Coalition of Concerned Manufacturers & Businesses CANADA
Bravely Safeguarding Canadian Jobs

June 14, 2023

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street
Toronto ON
M4P 1E4

Dear Ms. Marconi,

RE: EB-2023-0071 - Electric Vehicle Integration (EVI) Electric Delivery Rates for Electric Vehicle (EV) Charging Report and Stakeholder Meeting
CCMBC Comments Submission

Attached is the submission of comments of the Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC) on the EB-2023-0071 Electric Vehicle Integration (EVI) Electric Delivery Rates for Electric Vehicle (EV) Charging Report and Stakeholder Meeting.

Respectfully submitted on behalf of CCMBC.

Tom Ladanyi
Digitally signed by Tom Ladanyi
Date: 2023.06.14 14:45:52 -04'00'

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Jocelyn Bamford (CCMBC)
Justin Malecki (OEB Staff)
Catherine Swift (CCMBC)

EB-2023-0071

The Coalition of Concerned Manufacturers and Businesses of Canada

Submission of Comments

on

Electric Vehicle Integration Electric Delivery Rates for Electric Vehicle Charging Report and Stakeholder Meeting

June 14, 2023

Executive Summary

This report is based on the premise that demand charges in current electricity delivery rates are too high and should be reduced for customers who own public EV charging stations and customers who own chargers for commercial EV fleets. These allegedly high demand charges are claimed to be an impediment to the development and expansion of EV charging businesses. CCMBC does not agree with the premise nor with the need for a reduction in delivery rates for businesses that own EV chargers. The report looked at various rate design solutions to this alleged problem. The two solutions presented would lower rates for businesses that own EV chargers by transferring costs to other businesses and increasing their rates. CCMBC is strongly opposed to these rate design solutions. There are non-rate solutions such as battery-integrated chargers that are available on the market which would allow owners of EV charging stations to lower their electricity costs without increasing electricity costs of other businesses.

Background

On April 13, 2023, the OEB released a report, *Electricity Delivery Rates for EV Charging,* by its consultant, Power Advisory on and invited stakeholders to a meeting on May 24, 2023, to discuss details of the Report. At the stakeholder meeting the OEB invited stakeholders to provide written comments on the report and answer certain questions. The Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC, the Coalition) participated in the stakeholder meeting, and this is the submission of its comments.

The Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC) was formed in 2016 with a mandate to advocate for proactive and innovative policies that are conducive to manufacturing and business retention and safeguarding job growth in Canada. The creation of the organization was sparked by the high cost of electricity in Ontario and the negative impact it was having on business competitiveness in the province. The CCMBC was formed by former members of the Canadian Manufacturers and Exporters association who left that organization over their differing view and approaches towards issues facing the manufacturing community. CCMBC has over 400 members, most but not all of which are manufacturers in Ontario. Although CCMBC is active on a range of issues, energy-related matters are of a particular importance.

General Comments

The scope of the *Electric Delivery Rates for Electric Vehicle Charging* report by Power Advisory is limited to electricity delivery rates for distribution-connected commercial EV fleets (e.g., public transportation, delivery trucks, etc.) and public direct current fast charging (DCFC) stations ("public DCFCs").

Power Advisory examined current rate design practice in Ontario and other jurisdictions and consulted with a small and select group of stakeholders consisting of EV charging service providers, commercial EV fleet owners and service providers, and local distribution companies (LDCs). Based on these inputs it concluded that demand charges in current electricity delivery rates are too high and should be reduced for customers that own DCFC public EV charging stations and customers who own chargers for commercial EV fleets. These allegedly high demand charges are claimed to be an impediment to the development and expansion of EV charging businesses.

Had Power Advisory consulted with other commercial customers and industrial customers, such as bakeries or retail establishments, it would have found that they believe that demand charges in their electricity delivery rates are also too high and should be reduced because they are an impediment to the development and expansion of their businesses too.

The solutions to lowering the demand charges for owners of EV fleet chargers and public EV charging stations all involve a transfer of these costs to other commercial and industrial customers. CCMBC is opposed to any solution that increases electricity rates charged to their members so that rates of businesses that own EV chargers can be reduced.

In CCMBC's opinion, a rate subsidy for owners of public EV charging stations is unfair to other commercial and industrial customers. Businesses that own public EV charging stations are resellers of electricity, no different than other resellers. The charging rate they offer to the public is not regulated by the OEB. It is therefore a profit maximizing rate. Any rate subsidy for them is unlikely to result in lower EV charging rates for the public. It is unfair that the profits of other businesses should be reduced to increase the profits of EV charging businesses.

Comments on Specific Questions

The OEB requested that participants submit comments on specific questions from the OEB on certain topics. In this submission each topic is followed by the OEB question and the response and comments from CCMBC.

General Feedback

OEB question: "What policy solutions should be pursued to address the delivery cost challenges identified in the report?"

The delivery cost challenges identified in the report are the impact of demand charges.

According to Power Advisory charging service providers “unanimously agreed they were concerned with the impact of demand charges on future EV supply equipment deployment”. No doubt owners of most other businesses in Ontario would have similar opinion about the impact of demand charges on their businesses. CCMBC submits that businesses owning EV chargers are not unique. Policy solutions that are pursued to address the delivery cost challenges must be fair to other businesses by lowering the delivery costs for all not just for businesses that own EV chargers. CCMBC is opposed to any policy solutions that increase rates for businesses that do not own EV chargers so that businesses that own EV chargers pay lower rates.

OEB question: “To what degree would the introduction of new delivery rates be an appropriate/effective solution to the challenges identified?”

CCMBC does not agree with the assumption that businesses that own EV chargers face unique challenges that need to be addressed by lower delivery rates for them and higher delivery rates for everyone else. Depending on their location, businesses that own EV chargers can result in the need for the construction of new facilities by the distributors to meet increased load.

OEB question: “What costs/challenges would LDCs face in implementing new delivery rates for EV charging consumers?”

One of the objectives of utility cost allocation and rate design is to aim the have the revenue to cost ratio of each rate class as close to one as possible to minimize cross-subsidies between different customer classes. If incremental revenues are not adequate to offset incremental costs of EV charging, then rates should increase for EV charging. However, there is not a separate rate class for owners of EV chargers where the revenue to cost ratio can be assessed. LDCs would therefore have to treat businesses that own EV chargers no different than any other customer load in the same rate class. If a new customer that owns EV chargers requires that the distributor build additional facilities, the LDC can and should require the customer to pay a contribution as required by the Distribution System Code.

OEB question: “Are there other non-rate solutions to the challenges identified that should be considered such as optimization of overall energy use, load control programs or investments in distributed energy resources?”

There are non-rate solutions now available to business owners of EV charging facilities as CCMBC pointed out at the meeting. These involve battery-integrated chargers such as those developed by FreeWire Technol that was discussed at the OEB EV Charging Sub-group meeting in April. Battery-integrated charger can take advantage of low off-peak rates to charge its battery which is then available to charge EVs at any time of day including peak times. It is likely that battery-integrated EV chargers cost more than simple EV chargers, but that incremental cost would be borne by the business owning the EV charger instead of being passed on to other businesses.

OEB question: "Beyond the considerations described in the report, what else should the OEB be considering to address the challenges identified?"

The OEB should complete its EB-2015-0043 Rate Design for Electricity Commercial and Industrial Customers consultation which started in 2015 and was never completed. The consultation could deal with rates for EV chargers owned by commercial and industrial customers and other challenges faced by these customers.

Alternative Rate Designs

OEB question: "To what extent are the proposed alternative rate design options effective solutions for the challenges identified?"

Power Advisory identified two rate design options.

1. Time of Use (TOU) Demand Charge
    - Some delivery costs are recovered using demand in daily peak hours, other delivery costs continue to be recovered using NCP demand.

2. Low Load Factor Rates

    a) Single Tier - Reduced demand charge for customers below a certain load factor threshold.

    b) Multiple Tiers - Reduced demand charges for customers that step up as load factor increases.

    c) Demand Transition Charge - Reduced demand charge for customers with low load factor, with some delivery costs recovered using TOU energy charge instead. As the load factor increases, the energy charge is phased out and the demand charge increases.

As Power Advisory points out TOU design option could increase rate for other customers.

"Implementing a TOU demand charge could cause electricity bills for some customers to increase because the TOU demand charge has been designed to be revenue neutral for the general service greater than 50 kW rate class for each LDC. Therefore, if costs associated with the peak period are recovered across a smaller pool of demand that no longer includes some commercial EV fleets, the rate (in $/kW) would need to increase in order to maintain revenue neutrality. This would lead to higher electricity bills for other customers depending on the share of total demand which would avoid the peak period. By 2035, commercial EV fleets could make up approximately 1.8% of general service greater than 50 kW demand. If that demand were able to avoid the peak period with a TOU demand charge, and all other things being equal, average electricity bills for the remaining general service greater than 50 kW customers would be expected to increase roughly by 0.2% to 0.3%, depending on LDC."

The Low Load Factor Option would also increase rates for other customers according to Power Advisory.

"As with the TOU demand charge, reallocating costs among customers would have an impact on the remaining general service customers, though that impact would depend on the number of customers availing themselves of the low load factor rate. Power Advisory estimates that by 2035 Option 2a would increase average electricity bills for the rest of the general service greater than 50 kW rate class by 1.7% to 2.8%, depending on LDC, given the expected uptake of public DCFCs and utilization of 10%."

If one defines an *"effective solution"* as a solution that results in lower rates for businesses that own EV chargers, then both options are effective. However, CCMBC submits that an effective solution should also consider the impact on other customers.

OEB question: Does the proposed cost allocation justify the potential increase* in the cost to other non-EV consumers?

From CCMBC's point of view the proposed change in cost allocation does not justify the potential increase to other customers.

OEB question: To what degree does the cost allocation proposed in the example constructions of each rate (section 4.1 in report) reflect cost causation of the costs imposed by EV consumers?

CCMBC believes that the Power Advisory report appropriately reflects at a high level the cost causation of the costs imposed by EV charging for businesses that own commercial EV fleets and for businesses that own public charging stations. However, the costs imposed on different distributors will vary greatly based on the location of the EV charging businesses.

OEB question: "Are there other alternative rate design options, not considered in the report, that the OEB should consider?"

While there may be other rate design options CCMBC believes that Power Advisory has presented the only rate design options that should be considered.

Implementation of Alternative Rates

OEB question: "To what extent should the design of the rates be consistent across LDCs (based on the same cost allocation methodology, billing determinants, and TOU time periods as appropriate)?"

CCMBC is opposed to the implementation any rate design solution because there are better solutions such as battery-integrated EV chargers that do not require a change in rate design. However, if the OEB chooses to implement a rate design solution, the methodology should be consistent across LDCs.

OEB question: "Should implementation of alternative EV delivery rates be optional or mandatory for individual LDCs?"

As stated above, CCMBC is opposed to the implementation of any rate design solution. If the OEB does proceed with the implementation, it should not be mandatory for individual LDCs because of large differences in costs of serving EV charging businesses that depend on location.

OEB question: Should alternative delivery rates be introduced as a new rate class, within existing rate classes (e.g., via a new output worksheet in the cost allocation model) or using another method?

CCMBC believes that EV charging may require a new rate class, but more research is needed before proceeding further. EV charging may impose additional costs on the distribution system that have not been adequately assessed.

Consumer Optionality

OEB question: Should the alternative rates be optional or mandatory for the targeted EV consumers?

In general, CCMBC supports customer choice. If EV consumers are given a choice of alternative rates, such choice should also be available to other customers in the same rate class.

OEB question: What are the risks/opportunities of offering customer choice in delivery rates similar to the choice of price plans that currently exists within the Regulated Price Plan?

CCMBC supports customer choice. However, customer choice must not include any option that allows certain customers to transfer their costs to other customers. Customers should not have a choice to compel other customers to subsidize them.

Eligibility

OEB question: Should the alternative rate(s) be offered to EV charging consumers for EV charging load exclusively?

CCMBC believes that if the OEB adopts alternative rates, they should be available to all customers in the same rate class.

OEB question: To what degree should the alternative rate(s) be offered to any customer having defined load characteristics (e.g., low load factor)?

As stated above CCMBC is opposed to special low rates for low load factor customers if the availability of these rates results in higher rates for other customers. However, if the OEB decides to approve such rates, they should be offered to any customer in the same rate class with same load characteristics.

OEB question: Are there other specific consumer types who should be eligible for the alternative rate(s)?

It is likely that there are other customer types who would be eligible for alternative rates, but CCMBC does not have sufficient information at this time to answer the question.

OEB question: What are the risks/opportunities of offering the alternative rate(s) to all consumers on an optional basis?

While CCMBC supports customer choice, there is a risk that alternative rates if not properly designed could shift costs between customers and result in unintended consequences such as increased cross-subsidies between customers.

Metering

OEB question: If required, will the cost of separate metering for EV charging (or other approved means of measuring consumption) outweigh the benefits of the alternative rate(s)?

As indicated in its answer to a previous question, CCMBC believes that EV charging may require a new rate class, but more research is needed before proceeding further. If the OEB decides that a new EV charging rate class is needed, then it may be necessary to have separate metering for EV charging facilities. Until that time the costs of separate metering for EV charging likely outweighs the benefits.