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January 30, 2024 **VIA E-MAIL**

Nancy Marconi
Registrar
Ontario Energy Board
Toronto, ON

Dear Ms. Marconi:

Re: Generic UTR Issues Hearing – Phase 2 (EB-2022-0325)
OEB Staff Suggestions Regarding Issues 1, 2 and 3
Submission of the Vulnerable Energy Consumers Coalition (VECC)

In accordance with Procedural Order No. 1, please find attached VECC's submission on the above referenced matter. Please contact me if any clarification is required (bharper.consultant@bell.net)

Yours truly,

William Harper
Consultant for VECC/PIAC

cc. J. Lawford, PIAC

GENERIC UTR ISSUES HEARING – PHASE 2 (EB-2022-0325)

VECC's COMMENTS RE:

OEB STAFF SUGGESTIONS REGARDING ISSUES 1, 2, AND 3

1. INTRODUCTION

On October 27, 2023 the OEB issued a Notice commencing Phase 2 of a hearing on its own motion to consider various issues related to Ontario's Uniform Transmission Rates (UTRs). The Notice identified eight specific issues:

i. Timing of UTR decisions
ii. Number of decimal places for UTRs
iii. Prorating transmission charges for new connections to account for when the connection took place in the month
iv. Charges caused by planned transmission outages
v. Basis for Billing Renewable, Non-renewable and Energy Storage Facilities for Transmission
vi. Gross load billing thresholds for renewable and non-renewable generation

On December 8, 2023 the OEB issued Procedural Order No. 1. Attached to the Procedural Order was a report[1] from OEB Staff setting out background on the first three issues and recommendations as to how they should be addressed. Intervenors in the proceeding were invited to consider these recommendations and provide submissions by February 1, 2024.

Set out below are VECC's submission on the three identified issues.

2. VECC's SUBMISSIONS

2.1. Timing of UTR Decisions

Issue

The timing of transmitter revenue requirement proceedings does not always allow for the annual UTR decision to be finalized in December for January 1. This can lead to forgone revenue for transmitters, which must then be calculated and included when UTRs are updated. In addition, new transmitters are added to UTRs when their assets come into service, and this does not always align with a January 1 UTR update[2].

Also, the UTRs are inputs into electricity distributors' Retailer Transmission Service Rates (RTSRs). Recently, there have been occasions when RTSRs for the upcoming year have been based on UTRs for the current year rather than UTRs for the upcoming year because of timing differences or "lags" between when UTRs and RTSRs were set. Earlier availability of these transmission costs would allow electricity distributors to capture the most up to date costs in the RTSRs billed to customers, to be determined as part of their annual rate adjustments. Such an approach is expected to decrease amounts accumulated in the distributor's transmission variance accounts. To address

[1] Referred to in these submissions as the "Staff Report"
[2] Staff Report, page 1

this, the OEB issued forecast 2024 UTRs in September 2023 to allow this data to feed into distributors' annual rate updates on a timelier basis.

Staff Recommendation

OEB staff recommends that the OEB should continue its current practices for addressing UTR timing-related issues that arise in the following scenarios:
- transmitter revenue requirement proceedings that are not finalized in December for inclusion in January 1 UTRs
- new transmitters entering service after UTRs for the year have already been set
- other updates during the calendar year

In these scenarios, the OEB's practice has been to issue interim UTR decisions effective January 1st, and final UTRs and by way of updated UTR decisions during the calendar year, and has established deferral/variance accounts to address potential implementation timing issues. OEB staff recommends that these practices should continue, since they have provided transmitters with timely revenue adjustments.

OEB staff anticipates that the new practice of issuing forecast UTRs will decrease balances accumulated in the distributors' transmission variance accounts.

VECC's Comments

VECC agrees with Staff's recommendations that the existing practices (including the more recent practice of issuing forecast UTRs) should continue.

However, VECC notes that for existing electricity distributors the OEB annually issues letters setting out the filing deadlines for Cost of Service, Custom IR, IRM Applications. VECC is not aware of a similar process being in place for existing electricity transmitters. VECC submits that establishing similar annual deadlines for existing transmitter planning on submitting rate applications for an upcoming test year would help ensure that final UTR are issued on a timely basis.

2.2. <u>Number of decimal places for UTRs</u>

Issue

UTRs paid by transmission customers are calculated to two decimal places (unlike distribution rates, which are calculated to four decimal places).[3]

Staff Recommendation

The Staff Report notes[4] that the maximum impact of increasing the number of decimal places from two to four is approximately $0.01/kW/Month. It also notes that the impact of a $0.01/kW/Month increase to the UTRs for individual transmitters in any of the three transmission revenue pools (Network, Line Connection and Transmission Connection) does not meet any of the individual transmitter's materiality thresholds.

[3] Notice of Application re Phase 2.

[4] Page 2

As a result, to avoid adding any administrative burden or potential implementation costs, the Staff Report recommends[5] that the UTRs should remain at two decimal places at this time.

VECC's Comments

VECC accepts OEB Staff's analysis that the impact the impact of increasing the number of decimal points used for UTRs from two to four for any of the transmission revenue pools does not meet any of the individual transmitter's materiality thresholds. Based on these results, VECC agrees with the Staff Report's recommendation that UTRs should remain at two decimal points.

3. <u>Prorating transmission charges for new connections to account for when the connection took place in the month</u>

Issue

Transmission customers are charged a monthly rate ($ per kW) for line connection billing demand and a monthly rate ($ per kW) for transformation connection billing demand. Line connection and transformation connection charges for newly connected transmission customers in their first month of connection are not revised upward or downward in proportion to when in the month the new connection was made.[6]

Staff Recommendation

OEB staff recommends that line connection and transformation connection charges for new connections should be prorated to account for when in the month the new connections were made. OEB staff further recommends that the proration should be a simple calendar days-based proration.

OEB staff also recommends that the proration should apply to new connections in the future, beginning on an effective date to be specified. Implementation of the proration should be coordinated between the OEB and the IESO and others as applicable to work out timelines and other practical matters.

VECC's Comments

OEB staff supports the proration of Line Connection and Transformation Connection charges for new connections on the principle of cost-follows-benefit such that a customer that connects later in a month should not be required to pay for assets or services that were provided to others earlier in the month, before the customer was connected. VECC agrees with this principle and the OEB Staff's recommendation.

VECC notes that the Staff Report discussion and subsequent recommendation are only with respect to Line Connection and Transformation Connection charges. There is no discussion with respect to Network charges or recommendation that these charges should also be prorated under similar circumstances. Procedural Order No. 1 states: "The OEB will consider any submissions received and determine further steps regarding Issues 1, 2, and 3, which may include the issuance of a decision on one or more of those issues." VECC acknowledges that the treatment of Network charge may be more

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[5] Page 3

[6] Notice of Application re Phase 2

complex as the billing determinant is based on the higher of (a) customer coincident peak demand (MW) in the hour of the month when the total hourly demand of all PTS customers is highest for the month, and (b) 85% of the customer peak demand in any hour during the peak period 7 AM to 7 PM (local time) on weekdays, excluding the holidays as defined by IESO. As result, on this particular issue, the OEB should make provision for additional steps to determine the appropriateness of applying proration for Network charges.

VECC also notes that the same issue would exist for a transmission customer that discontinues service during (as opposed to at the end of) a month. In such cases the same principle would apply (i.e., a customer that disconnects during a month should not be required to pay for assets or services provided to others during the entire course of the month). As a result, VECC submits that a similar proration of the monthly rate should be applied in such circumstances as well.

With respect to implementation, VECC submits that the OEB should co-ordinate the development of a proposed implementation plan and then circulate the plan to interested parties for comment, after which it would be approved by the Board.

Finally, VECC notes that a similar issue exists for distribution service customers who are billed using monthly service charges and/or demand-based rates and who connect at some time other than the start of a billing period or disconnect at some time other than the end of a billing period. The OEB should initiate a separate process to determine whether proration is appropriate in such circumstances.

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