Canadian Manufacturers & Exporters ("CME") Interrogatory # 1

Reference: AMPCO Pre-Filed Evidence, Page 7, Footnote 7

Some changes were recently announced with respect to the methodology for allocating costs recoverable from electricity customers through the Global Adjustment Mechanism ("GAM"). CME understands that the methodology that is now to be used for recovering GAM costs from certain electricity customers is similar to the methodology AMPCO is proposing for the Network Charge Determinant ("NCD"). Having regard to this preamble, please provide the following information:

(a) AMPCO's description of the new methodology that is to be applied to recover GAM costs, including the customers or customer classes that will benefit from this new methodology.

(b) List and briefly describe the differences between the new methodology that is to be applied to recover GAM costs and the methodology AMPCO is asking the Board to approve for the purposes of recovering transmission system costs.

(c) Please indicate whether the approach AMPCO is proposing is likely to produce more or less system-wide benefits than the new approach that is to be applied to recover GAM costs and provide rationale for the response.

(d) Is there any way of implementing a pilot project to determine whether AMPCO's proposal will produce the benefits for all electricity consumers, including those connected to distributors, as described in AMPCO's evidence? If so, then please describe the appropriate parameters for such a pilot project.

Response

a) The proposed approach is described in the Regulation Proposal Notice (EBR Registry Number: 011-0973), "Proposal to Make a Regulation under the Electricity Act to Amend O. Reg. 429/04", available on-line at http://www.ebr.gov.on.ca/ERS-WEB-External/displaynoticecontent.do?noticeId=MTEwNzI0&statusId=MTY2MTgw.

An excerpt from the posting is included below.

Types of Consumer

The draft regulation proposes to identify two separate classes of electricity consumers:
• Class A consumer is defined as a consumer with an average monthly peak demand in excess of 5 Megawatts over specified periods and is registered as a market participant with the IESO or a customer of a distributor in Ontario for the entire reporting period.
• Remaining consumers would be classified as Class B consumers and billed global adjustment on a volumetric basis.

• All new consumers would initially be classified as Class B consumers until sufficient evidence is available to warrant a Class A designation.
Consumers would be evaluated each year to establish if they qualify as a Class A or a Class B consumer.

Identification of the Peak Hours and Reporting Periods

Using market data, as well as information provided by Local Distribution Companies (LDCs), the IESO will identify and publish the five (5) peak hours for the reporting period:
• A transitional reporting period from May 1, to October 31, 2010 would be used for billing purposes starting January 1, 2011 to June 30, 2011.
• Starting on July 1, 2011 the annual reporting period would be established as May 1, 2010 through to April 30, 2011, and continue on this May 1 to April 30 basis for all subsequent years.
The peak hours are the five hours, occurring on different days, in which the greatest number of Megawatts (MW) of electricity were withdrawn by all market participants in Ontario from the IESO-controlled grid.
LDCs would be required to submit the following information to the IESO in respect of the five peak hours:
(i) quantity of embedded generation, and
(ii) volume of electricity distributed to Class A consumers by the distributor and its embedded distributors.

The IESO would publish the total system demand during the peak hours.

Establishing a Peak Demand Factor

The peak demand factor for each Class A consumer will be calculated according to that consumer's percentage contribution to overall system demand during the five peak hours identified by the IESO. This factor will be determined in order to identify a proportionate share of the total global adjustment cost to be allocated to each Class A consumer. For example, if a Class A consumer is assessed to be responsible for 1% of peak demand during the reporting period, that consumer will be allocated 1% of the total system-wide global adjustment cost throughout the subsequent billing period.

Class B consumers will be charged (or credited) a global adjustment rate calculated by dividing the remaining total global adjustment cost (i.e. after removing the portion to be paid by class A consumers) by the total volume of consumption from Class B consumers. That is, Class B consumers will continue to be charged (or credited) Global Adjustment on a flat rate basis.

b) AMPCO is not proposing differences in the methodology proposed to be implemented by amendment to Ontario Regulation 429/04 and the methodology to be applied to recover the costs of transmission network services. Ideally, the two methodologies would be identical.

c) To the extent that the two methodologies are identical, we would expect that the benefits of improved transmission rate design would be consistent with and additional to the potential benefits from the proposal to amend O. Reg. 429/04.

d) AMPCO does not support implementation on a pilot basis. We see no practical or defensible way to implement our proposed improvements in transmission rate design that would limit the application (according to some arbitrary parameters as suggested in the question above), avoid discriminating among customers and introducing undesirable inefficiencies, costs and risks.