ONTARIO ENERGY BOARD

Standby Rates

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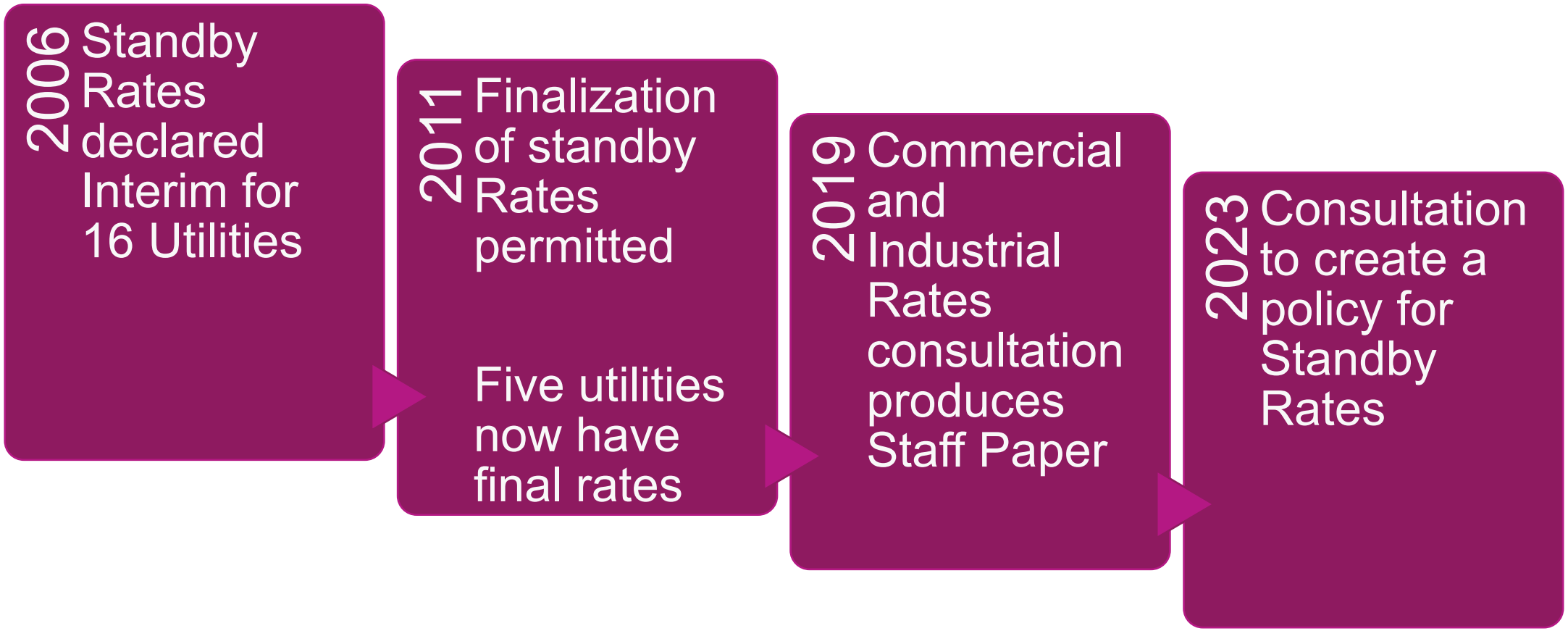
Agenda

- Historical Background of Standby
- Recent Applications for Standby
- Objectives of this Consultation
- ICI Proposal - Capacity Reserve Charge
- Stakeholder Presentations
  - Hydro One Networks
  - Alectra Utilities
  - Northumberland Hills Hospital
- Finalization of Interim Rates
- Questions

Historical Background



Recent Standby Applications

Existing Standby Rates

- Standby rates currently exist at 11 utilities
- Of those, standby rates are interim at 7 utilities
    - Interim Rates cause uncertainty regarding billing for past and future usage

New Standby Rates

- Recent applications for new standby rates have not resulted in new standby rates.
    - No template for acceptable standby charge.
- Other customers subsidize the standby service received.

Objectives

Existing Standby Rates

- Standby rates currently exist at 11 utilities
- Of those, standby rates are interim at 7 utilities
    - Interim Rates cause uncertainty regarding billing for past and future usage

→ Need a path to finalization of Standby Rates

New Standby Rates

- Recent applications for new standby rates have not resulted in new standby rates.
    - No template for acceptable standby charge.
- Other customers subsidize the standby service received.

→ Need acceptable options for Standby Rates

Initial Prioritization Plan: Fall 2022

	2023-24	2024-25	2025-26 & Beyond
High Investment, High Payoff	• Consolidation Policy	• Capital Modules • Cost of Capital • RRFE - Elements of RRFE formula	
Targeted Improvement	• Investment incentives in context of FEI work		• Accounting Procedures Handbook
Quick Win	• Retire earlier DSM frameworks* • Standby Rates • Gas expansion/IRP alignment*	• RTSRs and LV	
Continuous Improvement	• Update typical customer definition • Retire Gas Utilities' Cap and Trade Costs policy	• Revisit CDM guidelines • Consider process adjustment to gas supply plan reviews	• Re-evaluate need for transmission development plans

Capacity Reserve Charge

Commercial and Industrial Rate Design

Scope ➡ Standby Service

- Emergency Backup Service
  - Resources maintained 24/7 to serve load in the event of a forced outage
    - Capacity required in all upstream assets
- Maintenance Service
  - Resources maintained to serve load in the event of a scheduled outage
    - Capacity not required in bulk assets

Out of Scope

- ➡ GS < 50 class definition
- ➡ Billing Determinants for regular usage
- ➡ DERs that can be expected to inject energy into the distribution system or provide system benefits
  - Addressed under other consultations
- ➡ System Benefits

Capacity Reserve Charge

For Emergency Backup Service

- Capacity of Generator * Demand rate * Capacity Factor
- Infrequently used generators would incur a small Capacity Factor as the customers are anticipated to pay the full distribution rates in respect of consumption most months
- Intensively used generators would incur a higher capacity factor

For Maintenance Service

- Capacity only available when scheduled
- Necessitates maintenance of capacity on for off-peak service outages
- Does not require maintenance of capacity on upstream bulk assets
- Lower Capacity Factor to reflect lower cost

Detailed Considerations of CRC

Establishment of Capacity Factors

- C&I consultation had sample capacity factors, but acknowledged more work would be required.
- Could be negotiated
  - What should be the fallback?
- Could be measured
  - What should be the interim factor?
- AMPCO suggested negotiation followed by measured results.

General Considerations

- Should reflect cost causation
- Should aim to make the distributor and other customers indifferent to load displacement generation

Industry Response

Alternative Methodologies

- School Energy Coalition Proposed a rachet approach instead
  - Based on-peak demand from the past 12 months
- Peak Power proposed bill cap at the greater of NCP at Dx rate or Gross Load at CRC rate
- Hydro One proposes a Gross Load Billing approach for Dx rates

Critiques of the C&I proposal for CRC

- Does not consider system Benefits – should complete the DER consultation first
  - Other Consultations are addressing this
- Does not incent DERs
- Does not incent operating in a way that minimizes demand on the system during peak periods
- Over reliance on Nameplate capacity

Utility Example

Hydro One Networks Presentation

Utility Example

Alectra Utilities Presentation

Utility Example

Northumberland Hills Hospital Presentation

Questions to Participants

Default for new Standby Service

- Would the Capacity Reserve Charge be appropriate as a default for new standby services?
- Would multiple rate design options, including the Capacity Reserve Charge be appropriate as defaults for new standby services?

Finalization of Interim Rates

OEB staff proposal for Existing Standby Rates

Interim Rates

Rates have been Interim at seven utilities since 2011.

1. Distributors with interim rates should be encouraged to request that existing rates be made final at the next IRM application.
2. At rebasing, distributors with interim rates should be required to make a proposal for finalization – either of the current approach, or transition to an acceptable approach for new standby charges.

Final Rates

Five utilities have had their existing standby rates made final since 2016. More may transition to final rates.

1. At rebasing, distributors with final standby rates should have the option to propose a different rate structure that would be an acceptable approach for new standby charges.

Approach to Interim Rates

Questions to Participants

- Should utilities propose to adopt one of the recommended standby rates at the next rebasing? Sooner?
- Would the existing rate structure or be acceptable for final rates?
- What's the best approach to address interim rates at utilities on Deferred rebasing?