. Rural or Remote Electricity Rate Protection (amount in \$/MWh, as determined by the OEB);
6. Capacity Based Demand Response charges (amount in \$/MWh from IESO data identified as being ‘final’); and,
7. Renewable Generation Connection Monthly Compensation Settlement Credit (amount in \$/MWh from IESO data identified as being ‘final’ for all months).

The WMSC published in IESO Monthly Market Reports (under Wholesale Market Electricity Charges)⁴ are not used for TMC calculations, since they are based on preliminary hourly uplift settlement charges.

⁴ IESO Monthly Market Report: <https://www.ieso.ca/en/Power-Data/Monthly-Market-Report>

Recovering the Cost of Renewable Energy Generation Connections

The recovery of certain connection costs incurred by distribution companies with respect to renewable generation was enabled by Ontario Regulation 330/09. Guidehouse has included the Renewable Generation Connection Monthly Compensation Settlement Credit amounts in the monthly WMSC component of the TMC; however, for clarity, the monthly rates have been provided in Table 4 below. These values are also published within the Wholesale Market Electricity Charges section of the IESO's Monthly Market Reports.⁴

Table 4: Renewable Energy Generation Connection Monthly Compensation Settlement Credit

Month (2024)	Rate (\$/MWh)	Preliminary / Final
January	\$ 0.0245	Final
February	\$ 0.0274	Final
March	\$ 0.0272	Final
April	\$ 0.0296	Final
May	\$ 0.0290	Final
June	\$ 0.0270	Final
July	\$ 0.0241	Final
August	\$ 0.0251	Final
September	\$ 0.0280	Final
October	\$ 0.0287	Final
November	\$ 0.0281	Final
December	\$ 0.0249	Final