

Debt Retirement Charge - General Information

This guide provides an overview of the Debt Retirement Charge (DRC) program and explains:

- what is DRC
- who pays DRC
- DRC rates
- registration
- who collects DRC
- self-assessment of DRC
- exemptions
- filing returns and remitting payments

What is DRC

DRC is a charge payable on electricity consumed in Ontario. Revenues collected from the DRC are used by the Ontario Electricity Financial Corporation for the purposes of carrying out its objectives which include managing debt, of the former Ontario Hydro, including the stranded debt.

DRC is paid by most electricity users and replaces a portion of debt servicing costs previously included as part of electricity bills prior to the restructuring of the former Ontario Hydro, but not separately identified. DRC will end once the residual stranded debt of the former Ontario Hydro is defeased.

Who pays DRC

Most electricity users in Ontario pay DRC on their electricity consumption. Exemption from the DRC is available to:

- Status Indians and Indian bands purchasing electricity consumed on a reserve
- representatives of foreign states, and certain international organizations on their consumption of electricity
- transmitters and distributors of electricity lost or unaccounted for when transmitting or distributing electricity
- self-generating users eligible for a station service exemption or an annual exemption.

DRC Rates

The DRC is applied at a rate of 0.7 cents per kilowatt hour of electricity consumed in Ontario with the exception of the reduced rate areas listed below.

The reduced rates apply to all users who consume electricity in the reduced rate service areas, regardless of who supplies the electricity. Collectors are required to charge the correct DRC rate to each user depending on the location of the consumption.

Reduced rate areas are defined as the service areas of the local utilities listed below, as they existed on October 30, 1998. For items 18 and 19, the reduced rate applies only to the specific location mentioned. Any changes to the service areas of the utilities since this date have no impact on the consumers entitled to a reduced rate. For example, consumers in any area serviced on October 30, 1998 by the Hydro-Electric Commission of the City of Ottawa are entitled to a DRC rate of 0.69 cents per kilowatt hour. Consumers in other parts of the recently amalgamated City of Ottawa are not entitled to the reduced rate.

REDUCED DRC RATE TABLE

	SERVICE AREA OF LOCAL UTILITY AS AT OCTOBER 30, 1998	DRC RATES CENTS/KWH
1	Cornwall Street Railway Light and Power Company Limited	0.00
2	Canadian Niagara Power Company Limited	0.00
3	Public Utilities Commission of the City of Sault Ste. Marie	0.20
4	Great Lakes Power Limited	0.20
5	Bracebridge Hydro-Electric Commission	0.46
6	Public Utilities Commission of the Corporation of the Town of Fort Frances	0.47
7	Orillia Water, Light and Power Commission	0.49
8	Hydro Electric Commission of the City of Pembroke	0.49
9	Granite Power Corporation	0.51
10	Public Utilities Commission of the Village of Eganville	0.60
11	Hydro Electric Commission of the Town of Renfrew	0.61
12	Public Utilities Commission of the Town of Parry Sound	0.65
13	Public Utilities Commission of the Town of Bancroft	0.66
14	Peterborough Utilities Commission	0.67
15	St. Catharines Hydro-Electric Commission	0.68
16	Elora Hydro Electric Commission	0.69
17	The Hydro-Electric Commission of the City of Ottawa	0.69
18	Town of Mississippi Mills Public Utilities Commission, only for the Ward of Almonte	0.42
19	Campbellford/Seymour Public Utilities Commission, only for the Town of Campbellford as it existed on December 31, 1997	0.49

Registration

Who is Required to Register

All distributors and retailers required to be licensed by the Ontario Energy Board (OEB) are required to register as DRC collectors before selling or supplying electricity. You may also be required to register if you:

- sell or supply electricity to a user; or
- consume or supply self-generated electricity.

Self-generating users who will self-assess DRC are also required to register. This includes generators whose main generation function is to generate electricity for sale and also consume self-generated electricity (see the Self-generating User section on page 4 of this guide).

Who is Not Required to Register

If you consume **only** exempt self-generated electricity you are not required to register with the DRC program. However, you are required to retain records to prove that the self-generated electricity is exempt.

Exempt self-generated electricity is generated and consumed:

- on an emergency, occasional or temporary basis; or
- from a unit with a load capacity of 15 kilowatts or less; or
- within a vehicle or vessel used to transport goods or people; or
- generated in a net metered generation facility by a person who has entered into a net metering agreement with a distributor in respect of electricity generated by that net metered generation facility.

Self-generating users are not required to register if:

- they do not consume self-generated electricity in the facility where the electricity is generated, otherwise known as “behind the fence”
- a collector bills them for all electricity consumption including self-generated electricity, and
- they do not have an annual exemption.

How to Register

Registration packages are sent to everyone who has registered or applied for an OEB licence.

If you are not licensed by the OEB and think you should be registered with the DRC program please call 1 866 ONT-TAXS (1 866 668-8297) or e-mail DRCRLD@ontario.ca

There is no fee to register with the DRC program.

Who Collect DRC

Distributors and Retailers

Distributors will collect DRC from all users they invoice under Standard Supply Service, distributor-consolidated billing, or split billing.

Retailers will collect DRC from all users to whom they sell or supply electricity under any other scenario, including retailer-consolidated billings.

Distributors and retailers will collect DRC on the kilowatt hours of electricity consumed by a user exclusive of line losses.

Collectors are not required to collect DRC if they receive an exemption certificate from a user or from an individual who is exempt from the charge.

Independent Electricity System Operator

The Independent Electricity System Operator (IESO) will collect DRC from every user who withdraws energy from the IESO controlled grid, as determined by the IESO's Market Rules.

The IESO will collect DRC from a retailer if the retailer withdrawing energy from the IESO controlled grid is an agent for a user who is a wholesale market participant.

The IESO is **not required** to collect DRC if the IESO receives an exemption certificate from a market participant or from an individual who is exempt from the charge.

Self-assessment of DRC

Collectors

Collectors who purchase or acquire electricity for resale exempt from DRC will self-assess and remit DRC on all electricity they consume exclusive of electricity lost or unaccounted for in transmission or distribution. Collectors will need to meter their loads to measure electricity that they consume for their own use.

Self Generating Users

Entities that generate electricity for their own use or for the use of others at no charge are referred to as self-generating users.

Self-generated electricity means electricity, other than exempt self-generated electricity, consumed by the person who generates it or by another person at the expense of the person who generates it.

Self-generating users will calculate and remit DRC on their consumption of self-generated electricity.

Self-generating users with an annual exemption will calculate DRC on all their consumption of self-generated electricity that exceeds their annual exemption threshold. In addition they may be required to self-assess DRC on purchases of electricity settled with the IESO.

Self-generating users will be required to meter their consumption of self-generated electricity.

Calculating DRC on Self-Generated Consumption

DRC on self-generated electricity consumption is calculated as:

- total electricity generated by the self-generating user; less
- electricity sold by the self-generating user; less
- exempt self-generated electricity generated and consumed.

Exemptions

Station Service Exemption

Generators whose main generation function is to generate electricity for sale to another user or to the spot market may be eligible for a Station Service Exemption from DRC. This exemption is limited to electricity which is generated and consumed “behind the fence”. If you qualify for the station service exemption you cannot claim the annual exemption described below.

Annual Exemption for Self-generating Users

Self-generating users may be eligible for an annual exemption if they:

- owned or operated generating units or facilities on October 30, 1998; and
- consumed self-generated electricity from these units or facilities during the period January 1, 1989 to October 30, 1998; and
- do not qualify for the Station Service Exemption.

When you register with the DRC program, you will be asked to complete a schedule to determine your annual exemption.

Filing Returns and Remitting Payments

Filing DRC Returns

Distributors, retailers and self-generating users are required to file their return and remit DRC on or before the 18th day of the month following the end of a filing period. Most registrants will file monthly. However, based on the amount of DRC remitted, filing periods could also be quarterly, semi-annually or annually.

Distributors and retailers will report and remit all DRC collected during the filing period covered by a return. DRC is considered to be collected at the earliest of:

- the date of the collector’s invoice
- the day the collector issues an invoice
- the day the collector would be expected to issue an invoice, if there is undue delay in issuing an invoice
- the day the user is required to pay the amount owing to the collector, or
- the day the user pays an amount to the collector for the billing period.

One return will be issued to each registrant for each filing period. If your operations are decentralized you may request and be authorized to file separate returns and remittances.

Method of Payment

Returns and payments may be made at any ServiceOntario Centre or Ministry of Finance (MOF) Tax Office. The Tax Offices accept returns and payments in the drop boxes provided.

DRC payments may be made by cheque, money order or electronic funds transfer (contact the MOF to make arrangements), payable to the Ontario Electricity Financial Corporation (OEFC) in Canadian funds.

There is a \$35 charge for a non-negotiable cheque.

More Information



Telephone:
1 866 ONT-TAXS (1 866 668-8297)
Teletypewriter (TTY) 1 800 263-7776



Online:
To obtain the most current version of this publication, visit our website at ontario.ca/finance.



Written Interpretation:
To obtain a written interpretation on a specific situation not addressed in this publication, please send your request in writing to:

Ministry of Finance
Advisory Services & Program Policy Branch
33 King Street West, 3rd Floor
Oshawa ON L1H 8H5

Disclaimer and References

The information contained in this publication is provided only as a guideline and is not intended to replace the legislation.

Legislative References

- *Electricity Act, 1998*; Part V.1
 - Regulation 493/01 (Rates and Exemptions)
 - Regulation 494/01 (Administration)
 - Regulation 160/99 (Definitions and Exemptions)
- *Ontario Energy Board Act, 1998*
 - Regulation 541/05 (Net Metering)