

Final Revised (Phase 1 and 2) Waste Electrical and Electronic Equipment (WEEE) Program Plan (July 10, 2009)

8.0 Fee-Setting Methodology

This section describes the authority with which OES assesses Steward Fees, and describes the detailed fee-setting methodology that will be employed by OES under the Revised WEEE Program Plan. Specific Year 1 Revised WEEE Steward Fees are detailed in Section 9.0.

8.1 Authority

Under the WDA, the Industry Funding Organization for an approved Program Plan may assess fees against companies designated as Stewards under the plan. Section 30 of the Act sets out the powers for fee-setting as follows:

30. (1) If an industry funding organization is designated by the regulations as the industry funding organization for a waste diversion program, the organization may make rules,
- (a) designating persons or classes of persons as Stewards in respect of the designated waste to which the waste diversion program applies;
 - (b) setting the amount of the fees to be paid by Stewards under subsection 31 (1) or prescribing methods for determining the amount of the fees;
 - (c) prescribing the times when fees are payable under subsection 31 (1)
- [2002, c. 6, s. 30 (1)]

8.2 Fee-Setting Principles

Section 30 of the WDA defines the fee-setting principles as follows:

30. (3) In making rules under clause (1) (b), the industry funding organization shall have regard to the following principles:
- 1. The total amount of fees paid by Stewards under subsection 31 (1) should not exceed the sum of the following amounts:
 - i. The costs of developing, implementing and operating the program.
 - ii. A reasonable share of costs not referred to in subparagraph i) that are incurred by Waste Diversion Ontario in carrying out its responsibilities under this Act.
 - iii. A reasonable share of costs incurred by the Ministry in administering this Act.
 - 2. The fee paid by a Steward should fairly reflect the proportion of the sum referred to in paragraph 1 that is attributable to the Steward.
- [2002, c. 6, s. 30 (3)]

During development of the Phase 1 Program Plan, OES established a task group of affected Stewards to develop an appropriate fee-setting methodology for each of the designated Phase 1 WEEE. As an initial step the task group identified five guiding principles for this fee-setting process. During the development of the Revised WEEE Program Plan, an additional sixth guiding principle was identified. July 10, 2009

OES' guiding principles for the fee-setting process are as follows:

- 1) There should be no cross-subsidization of management costs across WEEE categories.
- 2) Stewards Fees will be based on EEE units supplied into the Ontario market in the Program year but will cover the projected cost to manage the WEEE under the Revised Program in that year.
- 3) Fee-setting is to begin with the cost to manage WEEE within each WEEE category under the Program as determined by a transparent cost allocation methodology.
- 4) Material-specific fees may then be modified to achieve (a) the overarching Program policy goal to divert waste from disposal and (b) material specific policy goals including achieving targets established for collection, reduction, reuse, and recycling.
- 5) Common and shared OES costs will be assessed across all Stewards in a fair and transparent manner.
- 6) In accordance with the concept of Successive Technology, the costs associated with the management of obsolete WEEE will be allocated to the Steward fees for the obligated EEE device that followed and/or replaced, totally or in part, the function or intended purpose of the obsolete WEEE device.

Key Fee-Setting Methodology Issues under the Revised Program Plan

The WEEE fee-setting methodology has been revised to support the Revised Program Plan for Phase 1 and 2 materials, while addressing all the requirements included in the Minister's June 2007 Program Request Letter.

8.3.1 Availability of Data

The Revised Program Plan is being developed before the Phase 1 WEEE Plan has been fully implemented, and so there are limited sources of new data with which to refine generation and diversion estimates, and management cost projections for fee-setting purposes. However, consideration has been given to:

- Any arrangements between OES and service providers (including municipalities) for the collection, transfer, consolidation, reuse and processing of WEEE;
- Revised estimates of quantities of obligated WEEE materials introduced into the Ontario market given economic conditions existing at the time of Plan development; and
- Further analysis of specific R&D or capital investments or service agreements required to expand collection and diversion infrastructure for these WEEE and to meet targets for accessibility, collection, reduction, reuse and recycling of WEEE.

Furthermore, while OES has used the best available data for the purposes of setting fees for Year 1 of the Revised WEEE Program Plan, the quality of the data that will be available for fee-setting in subsequent Program years will be improved significantly by the requirement for Stewards and service providers to provide more detailed reports upon Program approval and implementation. Therefore, OES will continue to use a seven-step approach to setting WEEE Stewards' fees over the five year term of the Revised WEEE Program Plan.

8.3.2 Final Revised (Phase 1 and 2) WEEE Program Material Categories

Steward fees will be assigned to each of the following eight major EEE material categories and 14 material reporting sub-categories, as described in Table 8.1:

Table 8.1: Material reporting categories for the purpose of assigning Steward fees

8.3.3 Other Key Fee-Setting Methodology Issues

Four additional issues have been identified and addressed in the Revised Program Plan fee-setting methodology:

- a) As an alternative to the standard Steward fees for the WEEE Program, OES will set a compliance fee to allow Steward-managed WEEE systems to be integrated into the Revised Program Plan. The compliance fee will be established based on the level of OES services provided to monitor and report Steward compliance, Steward program performance, overall program performance and other related services. Affected

1. Desktop Computers	2. Portable Computers
3. Computer Peripherals	4. Printing, Copying and Multi-Function Devices - Desktop Printing, Copying and Multi-Function Devices - Floor-Standing Printing Devices - Floor-Standing Copying Devices
5. Display Devices - ≤29" Screen - >29" Screen	6. Telephones and Telephone Accessories
7. Cellular Devices and Pagers	8. Image, Audio & Video Players & Recorders - Personal/ Portable - Home/ Non-Portable - Home Theatre in a Box (HTB) - Aftermarket Vehicle

Stewards will be required to report the quantities of EEE supplied into the Ontario market as well as the WEEE material managed within their self-managed programs.

- b) The Phase 1 Program Plan development costs will be allocated in two steps: first to Phase 1 and Phase 2 materials according to the level of each activity attributable to those materials within the plan development process; and second, according to the 85% direct cost and 15% equal share formula approved for allocating common costs
- c) The Revised Program Plan development costs will similarly be allocated in two steps: first, to Phase 1 and Phase 2 materials according to the level of each activity attributable to those materials within the plan development process; and second, according to the 85% direct cost and 15% equal share formula approved for allocating common costs.
- d) Any surplus or shortfall over and above the amount allocated to material-specific investments prescribed in the Revised Program Plan will be resolved annually. However, depending on the size of the surplus or shortfall, OES may extend the resolution period up to three years in order to smooth short-term fee trends. See Section 8.5.3 for more details.

8.4 Methodology for Setting Steward Fees for Year 1 of the Revised Program Plan

OES will calculate steward fees for Year 1 of the Revised Program Plan using the methodology described in this section. This methodology incorporates the best available data and agreed approaches for allocating costs. OES has calculated and applied specific fee rates to each WEEE material category in the following seven steps.

Step 1: Determine operating cost to manage each WEEE category

- a. The operating costs to manage each WEEE category in the system will be assessed and allocated based on weight²⁷. OES will track costs by WEEE management group, and will utilize waste audit data to allocate costs by material category. Note that the cost to manage different types of WEEE within each category can vary by WEEE management group. While these considerations were incorporated into the current fee-setting methodology based on cost assumptions, OES will revise these variable management costs to incorporate actual costs in will be incorporated in future fee-setting. Table 9.1 outlines the variable management costs by WEEE management category.

Step 2: Add additional investment costs for each material category to reach accessibility targets

- a. Determine and add Year 1 capital investments or service agreements necessary to reach accessibility targets detailed in Section 5.1.1.
- b. Investments that are specific to one WEEE category will be allocated to that category. Investments that are shared will be allocated based on weight as per other system costs in Step 1.

Note: The OES Board will review and determine the need for additional capital investment fees or service agreements on an annual basis.

Step 3: Add research and development (R&D) costs for each WEEE category to reach collection, reuse and recycling targets, and to develop tracking and auditing mechanisms

Determine and add funds required in Year 1 to support investments in R&D activities. R&D investments may be incurred for all or specific sub-categories of WEEE. For investments that are shared, the fees will be allocated based on weight as per other system costs as noted in Step 1. Fees may be used to create investment funds and/or to enter into contracts with OES service providers. For investments that are incurred for a specific category of WEEE, costs will be allocated to that category.

Note: The OES Board will review and determine the need for additional R&D investments on a product-by-product basis annually.

Step 4: Add Year 1 WEEE promotion and education (P&E) costs

- a. Determine and add promotion and education costs used to promote and improve

²⁷ Weight-based measurement is the predominant method of assigning costs within the industry. If data become available for a more accurate approach to allocating costs throughout the system, those data would be used in future fee-setting cycles (with consideration of other factors).

collection, reuse and recycling for specific WEEE, if required.

- b. Common P&E costs will be allocated on the same basis as the sharing of common Program delivery costs as described in Step 5.

Note: The OES Board will review and determine the need for additional common and specific P&E investments annually.

Step 5: Add a share of the direct OES WEEE Program delivery and administration costs, and WDO Program delivery and administration costs attributable to OES (together referred to as “common costs”) to each WEEE material based on the following calculation.

- a. Allocate 15% of the common costs in an equal portion to each of the 14 material reporting categories.
- b. Allocate 85% of the common costs to each WEEE material category in proportion to the direct costs associated with management of each WEEE category as described in Steps 1 through 4.

A commonly accepted approach to allocating common costs is to use a combination of direct costs, plus some equal sharing among materials or program participants to reflect a certain level of effort and cost required for a Steward regardless of the volume of material for which that Steward is responsible. In the absence of reliable data on the number of Stewards, the OES Technical Committee decided to use the material categories as the basis of the equally shared portion. In the absence of a direct material-specific driver for the common costs, the choice of 85% and 15% was considered to be the optimum balance to ensure that Stewards in those categories with very few Stewards were not assigned a disproportionate share of the common cost. OES common costs include:

- OES Board operating costs
- Accounting
- Legal fees
- General administration costs relating to maintaining office and equipment, staffing, banking and insurance
- Registering obligated EEE suppliers
- Receiving, verifying and auditing Steward’s Reports
- Reporting to WDO, MOE, OES Board and Stewards
- Information technology activities to develop and maintain reporting and accounting systems
- OES share of WDO costs that can be directly attributed to WEEE and the OES share of WDO’s costs that are not directly attributable to other programs
- Development of a methodology for the ongoing measurement of the quantities of WEEE available for collection
- WEEE data tracking and verification processes to support vendor standards
- OES administration of the tendering and contracting process for Program services related to WEEE
- Developing plans for meeting accessibility, collection, reduction, reuse and recycling targets, and for the purposes of future fee-setting

- Designing and implementing research and development programs to improve overall WEEE Program efficiency and cost effectiveness
- Annual review and modification, as required, of the Program cost calculations, cost allocation methodologies, fee-setting methodology and fee-setting through the approved fee-setting methodology
- OES cost allocation field work as required
- Design and implementation of the provincial WEEE promotion and education program, and
- OES and MOE WEEE-related compliance activities

Note: The OES Board will review and determine the use of these allocation factors annually.

c. Allocate Phase 1 Program Plan Development Costs

Phase 1 Program Plan development costs are costs that were incurred in the development of the Phase 1 Plan following the Minister's direction in June 2007, and include the following:

- Development and operation of WDO, EPSC, RCC and OES committees that helped to develop the Plan
- Discussions among MOE, municipalities, other stakeholders, WDO and OES in the development of the Phase 1 Plan
- Consultation with municipalities, industry and the general public in the development and review of the draft Phase 1 Plan
- The analytical and technical work completed by OES in the drafting of the Phase 1 Plan
- Legal costs related to development of the Phase 1 Plan and rules and drafting of the program agreement between WDO and OES in preparation for delivery of the Phase 1 Plan

Phase 1 Program Plan development costs will be allocated to Phase 1 and Phase 2 materials according to the level of each activity attributable to those materials:

- Activities attributable to Phase 1 materials alone will be allocated entirely to Phase 1 materials according to the formula: 85% based on relative direct costs and 15% apportioned equally to each material category.
- Activities attributable to all materials will be allocated to both Phase 1 and Phase 2 materials according to the formula: 85% based on relative direct costs and 15% apportioned equally to each material category.

The full cost of Phase 1 Plan development was incorporated into the Year 1 Program fees for Phase 1 materials. Those costs, as outlined for attribution in the Phase 1 Plan, will be reconciled with the cost attributed to Phase 1 materials under the Revised Program Plan. If applicable, the appropriate credit will be assigned to the Phase 1 materials in the first year of Revised WEEE Program fees.

d. Allocate Phase 1 Program Start-up Costs

Phase 1 Program start-up costs are costs that have been incurred to put the resources, facilities and systems in place to successfully implement the Phase 1 WEEE Program Plan in a timely manner, and they include the following:

- Providing clarifications and responding to requests from WDO and the MOE for additional information following submission of the final Phase 1 Program Plan
- Discussions and pre-implementation planning with key stakeholders
- Development of WEEE Program administrative procedures
- Information technology (IT), data management and tracking systems development
- Legal and accounting services
- Promotion and education
- Consultation with stakeholders
- Identification and notification of potential Stewards
- Establishment and operation of OES registration “call centre”
- Identifying, notifying and registering obligated Phase 1 Stewards
- Registration of collectors and reuse and refurbishment organizations
- Contracting with transporters, consolidators and processors

Phase 1 Program Plan start-up costs will be allocated to Phase 1 and Phase 2 materials according to the level of each activity attributable to those materials:

- Activities attributable to Phase 1 materials alone will be allocated entirely to Phase 1 materials according to the formula: 85% based on relative direct costs and 15% apportioned equally to each material group
- Activities attributable to all materials will be allocated to both Phase 1 and Phase 2 materials according to the formula: 85% based on relative direct costs and 15% apportioned equally to each material category

The full cost of Phase 1 Plan start-up was incorporated into the Year 1 Program fees for Phase 1 materials. Those costs, as outlined for attribution in the Phase 1 Plan, will be reconciled with the cost attributed to Phase 1 materials under the Revised Program Plan. If applicable, the appropriate credit will be assigned to the Phase 1 materials in the first year of Revised WEEE Program fees.

e. Allocate Revised Program Plan Development Costs

Revised Program Plan development costs are those that were incurred in the development of the Revised Program Plan following approval of the Phase 1 Plan in July, 2008, and include the following:

- Operation of WDO and OES committees that helped to develop the Revised Program Plan
- Discussions among MOE, municipalities, other stakeholders, WDO and OES in the development of the Revised Program Plan
- Consultation with municipalities, industry and the general public in the development and review of the draft Revised Program Plan
- The analytical and technical work completed by OES in the drafting of the Revised Plan itself

- Legal costs related to development of the Revised Program Plan and Rules and drafting of the program agreement between WDO and OES in preparation for delivery of the Revised Program Plan

Revised Program Plan development costs will be allocated to Phase 1 and Phase 2 materials according to the level of each activity attributable to those materials:

- Activities attributable to Phase 2 materials alone will be allocated entirely to Phase 2 materials according to the formula: 85% based on relative direct costs and 15% apportioned equally to each material category
- Activities attributable to all materials will be allocated to both Phase 1 and Phase 2 materials according to the formula: 85% based on relative direct costs and 15% apportioned equally to each material category

f. Allocate Revised Program Plan Start-Up Costs

The Revised Program Plan start-up costs are those that will be incurred to put the additional resources, facilities and systems in place to successfully implement the Revised Program Plan in a timely manner, and include the following:

- Providing clarifications and responding to requests from WDO and the MOE for additional information following submission of the final Revised Program Plan
- Discussions and pre-implementation planning with key stakeholders
- Development of Revised Program administrative procedures
- Additional IT, data management and tracking systems development
- Legal and accounting services
- Promotion and education
- Consultation with stakeholders
- Identifying, notifying and registering obligated Phase 2 Stewards
- Upgrading the operation of the OES registration “call centre”
- Identifying, notifying and registering obligated Phase 2 Stewards
- Upgrading the operation of OES registration “call centre”
- Registering additional collectors and reuse and refurbishment organizations
- Modifying contracts with transporters, consolidators and processors

Revised Program Plan start-up costs will be allocated to Phase 1 and Phase 2 materials according to the level of each activity attributable to those materials, as described below:

- Activities attributable to Phase 2 materials alone will be allocated entirely to Phase 2 materials according to the formula: 85% based on relative direct costs and 15% apportioned equally to each material category
- Activities attributable to all materials will be allocated to both Phase 1 and Phase 2 materials according to the formula: 85% based on relative direct costs and 15% apportioned equally to each material category

Step 6: Calculate the total costs

Calculate the total costs applicable to each individual material category by adding the allocated share of costs for managing each related WEEE category as determined in Steps 1 through 5.

Step 7: Calculate the fee rates

a. Fee Calculation Methodology for Items Collected and Managed by OES

For each material category the total costs (Step 6) are divided by the estimates of the total quantity of the obligated materials introduced into the Ontario market and expressed in the appropriate units for each material as set out in the Rules²⁸.

b. Fee Calculation for OES-Approved Steward Self-managed Programs

The Revised Program Plan allows for the integration of Steward self-managed WEEE diversion programs²⁹. Stewards must be approved by OES to utilize this option, and WEEE material must be sent to an OES-Approved processor. Note that the processor utilized by the OES-Approved self-management system, if not already approved by OES, will need to be approved under the OES ERS (Please refer to Appendix 7a). OES will coordinate with the Steward and the OES auditor to complete the audit, which will be paid for by the Steward. Upon approval OES will reimburse the Steward for the full cost of the audit.

Stewards approved by OES to operate a self-managed WEEE program will be required to report data and pay a compliance fee. The compliance fee will be established based on the level of OES services provided to monitor and report Steward compliance, Steward program performance, overall program performance and other related services. Affected Stewards will report the quantities of EEE supplied into the Ontario market as well as the WEEE material managed within their self-managed programs.

The costs for stewards approved for self-management to manage directly their WEEE will not be included in the direct cost of the OES Program charged to other WEEE Stewards.

It is possible for some Stewards to have WEEE that they want to self-manage and have other WEEE that they want managed through the collective program. Therefore, this approach is flexible enough to accommodate a variety of program management options. Please refer to Section 4.4 for greater detail on the Steward Self-management option, and for an example of how the compliance fee will be calculated.

The following Table 8.1 identifies the activities and services which will be included in the calculation of the compliance fee for Stewards approved to self-manage their WEEE, compared to those activities and services included in the calculation of the standard fee for Stewards whose materials are managed within the OES Program. OES has assumed that Stewards approved to operate a self-management program will not benefit from material-specific P&E and R&D expenditures for the Revised Program Plan, and these costs are therefore not included in the calculation of the compliance fee.

²⁸ Rules for Stewards with Respect to Payment of EEE Fees in Appendix A.

²⁹ Examples could include closed-loop end-of-life management systems for large office copiers and multi-function devices and cell phones

Table 8.1: Activities and Services Included in the Calculation of Steward Fees

Cost Area	Compliance fee for Stewards approved to self-manage WEEE Note (1)	Fee for Stewards whose material is managed by OES Note (2)	
		Common	Direct
Plan development costs	√	√	
Plan start-up costs	√	√	
Corporate website development	√	√	
P&E strategic plan and launch	√	√	
Audit and registration of vendors	√ (3)	√	
Negotiation of contracts		√	
Develop MTS		√	
IFO Admin and Program Management			
Corporate website	√	√	
Do What You Can website	√ (4)	√	
Legal, accounting and collections relating to Stewards	√	√	
Legal, accounting and collections relating to material service providers		√	
Steward identification, registration, communications, report review	√	√	
Cost allocation and fee-setting	√	√	
Reporting accessibility and diversion against targets to WDO, MOE	√	√	
IFO Board costs	√	√	
Steward Reporting			
Steward identification, registration, communications	√	√	
Steward's Report review and field audits	√	√	
IFO compliance activities	√	√	
External Charges			
WDO Administration and delivery	√	√	
WDO Datacall	√ (5)	√	
MOE enforcement	√	√	
Program Delivery and Operations (6)			
Common P&E		√	
Material-specific P&E			√
Materials tracking		√	
Vendor standards, registration and audits	√ (7)	√	
Collection services			√
Transport services			√
Consolidation services			√
Primary processing			√
Research & Development			√

Table 8.1 notes:

1. The program compliance fee is payable by Stewards that are approved by OES to manage their WEEE material through a separate self-managed program.
2. The standard fee would be paid by all Stewards whose WEEE material is managed by the OES Program, and this fee would cover both common costs (allocated as described in step 5) and variable costs (allocated as described in step 1).

3. Since Stewards that are approved by OES to operate self-managed programs use OES-Approved processors, a share of the processor auditing costs would be charged to those Stewards. These Stewards may choose to have their chosen processors meet the OES standard through an application and audit process, paid for directly by the Steward.
4. Similarly, Stewards operating self-managed programs might benefit from Program-wide common P&E and R&D, so some of these costs would be allocated to those Stewards.
5. Some materials covered by Stewards' self-managed programs might also be managed through OES services operated by municipalities.
6. These costs will exclude all costs for the self-management of WEEE by stewards
7. Note that the processor utilized by the OES-Approved self-management system, if not already approved by OES, will need to be approved under the OES ERS (Please refer to Appendix 7a). OES will coordinate with the Steward and the OES auditor to complete the audit, which will be paid for by the Steward. Upon approval OES will reimburse the Steward for the full cost of the audit.

Methodology for Setting WEEE Steward Fees for Year 2 of the Approved Revised Program Plan

OES will calculate the Year 2 Revised Program Fees for WEEE Stewards using the same methodology as for Year 1, with specific modifications and improved data.

Year 2 Data Sources

Fee calculations for Year 2 of the approved Revised Program Plan will use improved sources of data from the following:

- Quantities of obligated EEE materials introduced into the Ontario market on the basis of Stewards' reports received during Year 1;
- Contracts between OES and service providers (including municipalities) for the collection, reuse and processing of WEEE;
- Analysis of cost allocation methodology approved by the OES Board of Directors for WEEE³⁰;
- Analysis of specific R&D or capital investments or service agreements required to expand collection and diversion infrastructure for these WEEE and to meet targets for accessibility, collection, reduction, reuse and recycling of WEEE;
- Findings from review of the performance of any recovery channels such as special events and new depot locations implemented in Year 1 (according to accessibility plan) and an assessment of the relative cost-effectiveness of events and permanent capital infrastructure; and,
- Results of research and monitoring of P&E activities undertaken in Year 1.

³⁰ It is anticipated that data will become available through the tendering process. This will be a more accurate allocation of costs throughout the system (versus a weight-based allocation) and these would be used in the following fee-setting cycles.

8.5.2 Consideration of Possible Differences within Material Categories

In consultation on Year 2 fee-setting, the OES Board of Directors may consider developing a workplan that will consider potential factors that may be applied to modify the fees calculated in steps 1 to 4 of the Year 1 methodology within a material category. The workplan will consider factors that may be applied in order to account for possible differences in the collection and diversion performance achieved, and the relative cost to manage related WEEE or to meet other WEEE Program Plan policy objectives established by the OES Board.

In the event of a fee shortfall or surplus

After completing Step 5 of the Year 1 Program Fee-Setting methodology, the appropriate share of any shortfall or surplus in the total Revised Program fees collected in Year 1 of the Revised Program will be recovered or credited in Program Year 2 fees³¹. This calculation will be based on the combination of:

- Any amount of fees either underpaid or overpaid by Stewards of each material category for costs incurred during Year 1; and
- Any deficit or surplus in the amount of common expenses incurred during Year 1, allocated on the same basis used to determine allocation of common costs (described in Step 5 of the Year 1 WEEE Program fee-setting methodology).

There are numerous factors that make it difficult to collect the full amount of fees owed to OES each year, including but not limited to such things as: non-payment and late-payment by Stewards, mergers and acquisitions, changes in sales between data at the time the fees were established and at which the Stewards make payments, higher or lower actual recovery rates on which payments must be made than had been projected for setting fees.

Any shortfall of the actual Program costs will be recovered from appropriate Stewards annually. However, in order to smooth short-term fee-trends, and depending on the size of any surplus, OES may extend the resolution period for budget surpluses up to three years at the discretion of the OES Board.

The amount of any surplus that the OES Board of Directors agrees to maintain from material category-specific contributions will be directed only to activities prescribed in the WEEE Program Plan and fee-setting methodology in respect of the specific material categories for which the contributions have been made. This will be dependent upon the material-specific situation, and will be assessed every fee-setting cycle.

Note that a shortfall or surplus for Program compliance fees assessed to Stewards approved to operate self-management programs will be addressed within the broader fee-setting process as required.

The OES Board of Directors recognizes the need for a sustaining fund to enable the organization to carry out its non-profit activities and satisfy all of its obligations. After a period of sustained operation and before the end of the 2009 calendar year, the OES Board will decide

³¹ It is anticipated that this step would carry forward into the fee-setting methodology in subsequent years.

on an appropriate level of internally restricted net assets for the purpose of a sustaining fund.

Modify Step 7 of the Year 1 WEEE Program Fee-setting Methodology

OES will modify the source of data used to calculate the fee rates (Step 7). The quantities of EEE Supplied into Ontario will be based on OES reports from Stewards within each obligated material category.

8.6 Methodology for Setting WEEE Stewards' Fees for Subsequent Years of the Approved Revised WEEE Program Plan

Any revisions to the fee-setting methodology made after the approval of the Revised WEEE Program Plan would be developed following public consultation by OES, and would be submitted for consideration and approval to WDO Board and the Minister.

8.7 Principles for Setting WEEE Stewards' Fees for Periods after April 30, 2013

The following principles will apply for any fee methodology established for fees set after April 30, 2013, following the principles of full-cost recovery consistent with the February 9, 2012 direction from the Minister to WDO.

The specific methodology adopted by OES will be as published by OES from time to time in the Rules and on the OES website at www.ontarioelectronicstewardship.ca.

8.7.1 Fee-Setting Principles

For any fee methodology and fees effective after April 30, 2013, OES's guiding principles are as follows:

- 1) There should be no cross-subsidization of costs across WEEE material categories;
- 2) Common and shared costs will be assessed across all Stewards in a fair and transparent manner;
- 3) Fees will be based on the cost to manage WEEE within each WEEE material category under the Program as determined by a cost allocation methodology published on the OES website;
- 4) Fees will be based on recovery of full actual costs, with provisions for debt recovery, and reserves (including for working capital);
- 5) In accordance with the concept of Successive Technology, the costs associated with the management of obsolete WEEE will be allocated to the Steward fees for the obligated EEE device that followed and/or replaced, totally or in part, the function or intended purpose of the obsolete WEEE device.

8.7.2 Full Cost Recovery

Full cost recovery is achieved through the application of a per unit fee and a year-end reconciliation.

Per unit fees will be calculated based on prior year's actual costs and units supplied into market. Fees will be levied on the basis of each steward's current market share for each material category for the current year.

After the calendar year-end, a reconciliation will be conducted at which time OES will determine if a material category is in a surplus or deficit position. In the case of a deficit, OES will recover such amount from stewards based on their market share per material category by December 31 of the following calendar year. In the case of a surplus, OES will apply any surplus funds in the individual material categories in the following order:

- 1) Surplus funds would first be used to fulfil the reserve requirements for that material category;
- 2) apply the amount as a credit against fees payable by or on behalf of the steward no later than June 30 in the calendar year that is two years following the calendar year in respect of which the amount was determined;
- 3) pay any amount not applied as a credit under 2) above to or for the credit of the steward no later than June 30 in the calendar year that is two years following the calendar year in respect of which the amount was determined; and
- 4) if the steward ceases to be designated as a steward in respect of WEEE, pay or credit the amount to or on behalf of the steward no later than June 30 in the calendar year following the calendar year in which the steward ceases to be a steward.

8.7.3 Material Category Debt Recovery

Fees will include provision for the recovery of accumulated debt as at April 30, 2013 in certain material categories. Debts for material management costs will be recovered only from the stewards of the relevant materials. These debts will be recovered over 5 years on the basis of reported units supplied into the market after April 30, 2013.

8.7.4 Operating Reserve

Fees will include provision for operating reserves to ensure that OES has sufficient, appropriate working capital.

8.7.5 Steward Self-Managed Program

As an alternative to the standard Steward fees for the WEEE Program, OES will set an appropriate fee to allow Steward Self-Managed WEEE systems to be integrated into the Revised Program Plan. The compliance fee will be established based on the level of OES services provided to monitor and report Steward compliance, Steward program performance, overall program performance and other related services. Fees for stewards must include debt recovery for the material category. Affected Stewards will be required to report the quantities of EEE supplied into the Ontario market as well as the WEEE material managed within their self-managed programs.