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March 29, 2019

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario M4P 1E4

Re: Staff Report to the Board: Rate Design for Commercial and Industrial Customers to Support an Evolving Electricity Sector - OEB File No. EB-2015-0043

Dear Ms. Walli:

Attached please find Cornerstone Hydro Electric Concepts Association's (CHEC) comments with respect to the "Staff Report to the Board: Rate Design for Commercial and Industrial Customers", dated February 21, 2019. This submission addresses the several proposals outlined in the Staff's Report and follows the same format (see Attachment A).

CHEC is an association of sixteen (16) local distribution companies (LDC's) that have been working collaboratively since 2000. The comments over the following pages express the views of the CHEC members.

We trust these comments and views are beneficial to the Board's initiative. CHEC looks forward to continuing to work with the Board on this matter.

Yours truly,

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ATTACHMENT A

In consideration of the Staff Report, responses to the individual proposals are as follows:

Regarding the recommendation for a new sub-class of small commercial customers, what is the appropriate definition of the class boundary and whether it would substantially change the customers who are included in the class. Options could include 10kW, 2000kWh per month, or a combination of current and voltage. (ref C.4)

CHEC is supportive of the proposed new rate design (fixed monthly service charge) for the new sub-class (GS<10 kW) of small commercial customers. For all intents and purposes, this class of customer is very close in stature to the residential class and the new rate will offer a more stable and predictable bill for this class of customers.

To define the appropriate class boundary, CHEC has provided the following:

1. **Based on Demand** - Based on demand, the number of customers defined by the new GS<10 kW rate class cannot currently be identified as demand data for this class of customers does not currently exist. CHEC would suggest that if this is the preferred boundary for the GS<10 kW class of customers, that a minimum of six (6) months of data would be required before customer separation is initiated. CHEC notes that one of the issues with a demand-based boundary is the annual movement between classes as customers with demand around 10 kw move above and below that line. This will be confusing for customers and a significant work load for the utilities.

2. **Based on Consumption** - Based on consumption, the number of customers defined by the new GS<10 kW rate class does currently exist, however, the issue with consumption is defining a suitable consumption limit (i.e.: 1,000 kWh, 2,000 kWh, etc.) for this group of customers. Some preliminary analysis on two of CHEC's members has yielded the following results:

    a. Utility 1 - Based on 2,000 kWh per month, approximately 65% of current GS<50 kW (total 1350) customers would be included in the new GS<10 rate class.
    b. Utility 2 - Based on 1,000 kWh per month, 51% of GS<50 kW customers would be included in the new GS<10 rate class

Due to the differing results, CHEC would suggest more analysis in this area is required before a suitable consumption boundary could be determined. CHEC notes that the issue of annual movement between classes also exists for a consumption-based rate class boundary.

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3. **Based on Type of Service (Current/Voltage)** - CHEC is more supportive of using service type (i.e.: 200 amps or less) to define the class boundary as this would also help to prevent movement between the GS<10 kW and GS 10 - 50 kW rate classes. However, similar to Option 1 above, service type data may not be readily available, and it may be more difficult to obtain. A quick analysis of one of our members shows:

    a. **Utility 1** - 53% of GS<50 KW customers would be in the 200 amps rate class with an average monthly consumption of 1,194 kwh while 47% would be in the >200-amp rate class with an average monthly consumption of 4,378 kwh. It should be noted that the information for this analysis was readily available in the current billing system.

Based on the above, Option 3 with the rate class based on type of service is recommended as it is based on a verifiable condition and it would result in the least movement between rate classes year on year.

CHEC notes that there will be some customers who have a > 200-amp service but use very little power. This is often due to a change in ownership and occupation with the new customer not having the same equipment. A transition period could be allowed wherein the customer could have the service and meter switched at no cost, though the customer would still be responsible for all behind the meter costs.

SEC mentioned that the GS<50kW class should stay together rather than be separated into specific subclasses. This would imply a fixed service charge for all GS<50 kW customers and a demand charge that wouldn't begin until the customers peak goes above 10 kW. There is some merit to this concept such as:

- A single rate class on the tariff sheets
- A single rate class in the CIS
- Elimination of the annual analysis to determine if customers are in the correct subclass. From an administration standpoint, this is more efficient and a significant improvement over having to continuously monitor customers on a regular basis.
- Customers nearing the 10kW threshold would be incented to conserve to remain below the 10 kW threshold
- Seasonal customers will only pay for capacity if it is needed
- It is a simpler approach to the GS<50kW rate design.

CHEC would support this as an alternative if Option 3 is not selected.

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What would be the appropriate time frame for implementation and rate mitigation for the new small volume commercial sub-class? Should the OEB keep to its general policy of keeping increases under 10% per year on total bill? What considerations should the OEB examine in order to finalize the proposed mitigation? (ref. C.4)

Implementation of the new rate class will require CIS system set-up and testing, as well as a new reporting requirement for customers to be included in the new GS<10 rate class. In addition to the internal changes, coordination with third-party vendors (Harris in most instances) will also be required. While CHEC cannot comment on behalf of the third-party vendors, it does estimate that a minimum of one year would be required to complete the internal changes. This would be in addition to the six months recommended above as the analysis required to determine class segregation would precede implementation.

Regarding rate mitigation, CHEC is supportive of the same rate mitigation methodology that was used for the residential class (gradually reduce the monthly consumption rate while correspondingly increasing the fixed monthly service charge) as this worked well for the residential class of customers. CHEC is also supportive of the OEB policy of keeping any increases to under 10% on the total bill as even 10% can be a large impact for any customer. CHEC expects this may be challenging for utilities to manage as class boundary rules are not yet clear and bill impacts could fluctuate significantly for those customers transitioning between classes. Furthermore, there are always exceptions to the rule whereby a few customers challenge the norm. While these types of customers may be minimal, the OEB should provide some flexibility within the mitigation rules to ensure all customers are treated fairly during the transition period.

Are most current electricity distributor customer information systems capable of maintaining both a kWh and kWh/h distribution rate as part of the applied tariff? (ref. C.5)

The short answer is Yes! With that said, CIS upgrades and system testing will be required if a utility is to bill maximum consumption in a single hour over a billing period. It should also be noted that GS<50 kW customers are currently billed on TOU through the MDM/R, therefore maximum consumption would also need to come from MDM/R. If the MDM/R is not capable of providing this data, there may be a significant cost increase required to bill these customers using alternative third-party services. Furthermore, utilities have had a long practice of measuring and billing with the units of kWh, kW, and kVA. Measurement Canada has very detailed specifications for these units of measure. Prior to defining a new billing determinant such as kWh/h, it should be confirmed with Measurement Canada that kWh/h is an acceptable unit of measure

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Given that there would be bill increases for a small segment of each new class, what would be the appropriate time frame for implementation and rate mitigation? (ref. C.6)

CHEC is supportive of rate mitigation occurring annually and in cooperation with a utility's planned IRM/Cost of Service timeframe. This uniform approach is similar to how the residential class was handled and it will make it easier for utilities to implement and for customers to understand. Based on the 18 months suggested above, CHEC suggests that August 2020 would be an appropriate timeframe to begin implementation.

Stakeholders are invited to comment on the feasibility of implementing the Capacity Reserve Charge approach and expected consequences on customer investments in distributed generation. (ref. D.4)

CHEC is supportive of the proposed Capacity Reserve Charge, however, there are challenges with both implementation and investments.

In regard to implementation, a Capacity Reserve Charge is only effective provided a utility is aware of any behind-the-meter generation installed by the customer. Currently, there is no mechanism in place to capture this type of information, nor is there a feasible methodology available that will ensure information of this nature is readily forthcoming. What happens behind the meter exceeds the distributor's purview and without a clear way to police this environment, the impact of a Capacity Reserve Charge may be marginalized. In this regard, careful consideration needs to be given to the design of the Capacity Reserve Charge.

The Capacity Reserve Charge also assumes a discrete and easily identifiable source of generation. As technology evolves it is likely that some forms of generation will be integrated into building design. Examples include solar generation embedded into rooftop or window designs. Having a minimum renewable generation limit, such as 10 kv, below which no Capacity Reserve Charge is applied would encourage continued innovation and prevent unreasonable application of the Capacity Reserve Charge.

In regard to customer investments, it is important to note that while the necessity of bypass compensation is understood, reality is the introduction of a Capacity Reserve Charge may deter customer investments in future behind-the-meter generation. This is simply because a Capacity Reserve Charge will offset some of the potential savings, making these types of investments less attractive. CHEC does note that as distribution charges are only a small part of a customer's total bill the impact of the CRC is not likely to be significant

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Should there only be one option to address the issue of customers who do not abide by their maintenance or bypass obligations? Should the customer have the option? Should the distributor have the option? (ref. D.7)

Customers who do not abide by their maintenance or bypass obligations can do so either intentionally or unintentionally. CHEC is of the view that there should be different options for different situations.

With behind-the-meter installations, the major concern lies with protection of the distribution system. A distributor who has limited capacity on a line or faces an end-of-life replacement decision may need to physically limit customer demand. Under these circumstances, the best option available would be a load limiter. The risks and costs to the customer associated with this option are understood but, in this particular instance, the use of a load limiter far outweighs the potential damage to the system (and other customers) that could occur should an excessive surge of supply unexpectedly occur. If capacity is not an issue, a financial penalty may be more appropriate. In situations where obligations are deliberately avoided, perhaps both solutions may apply.

Regardless of the situation, the application of penalties for circumventing a maintenance or bypass obligation should be left to the discretion of the utility. A utility is uniquely qualified to decide how best to handle each individual situation and the specific needs of each individual customer.

Other Comments:

In addition to the questions proposed by the OEB, CHEC would also like to submit the following comments for consideration:

- CHEC agrees that the Capacity Reserve Charge is the simplest method towards achieving the goals described by OEB Staff and an appropriate first step towards ensuring traditional customers are not unintentionally impacted by costs incurred by those customers with load displacement generation. While the proposed design of the Capacity Reserve Charge may be appropriate for some GS>50 kW customers, it may be too simplistic for the larger customers (i.e.: GS. GS>3000 kW or GS<5000 kW). Under the current proposed design, it would penalize a large customer that uses generation in a more sophisticated manner.

  During the March 7, 2019 session, it was suggested that a coincident peak rate for the Capacity Reserve Charge may have some merit. If this is used it should be the distributors peak and not the provincial peak as it is a distribution charge that is being applied.

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For the larger customers, it is possible to have a Capacity Reserve Charge that only includes the incremental impact of the generation. For example, Distribution Charges on the generator host facility's load account could be determined by multiplying the peak hourly delivered load as measured by the load account meter in kW by the applicable variable charges for the rate class. The Capacity Reserve Charge would then be determined by multiplying the peak coincident combined kW delivered by both the distribution system and the generator, less the peak hourly delivered load in kW of the host customer facility as measured by the generator host load account meter. This methodology is currently used by some utilities to determine their standby charge.

CHEC recommends that for large customers discretion should be used in how the Capacity Reserve Charge is to be determined based on the needs of the utility and the customer rather than the prescriptive approach for the GS>50 kw class.

- In the Staff Report to the Board, the discussion on the capacity reserve charge deals only with distribution charges and not with transmission charges. As utilities are charged for transmission gross load billing by Hydro One this would be an opportune time to address this issue in cooperation with the other proposed rate design changes. There has been no movement on this issue since 2016 and the number of utilities (and, more importantly their customers) being adversely affected is growing.

- CHEC is aware that the OEB currently intends to redesign RPP and TOU pricing structures to better respond to policy objectives, improve system efficiency and provide greater consumer control (OEB File # EB-2016-0201). Is there a risk that changes under this initiative could undermine the CI Rate designs currently being proposed by OEB staff? CHEC is concerned that changes in RPP and TOU structures combined with changes in rates and rate methodologies, will cause unintended consequences and excessive customer confusion. Research from the RPP pilot programs should be reviewed and included as part of the CI Rate Design initiative to ensure impacts are clear and confusion is avoided.

- CHEC would request clarity on page 28 of the Staff Report where it states, "the MDM/R and the CIS systems of the distributors will have to be tested to make sure that the correct parameter is being sent and that the information flows smoothly". Does this mean utilities will receive the highest kW demand for each customer in this subclass for each billing month, which will be used for billing purposes?

- During the stakeholder session, a comment was made about whether to grandfather in existing load displacement generation to avoid applying Capacity Reserve Charges to projects that were built prior to this new rate design. CHEC

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believes this would be inappropriate. Timing does not relieve the impact that behind-the-meter generation could have on a distribution system, therefore all load displacement customers should be treated equally. It should also be noted that other customers were not "grandfathered" when rates were changed during a cost of service application or when the residential rate design was implemented.

- If the CI Rate Design is going to change, so should the bill presentment for those customers that are impacted by the change. The OEB should consider including bill changes that clearly separate the fixed service charge and the demand charge so that customers clearly understand the changes, as well as how they can impact their load profile going forward.

All of which is respectfully submitted.