

April 12, 2019

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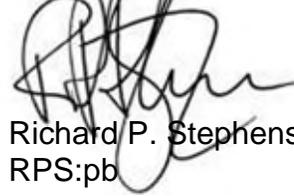
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Board Secretary:

Re: Rate Design for Commercial and Industrial Customers (EB-2015-0043)

The PWU is committed to participating in regulatory consultations and proceedings to contribute to the development of regulatory direction and policy that ensures ongoing service quality, reliability and safety at a reasonable price for Ontario customers. To this end, please find the Power Workers' Union's comments on the Board staff Discussion Paper entitled *Rate Design for Commercial and Industrial Customers to Support an Evolving Electricity Sector* (EB-2015-0043). An electronic copy has been filed through the Board's RESS filing system, and two paper copies will follow by courier delivery.

Yours very truly,
PALIARE ROLAND ROSENBERG ROTHSTEIN LLP



Richard P. Stephenson
RPS:pb

Attach.

c: Applicant (via email)
Intervenors (via email)

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**Rate Design for Commercial and Industrial Electricity Customers:
Rates to Support an Evolving Energy Sector
(Staff Report to the Board)**

Comments of the Power Workers' Union

I. INTRODUCTION

1. On April 2, 2015, the OEB released its policy on *A New Distribution Rate Design for Residential Electricity Customers* (EB-2012-0410) which directed electric distributors to structure residential rates so that all the costs for residential distribution service are collected through a fixed monthly charge. In the same policy, the Board announced that its general policy for rate design would be to increase the amount of revenue collected through the fixed rate, and reduce the amount of revenue collected through the usage rate.¹ Accordingly, the Board indicated in the new policy that it intended to review the rate design for low-volume general service customers (generally small businesses) and coordinate that rate design with changes in the larger general service categories, following the same policy reasons.²

2. The PWU participated in EB-2012-0410 – consultation on rate design for residential electricity customers - and supported the Board's intent to pursue a fixed rate design as a solution to revenue decoupling to ensure certainty of revenue that distributors need to execute their capital and work programs and plan their investment in the distribution system. The PWU's support for a fixed rate design as a solution to revenue decoupling emanated from the recognition of the ineffectiveness of the existing mechanisms and the positive impacts that a fixed rate design would have on consumers, distributors, public policy and regulatory efficiency.

¹ EB-2012-0410: Board Policy, *A New Distribution Rate Design for Residential Electricity Customers* , page 2

² Ibid.

3. On May 28, 2015 the Board launched the next phase of the policy initiative to update the rate design for commercial and industrial customers (“C/I customers”). On March 31, 2016 it released for comment a Staff Discussion Paper entitled *Rate Design for Commercial and Industrial Customers: Aligning the Interests of Customers and Distributors* (“Discussion Paper”) and *Appendix A: Analysis of Rate Design Options*. The Discussion Paper set out a series of options for the design of electricity distribution rates for C/I customers.

4. Staff states that it received 19 written comments on the Discussion Paper and these comments provided stakeholder insight into the merits of each option and aided staff in refining the potential designs, narrowing the range of options for further study. Staff also indicates that it engaged in further data gathering and analysis to develop a set of proposed rate designs.

5. On February 21, 2019, the Board issued a Staff Report (the “Report”) to the Board entitled *Rate Design for Commercial and Industrial Electricity Customers: Rates to Support an Evolving Energy Sector*.

6. The Report recommends the following rate designs:

Table 1: Summary of Proposed Rate Design Changes

Class	Current Rate Design	Proposed Rate Design
General Service Less than 10 kW	Monthly Service Charge + consumption charge (per kWh)	Monthly Service Charge (fully fixed – average cost)
General Service 10 to less than 50kW		Monthly Service Charge + demand charge (per kW)
General Service 50kW and Over	Monthly Service Charge + demand charge (per kW)	Monthly Service Charge + demand charge (per kW) + Capacity Reserve Charge
Large (over 5000 kW)	Monthly Service Charge + demand charge (per kVA)	Monthly Service Charge + demand charge (per kVA) + Capacity Reserve Charge <ul style="list-style-type: none"> • Emergency Backup • Maintenance • Bypass

7. The Board is inviting stakeholders to comment on the proposed rate design options.

II. PWU GENERAL COMMENTS

8. The PWU comments stem from the PWU's energy policy:

Reliable, secure, safe, environmentally sustainable and reasonably priced electricity supply and service, supported by a financially viable energy industry and skilled labour force is essential for the continued prosperity and social welfare of the people of Ontario. In minimizing environmental impacts, due consideration must be given to economic impacts and the efficiency and sustainability of all energy sources and existing assets. A stable business environment and predictable and fair regulatory framework will promote investment in technical innovation that results in efficiency gains.

9. The PWU participated in EB-2012-0410 – consultation on rate design for residential electricity customers - and submitted comments in support of the Board's move towards a fully fixed rate design. In the PWU's view, a fully fixed rate design is better linked to distribution cost drivers, improves certainty of revenue that distributors need to execute their capital and work programs and plan their investment in the distribution system, and improve the stability and predictability of customer bill- important consideration and priorities for this group of customers.

10. On May 27, 2016, the PWU submitted its comments on the March 31, 2016 Discussion Paper that proposed rate design options for C/I customers. In its comments, the PWU expressed its support for the Board's preference for a general policy that would increase the amount of revenue collected through the fixed rate and reduce the amount of revenue collected through the usage rate. The PWU also identified issues for the Board's consideration as it weighed comments received from stakeholders towards the selection and implementation of appropriate rate designs.

11. In the PWU's view, the rate designs proposed in the Report are, subject to further comments below, reasonable and a significant improvement over the existing rate designs for the following reasons:

- a. First, they are consistent with the Board’s objective of adopting rate designs that reflect the value of the system while reflecting and encouraging sound economic choices, including investments by distributors that are necessary to maintain reliability. The proposed rate designs would help customers adopt innovations that would reduce their bills, improve efficiency of the system, and ensure that customers who install distributed energy resources (“DERs”) are not shifting costs to other customers;
- b. Secondly, in developing the proposed designs, Staff have reviewed stakeholder comments and insight into the pros and cons of different design options, and engaged in further data gathering and analysis, which, in the PWU’s view, is appropriate and helpful in addressing stakeholder concerns reflected in the May 2016 submissions; and
- c. Thirdly, it is important to recognize the fact that any change in rate design will result in some consumers paying more and others paying less and that it is virtually impossible for any design option to achieve a complete absence of cost shifting. The goal, therefore, should be one of striking a balance and achieving an overall fairness. The PWU believes the proposed designs would achieve this goal.

III.PWU COMMENTS ON THE PROPOSED RATE DESIGNS

3.1 General Service Under 50kW

12. Currently, customers in the GS<50kW of demand class are charged for distribution service on a fixed and variable basis. They have a fixed monthly service charge and a variable charge that is based on their energy consumption.

13. Due to the significant diversity in this rate class, Staff is proposing to split the GS<50kW class into two groups. The first is a GS<10kW group, which Staff is

recommending be moved to a fully fixed distribution rate (monthly service charge); the second is a GS10kW<50kW group for which Staff recommends a rate design that is made up of a monthly service charge and a single non-coincident demand charge.

14. In its May 27, 2016 comments, the PWU noted that the current distribution rates for the GS<50kW class, which are based on energy consumption in kWh, have very little to do with the distributors costs to serve the customers in the class. The PWU recommended a fully fixed charge (or an increase in the fixed charge portion) as customers in the class have more appreciation for stability and predictability of rates/bills, similar to residential customers.

15. The PWU also recognized that a fully fixed charge for the GS<50 kW, while superior in terms of its simplicity, understandability, consumer bill predictability and distributor revenue stability, it has the potential to disadvantage the lower volume consumers in the class and favour the higher volume customers, with a potential for intra-class subsidization. Accordingly, the PWU recommended that the Board consider creating a new class/sub-class for the lower volume users to be charged a fully fixed charge and a combination of fixed charge and demand charge for the larger volume group.

16. The PWU supports the proposal to split the GS<50kW class into two groups and the recommended rate designs for the two groups. Customers in the GS<10kW group are similar to residential customers in how they use the distribution system and it is only appropriate to move them to a fully fixed charge as the Board did for residential customers.

17. The PWU also supports the proposal to move the GS10kW<50kW customers from a consumption charge to a single non-coincident demand charge. The PWU agrees that the proposed design is a step toward making their rates more cost reflective and providing better information regarding the value of their connection.

3.2 General Service Over 50kW & Large Users

18. The current rate design for $GS \geq 50kW$ is a fixed monthly service charge and a variable rate based on the maximum monthly kW regardless of when it occurs (non-coincident peak or NCP). Large customers are billed a fixed monthly service charge and a variable rate based on apparent power (kVA) as a proxy for the demand on the system.

19. Staff is recommending that $GS \geq 50kW$ customers and Large customers see no change to the underlying rate structure; however, customers installing distributed generation would be subject to a new capacity reserve charge (“CRC”).

20. The PWU recognizes that $GS \geq 50kW$ customers, Intermediate and Large customers are already billed on demand, not on energy consumption, and therefore their bill is already reflective of distribution system cost drivers. In this regard, Staff’s recommendation that there be no change to the underlying rate classes, basis for fixed charge, or rate design and allocations for these customers, is appropriate.

21. On the other hand, these customers are more likely to own their own facilities and make investments in DERs such as net-metered generation and/or storage. Such decisions could impose new costs on the system since capacity must be held in the system to supply their needs whenever their own generation is not in operation. It is important that these customers are charged for the service they receive from the system (i.e. capacity held in reserve) to avoid the shifting of costs to other customers. The PWU, therefore, supports the new, Staff-proposed, CRC which is based on the faceplate rating and the capacity factor of the generator and the underlying demand rate of the class.

All of which is respectfully submitted