



Cornerstone Hydro Electric Concepts Association Inc.

May 22, 2012

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Re: EB-2012-0189

Dear Ms Walli:

Attached please find Cornerstone Hydro Electric Concepts Association's (CHEC) comments with respect to EB-2012-0189, Shell's Application for a Wholesale License. CHEC on behalf of our LDCs are pleased to have the opportunity to provide input on this issue.

If you have any questions or concerns, please do not hesitate to contact me.

Yours Truly;

Kenneth B. Robertson

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Cc: Gord Eamer, CHEC COO

CHEC Members

Centre Wellington Hydro	COLLUS Power
Innisfil Hydro Distribution Systems	Lakefront Utilities
Lakeland Power Distribution	Midland Power Utility
Orangeville Hydro	Parry Sound Power
Rideau St. Lawrence Distribution	Wasaga Distribution
Wellington North Power	West Coast Huron Energy

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Application for Wholesale License:

On October 2, 2010 Ontario Regulation 398/10 was revised to amend Regulation 429/04. It is believed that the intent of these changes was to provide existing large consumers with a strong incentive to reduce consumption at critical times, which is consistent with the government's commitment towards creating a culture of energy efficiency and conservation. By reducing peak demand, it was expected that costly investments in new peaking generation resources and imports of electricity from jurisdictions reliant on coal-fired generation would be discouraged.

As a result of the aforementioned changes, commencing January 1, 2011, the IESO revised its methodology for calculating the Global Adjustment (GA). The IESO now considers customers with an average peak demand over five megawatts during a defined Base Period to be "Class A" customers while all other customers are considered as "Class B" customers. In turn, this means that the monthly GA amounts for "Class A" customers will now be based on their coincident peak demands and not on their monthly volumetric consumption.

Due to this new, as well as existing legislation, some large customers may be applying for a wholesaler license and migrating their facilities from smaller, volumetric consumers to the IESO "Class A" customer base. CHEC believes the reason driving this change is it actually allows for an overall reduction in GA costs to the migrating customer. Large consumers who change their GA classification without reducing system costs are not meeting the intent outlined above. It is also important to note that any GA cost reductions achieved using this methodology directly increases the GA costs of Ontario's smaller, volumetric consumers.

Considering the current public concern with rising electricity costs, CHEC feels it is important to provide comment at this time. Although the aforementioned changes do not encourage this behaviour, it does not prevent it either. CHEC believes the OEB needs to ensure that when granting a wholesaler license, the applicant has taken action to reduce system costs, thereby providing a benefit to the applicant, consumers and the overall system.
