

April 12, 2019

Kirsten Walli
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: Board Consultation on Rate Design for Commercial and Industrial
Board File No. EB-2015-0043

Dear Ms. Walli,

Please find Peak Power's comments on the "Staff Report to the Board: Rate Design for Commercial and Industrial Customers", dated February 21, 2019. Our comments seek to address the proposals put forward in the Staff Report.

Peak Power is a provider of Energy Storage and Energy Management services to commercial and industrial customers in Ontario, New York and California. Our customers operate facilities at or above 500 kW of non-coincident peak demand.

Thank you for the opportunity to submit comments on this important matter, we look forward to further engagement with the Board.

Best regards,



Michael R. Pohlod
Director, Power Markets,
Peak Power

Peak Power

Unit #414, 214 King St W,

Toronto ON, M5H 3S6

www.peakpowerenergy.com



Comments on “Staff Report to the Board: Rate Design for Commercial and Industrial Customers”

The Ontario Energy Board is currently faced with the difficult role of aligning Customer Experience, Cost Causality, the Promotion of Innovation and Utility Remuneration. To this end, three different rate cases have begun:

- EB-2015-0043 – Board Consultation on Rate Design for Commercial and Industrial
- EB-2018-0287 – Utility Remuneration
- EB-2018-0288 – Respond to Distributed Energy Resources (DERs)

Peak Power does not believe that each of these issues should be considered separately as this risks the development of inefficient policy and over or under collection of revenue by Local Distribution Companies (LDCs). As a result, our comments may at times speak to these other rate cases in order to encourage the development of an efficient rate structure.

Key Principles for C&I Rate Design

As this and other Rate Cases move forward, Peak would like the Board to consider the follow principles:

- 1) *Incentivizing good system behavior,*
Customer costs and compensation must align with behaviors that drive short-term and long-term investments.
- 2) *Empower least cost solutions,*
Utilities must be empowered to seek low cost solutions and be compensated for efficiency creation. This should include a push to assess Non-Wires Alternatives (NWAs) and a mechanism to compensate DERS for the Value they provide to the system],
- 3) *Reflect the complexity of system cost causation*
Rate design must reflect the complex cost causation that occurs in the sector. This includes System Coincident Peak, Local Coincident Peak and Non-Coincident Peak and potentially others.
- 4) *If necessary, isolate customers from complex mechanism.*
Many customers may not wish to participate in complicated rate structures, simpler alternatives should be available to them, while ensuring that the LDCs who serve them account for them based on the mechanisms that reflect cost causation.

We believe that these fundamental principles should be followed. With these in mind, Peak submits the following comments to the Board.

Cost Causality and the Capacity Reserve Charge

As it is currently structured, Peak Power does not believe that the Capacity Reserve Charge reflects the complex causation of costs by customers to Transmission and Distribution (T&D) companies in the province. We divide these costs into three distinct components with their respective cost drivers below:

Peak Power

Unit #414, 214 King St W,

Toronto ON, M5H 3S6

www.peakpowerenergy.com



Transmission Costs

High-Voltage Transmission Systems are sized to meet the coincident peaks of the networks they serve. To this end, several jurisdictions (I.E. ISO-NE¹, and PJM²) have adopted monthly Coincident Peak (12CP) mechanisms to allocate transmission costs to the LDCs served by the system.

Distribution Costs

The LDC network cost for a given facility depends on a few factors. Some distribution equipment has been installed exclusively for the site, while others may be part of a broader system serving several (or many) customers. As a result, some distribution facilities are sized to the non-coincident peak of the facility, while others are sized to the coincident peak needs of the system.

Facility Costs

Facility costs relate to the cost of connecting a load to the distribution network. These facilities are sized to the non-coincident peak of the load.

Peak Power would like the Board to consider splitting the T&D cost pools into at least two categories, one billed on non-coincident peak and the other on coincident peak (we recognized there may be additional cost pools billed volumetrically or on a fixed basis). We believe that this is in line with conclusions noted by Board Staff in the EB-2015-0043 Discussion Paper in 2016, the OEB's Strategic Blueprint and industry best practices.

Cost Causation and Customer Experience

At the Stakeholder Information Session on Commercial and Industrial Rate Design on March 7, 2019, Board Staff repeatedly stated that the reason they were shifting away from pursuing Coincident Peak mechanisms was due to customer concern with the complexity of the rate structure. If this remains a concern for the Board, it is possible for the OEB to pursue a system wherein for Transmission, LDCs incur costs based on their contribution to 12CP and then allocate costs to their customer groups volumetrically. This is not unprecedented in the industry and creates a clear mechanism for DERs to provide value to the system and the utility.

Regarding distribution coincident peak charges, Peak requests that the Board look to rate structures being tested in New York. Consolidated Edison's Rider Q Pilot³ provides an interesting hybrid tariff that sees a substantial portion of the customer's distribution charge incurred on the basis of usage during its

¹ ISO New England Open Access Transmission Tariff, January 29, 2019: https://www.iso-ne.com/static-assets/documents/regulatory/tariff/sect_2/oatt/sect_ii.pdf

² PJM Manual 27: Open Access Transmission Tariff Accounting, Revision:90, December 6, 2018: <https://www.pjm.com/-/media/documents/manuals/m27.ashx?la=en>

³ Consolidated Edison Company of New York Inc. Schedule for Electric Service: <https://www.coned.com/external/cerates/documents/elecPSC10/electric-tariff.pdf>, Leaf 239.

Peak Power

Unit #414, 214 King St W,

Toronto ON, M5H 3S6

www.peakpowerenergy.com

local system's coincident peak, with the remainder charged on NCP. This kind of hybrid rate structure can compensate DERs for their contribution to the system, while minimizing long-run cost shifting.

The Promotion of Innovation

Peak Power would like to recognize the OEB for its commitment to innovation and looks forward to engaging with the Board as it develops the rate structures and policies required to encourage new technology in the sector. With respects to this proposal on C&I Rate design, we feel that the current structure is focused more on utility cost recovery than on enabling the effective deployment of new technology. There is nothing wrong with this approach per se, as EB-2018-0288 will look to the compensation of DERs for their value to the system. However, Peak is concerned with the timing of this proposal in relation to EB-2018-0288 and feels that increasing DER costs when the timeline and scale of additional revenue streams for system benefits is unclear, may disincentivize further DER deployment. As a result, Peak can only support this approach to C&I rate design in the event that EB-2018-0288 develops the innovative rates necessary to properly compensate DERs.

A Cap is Needed on Monthly Charges

Given the current proposal, Peak Power is concerned that DERs could result in an increase to a customer's monthly T&D charges despite the resource not causing any increased costs for the utility. For example, if a facility consumes a flat 4 MW and installs a 4 MW Solar PV system on-site, they will be subjected to a Capacity Reserve Charge calculated by the Capacity of the PV system, the Demand rate of the Class and a Capacity Factor. As the paper was written, this would be billed in addition to paying the existing demand tariff for their Non-Coincident Usage, which remains unchanged, and receiving no compensation for any system benefit they are providing. It follows then that this proposal may increase costs for some DER Owners with no basis for this increased cost. To prevent this, Peak asks that the Board evaluate a mechanism wherein a customer's monthly charge is capped at the greater of their Non-Coincident Peak and their Gross Load multiplied by their Demand Rate.