Comments on EB-2015-0043, Rate Design for C/I Customers

General Comments

The title of the proceeding is incorrect as there is no C/I customer class in any of the regulated LDCs. C/I should be changed to GS or General Service to reflect long approved OEB rate classes.

This title and the restricted list of participants means that major non C/I customers have no representation.

The not so carefully hidden agenda in this proceeding has all the earmarks of introducing a 100% fixed rate design as was foisted on the residential class with no formal proceeding or opportunity to cross-examine board staff who devised it.

In the Background section, Board Staff state that “The nature of distribution systems has been changing for the past decade and will continue to change.”

This is certainly true but not for the reasons stated. New technology advancements over the last century have been adopted by LDCs. The connection of small hydro generators and customer co-generation to distribution systems goes back at least 100 years. Certainly the Green Energy Act accelerated that but it is not new.

Guidelines adopted by the Institute of Electrical and Electronics Engineers (IEEE) if followed by Ontario LDCs, minimize or eliminate dangerous connection of Distributed generation (DG) to distribution systems. New rules requiring approval by the local LDC before construction starts have further reduced the chance of dangerous and disruptive connections.

Hence there is no apparent need to change rate design principles for reasons at this stage due solely to DG..

The current rate design originated with the OEB in its first Distribution Rates Handbook in which fixed charges were introduced for all customer classes. Without defining what should go into the fixed charge, The variable component was fixed and all other distribution costs were loaded into the fixed monthly charge.

This easily followed the Board’s approval of fixed monthly rates for gas distributors.

Prior to that time only a handful of LDCs had a fixed service charge typically in the $7-$10 range. There was no mention of a minimum system in the 1999 Distribution rates Handbook.

Board staff state that the fixed charge in the current fixed/variable rate was based on the costs of a “minimum” system. It is quite clear that LDCs had an inconsistent definition of the mythical “minimum” system; hence we now have huge variations in the fixed/variable split, all approved by the OEB.

Later in a footnote, the OEB defines a minimum system as one that has poles and wires that have zero capacity (to deliver energy). To any sensible person that means no distribution system at all; hence zero fixed charge.

Objectives

The 1st objective is “To support innovation for customers given the evolution of supply”.

I don’t see how a fixed rate design is going to enable customers to leverage new technology. If new more efficient appliances and lighting come along customers will adopt mainly to save money.

Customer conservation activity is enhanced by reducing fixed charges and increasing kw or kwh charges.

Small customers do not see the cost of distribution on their bills, since they are well hidden in the delivery line. One can’t see the value of connection if one can’t see the costs.

The 2nd objective is to increase efficiency by maximizing the use of the current system and to optimize investment for long term cost containment.

All LDCs must come forward with a capital budget in their rate application. This is scrutinized and frequently cut back by the OEB if the capital investment is not considered prudent. If the OEB considers .that the LDC is not spending enough on long term investment the Board can order the LDC to spend more. Changing the rate design will in no way enhance the LDCs prioritization of its capital program. They have or could raise the capital for any prudent investment, including enhancements to SCADA systems, remote control of transfer of load from faulted to healthy lines and the like.

.

Issues

I will comment on the issues list, not in the sequence given. Most of the issues will be covered and some new issues added.

RATE SHOCK AT THE 50 KW level

Prior to the Distribution Rates Handbook rates were co-ordinated at the 50kw level so a customer with a typical 36% load factor (250 hrs use/month) would pass through the 50 kw boundary either way with no or minimal rate shock.

That was all thrown out by introducing fixed rates. It is not possible to co-ordinate rates at the 50 kw level with the fixed/variable rate structure.

Rate shocks at the 50kw level were pointed out in the RP-2000-0069 proceeding.

At that time the Board ordered that customers advancing through the 50 kw boundary would be billed at the GS< 50 rates until their demand reached 100 kw..

To my knowledge no LDC followed this directive and there appeared to be no corrective action by the OEB enforcement department.

Introduction of a 100% fixed rate design will greatly increase rate shocks at the 50 kw level.

Intermediate Classes

Customers having anticipated demand >500 kw are required to supply there own transformers as few LDCs stock transformers of that size. As well these customers were to be served at a sub transmission voltage typically 13.8, 27.6 or 44kv.

Hydro One has a rate class called ST or Sub Transmission. This class includes virtually all GS customers who own their own transformers. Hence H1 no larger has a large or intermediate user class.

Other LDCs did not have to provide distribution station capacity to serve ST customers. Hence a transformer ownership allowance was set to replicate their avoided distribution station costs.

The allowance was set at $.60 per kw demand many decades ago and has not been changed since. If they don’t want to set up an ST class, this allowance cries out for updating.