

**Ontario Energy
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**Commission de l'énergie
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May 28, 2015

**TO: All Rate Regulated Electricity Distributors
All Interested Parties**

**RE: Rate Design for Electricity Commercial and Industrial Customers
Board File No. EB-2015-0043**

As set out in the Ontario Energy Board's current Business Plan, which is available on the OEB's website, the OEB will initiate development of new distribution rates for commercial and industrial customers.

The purpose of this letter is to describe the consultation process for the Rate Design for Electricity Commercial and Industrial Customers ("C/I Rate Design"). This letter also sets out how interested stakeholders may participate in C/I Rate Design, including matters in relation to cost awards.

Attached to this letter is a description of the Objectives and Issues of the project.

Background

The nature of electricity distribution has been changing for the past decade and will continue to change. Distribution companies have acted as a delivery route for power from the grid to consumers. In the future they will act more as a service platform offering services such as balancing, power quality, storage, and redistributing power from users connected to their systems. The rate design adopted by the OEB for distributors should position the companies for this future by linking the rate design to the cost drivers and making sure that customers value and pay their fair share for service.

The OEB recently announced a new rate design for residential electricity customers. It is now time to update the rate design for small and large commercial/industrial customers.

The current rate design put in place in 1999 for market opening was a typical fixed/variable rate where the fixed monthly service charge represented a minimum

system approach to cost allocation and the kW variable rate was intended to represent an incremental capacity charge.

Changing customer behaviours (such as net metering) and expectations on distributors have resulted in the current rate design becoming less effective in serving customers as a method for managing bills and supporting investment in distributed generation. A new design is needed to ensure adequate and stable revenue is recovered to fund the distribution infrastructure required to provide customers with the reliability and capacity needed to serve their requirements.

The residential rate design project affects 90% of a typical distributor's customers, but only about one third of their load. This project will address the remaining customers and load. These customers are likely more sophisticated in their approach to energy use and larger ones are more knowledgeable about use and costs. The ubiquity of interval metering creates new possibilities for rate design. As a result, there is a much bigger opportunity for using rate price signals for both optimizing the use of the system and focusing on long-term cost drivers for investment and cost containment.

Consultation Process Overview

Stakeholder Meetings

OEB staff will hold meetings with stakeholder groups to discuss issues and propose options for the Board's consideration. These meetings will include presentations to appropriate meetings of broad stakeholder groups; and discussions with small groups of stakeholders by perspective (i.e. conservation, ratepayers, distributors, etc.)

Specifics about these meetings (date, location and agenda) will be announced in due course.

Staff Report to the Board

Following the consultation process referenced above, OEB staff will prepare a report to the Board on specific matters raised in the consultation and providing rate design options for the Board's consideration.

Invitation to Participate and Cost Awards

Interested stakeholders must register their intent to participate in the consultation by filing a letter with the OEB by Thursday, June 18, 2015, in accordance with the filing instructions set out below.

Cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998*, for participation in cost eligible activities as set out in Appendix A. Cost eligibility decisions as a result of this filing will apply to any further eligible activities in this process.

Appendix A contains information regarding cost awards for this consultation, including in relation to eligibility requests and objections. Costs awarded will be recovered from all rate regulated electricity distributors apportioned on a pro-rata basis relative to their contributions to the OEB's annual cost assessment.

Filings to the OEB in relation to cost awards must be made in accordance with the filing instructions set out below.

Filing Instructions

Please submit electronic copies of filings in searchable/unrestricted Adobe Acrobat (PDF) format through the OEB's web portal at pes.ontarioenergyboard.ca/eservice and also file two paper copies at the address below. You will need a user ID to make filings through the OEB's web portal. If you do not have a user ID, visit the "e-filings services" webpage on the OEB's website at www.ontarioenergyboard.ca and fill out a user ID password request.

Please use the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the e-filing services webpage. If the OEB's web portal is not available, electronic copies of filings may be filed by e-mail to boardsec@ontarioenergyboard.ca. If you do not have internet access, please provide a CD containing your filing in PDF format as described above to the Board Secretary at the following address:

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

All filings to the OEB must be received by the Board Secretary by 4:45 p.m. on the required date. Filings must quote file number EB-2015-0043 and include your name, address, telephone number and, where available, your e-mail address and fax number. All filings received by the OEB in relation to this consultation will be available for viewing at the OEB's offices and will be placed on the OEB's website.

Questions about this consultation process should be directed to Laurie Reid at Laurie.Reid@OntarioEnergyBoard.ca or 416-440-7623. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Attachment: Appendix A Cost Awards
Rate Design for Commercial/Industrial Customers: Objectives and Issues

Appendix A

To Cover Letter Dated May 28, 2015

EB-2015-0043

COST AWARDS

Cost Award Eligibility

The Board will determine eligibility for costs in accordance with its Practice Direction on Cost Awards. Any person intending to request an award of costs must file with the OEB a written submission to that effect by Thursday, June 18, 2015, identifying the grounds on which the person believes that it is eligible for an award of costs (addressing the OEB's cost eligibility criteria as set out in section 3 of the OEB's Practice Direction on Cost Awards). An explanation of any other funding to which the person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known. All requests for cost eligibility will be posted on the OEB's website.

If an OEB licensee has any objections to any of the requests for cost eligibility, such objections must be filed with the OEB by **Thursday, July 2, 2015**. Any objections will be posted on the OEB's website. The Board will then make a final determination on the cost eligibility of the requesting participants.

Eligible Activities

Cost awards will be available in relation to participation in the Stakeholder Meetings. Other eligible activities will be announced as the project progresses. Cost eligibility decisions as a result of this filing will apply to any further eligible activities in this process.

The maximum number of cost eligible hours per participant for to prepare for, attend and report on Stakeholder Meetings is up to 1.5 times the meeting time. Information on the maximum number of eligible hours will be made when the meetings are announced.

Cost Awards

When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the OEB's Cost Awards Tariff will also be applied. The OEB expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process.

The Board will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the OEB will act as a clearing house for all payments of cost awards in this process. For more information on this process, please see the OEB's [Practice Direction on Cost Awards](#) and the [October 27, 2005 letter](#) regarding the rationale for the OEB acting as a clearing house for the cost award payments. These documents can be found on the OEB's [Rules, Codes, Guidelines and Forms](#).