



PUBLIC INTEREST ADVOCACY CENTRE
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September 3, 2010

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: EB-2010-0002–Hydro One Networks Inc Transmission
Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the interrogatories of VECC to the evidence submitted by AMPCO.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

**HYDRO ONE NETWORKS
2011-2012 TRANSMISSION RATE APPLICATION
(EB-2010-0002)**

**VECC INTERROGATORIES REGARDING
EVIDENCE FILED BY AMPCO**

Question #1

Reference: Page 3

- a) What evidence is there that the peak/off-peak price differentials for HOEP needs reinforcement and do not already properly reflect, or perhaps even overstate, the relative value of electricity (the commodity) in the peak and off-peak periods?
- b) Please respond to part (a) also taking into consideration the recent changes in the allocation and recovery of the Global Adjustment (per page 7, footnote #7) and the resulting impact on peak/off peak price differentials.

Question #2

Reference: Page 3

- a) Please confirm that the referenced quotes by Kahn and Lewis are both dealing with circumstances where the amount of capacity costs incurred is driven by the peak demand for the assets concerned.

Question #3

Reference: Pages 3-4

- a) Please confirm that the Ramsey Pricing rule regarding increasing prices in inverse proportion to demand elasticities:
 - Assumes that the total revenues to be recovered exceed those derived based on marginal cost pricing, and
 - Assumes the “increases” are relative to the prices that would exist if based on marginal costs.

Question #4

Reference: Page 4

- a) With respect to the OEB's statutory objectives, what does AMPCO consider to be the "consumer interests with respect to prices" that the OEB should be protecting?
- b) Is "encouraging efficiency in the use of electricity" the only objective that should be considered in determining Network charges? If not, what other objectives/principles need to be taken into account?

Question #5

Reference: Page 5 and Attachment 1, page 9

- a) Please reconcile the discussion on page 5 which suggests the summer peak period starts in July with Dr. Sen's analysis which identifies (page 9) the months May through August as the summer peak period.
- b) Based on 2008 data, what were the 5 highest peak days of demand in Ontario? Note: 2008 was chosen as this is identified in Attachment 1 (page 5) as the most recent year of publicly available data used in AMPCO's analysis.
- c) Where these 5 days also the 5 highest peak days in each of region of Ontario (as defined by the IESO)? If not, what were the 5 highest peak days in each region in 2008?

Question #6

Reference: Page 6

- a) What is the marginal (avoided) cost of Network transmission service?
- b) What is the per kW charge that a customer will avoid for each kW shifted from the "peak hour" for all 5 of the highest peak load days?
- c) Is congestion associated with the time of system peak demand or with timing of peak demand in specific areas/regions of Ontario?

Question #7

Reference: Page 8, lines 18-21

- a) Please explain why the anticipated evidence from leading industrial customers was not pre-filed with the OEB by the required deadline so that other parties could have an opportunity to consider it prior to their appearance.
- b) Please file this “evidence” in conjunction with the interrogatory responses.

Question #8

Reference: Page 11

- a) The discussion in the first paragraph suggests that generators with Clean Energy Supply contracts are expected to operate in low market (HOEP) price hours even when price may not cover the cost of gas. Please reconcile and provide more details on precisely how the monthly revenue requirement and the imputed market revenues are determined.
- b) Isn't the purpose of the gas-fired generation to meet demand during high load periods? Please reconcile the discussion in the second paragraph with the role of gas-fired generators.

Question #9

Reference: Page 12

- a) Is Figure 1 a conceptual presentation of the relationship or is it based on actual data? If based on actual data, please indicate the year(s) and source.
- b) Please provide a graph that plots HOEP versus demand for the most recent year available.
- c) Please provide a graph that plots the Global Adjustments versus demand for the most recent year available and indicate the basis/source for the hourly GA values.

Question #10

Reference: Page 14

- a) The first paragraph state that “the design would reward only those customers who participate and only to the extent they succeed in reducing their demand during critical peaks”. Is it not the case that some industrial customers benefit from the change in the

design of the network charge determinant even if they do not change their demand? If not, please explain why.

Question #11

Reference: Page 14

- a) The second paragraph appears to suggest that all customers will be better off as a result of the change in the network charge determinant design. Please confirm whether or not this is the intended conclusion. If yes, please demonstrate how this is the case for a customer who will a) experience an increase in cost of network service as a result of the change in charge determinant and b) has a limited scope to reduce demand at the time of system peak.

Question #12

Reference: Attachment, page 2

Preamble: The second paragraph states that the current system for network charges provides little incentive for efficient Time of Use demand management for shifting consumption from peak to off peak hours.

- a) Please explain what is meant by “efficient”.
- b) Please explain the definition of “peak” and “off peak” as used in this statement.

Question #13

Reference: Attachment, pages 2-3

Preamble: The last paragraph on page 2 concludes that AMPCO’s proposal will lead to “more efficient demand shifting through reduced demand during peak hours”.

- a) Please clarify how peak hours are defined within the context of this statement.
- b) Does the same definition of peak hours apply to the term as used in the first full paragraph on page 3?
- c) Please confirm that AMPCO’s proposal incents customers to reduce demand during the anticipated times of system peak (i.e., the peak hour of the five highest demand days).

- d) Please confirm that AMPCO's proposal does not necessarily induce customers to shift to the off-peak period as defined on page 13 (i.e., a customer could avoid the times of system peak (as defined by the AMPCO proposal) by shifting demand to other hours within the peak period as defined for Dr. Sen's analysis). If this is not the case, please explain why.

Question #14

Reference: Attachment, page 4

- a) Please confirm that the definition of "peak" hours as used in Dr. Sen's analysis is 7:00 am to 6:59 pm. If not, what was the definition used?
- b) Please explain why the analysis by Dr. Sen did not use a definition of the "peak period" consistent with AMPCO's proposal regarding the design for the network charge determinant.

Question #15

Reference: Attachment, page 13

- a) Based on the commentary in the second paragraph is it reasonable to assume that industrial customers will shift their demand between period hours in response to anticipated differences in price? If not, why not?
- b) Are there conceptual or estimation issues with assuming consumption is a function of average prices during the peak and off peak periods, if the prices within the specific peak and off peak periods vary significantly on an hourly basis? If not, please explain why?

Question #16

Reference: Attachment, page 19

- a) Please provide a electronic file that sets out the hourly HOEP and the corresponding electricity prices from New York for the same hour for 2008 (or the most recent for which data was obtained for purposes of the analysis).

Question #17

Reference: Attachment, page 22 and Tables 7 & 8

- a) Are the coefficients determined for Ontario Demand for the peak and the off-peak periods significantly different (in “statistical” terms) from each other?