



BY EMAIL AND WEB POSTING

March 28, 2024

**TO: All Licensed and Rate-regulated Electricity Distributors
All Participants in the Standby Rates Consultation EB-2023-0278**

**RE: Consultation on Policy for Standby Rates
Ontario Energy Board File No. EB-2023-0278**

In its [September 28, 2023](#) letter the OEB initiated a consultation on Policy for Standby Rates. The review of standby rates is an adjudicative policy identified for action during the 2023/24 fiscal year as part of the OEB's Prioritization Review of Adjudicative Policies. The OEB hosted a stakeholder meeting on January 11, 2024, to solicit input regarding current practices with respect to standby rates and to discuss options moving forward.

This letter outlines the OEB's approach to standby rates following the feedback received from stakeholders and having considered the history and outlook for behind the meter energy services.

In order to bring certainty to this matter going forward, electricity distributors who believe a new standby rate design would be appropriate for their customers are invited to apply for one at their next cost of service or custom IR proceeding or earlier if circumstances warrant.

Standby Rate Background

Existing standby rates for load displacement generation were declared interim by the OEB in 2006 in a [generic proceeding](#).¹ [In 2011](#), as part of the OEB's report on cost allocation review², electricity distributors were invited to apply to have their rates declared final as part of their cost of service applications. While some distributors did apply and received approval for finalization, most electricity distributors with standby

¹ EB-2005-0529, Decision with Reasons, March 21, 2006, page 11.

² EB-2010-0219, Report of the Board – Review of Electricity Distribution Cost Allocation Policy, March 31, 2011.

rates are still applying them on an interim basis. In 2015, the OEB launched its [Consultation on Rate Design for Commercial and Industrial Customers](#), which included study of load displacement generation (LDG). This culminated in a [Staff Paper](#) on Rate Design which was issued on February 21, 2019.³

Given the passage of time since standby rates were first declared interim in 2006, the OEB sought to use a consultation with a relatively narrow scope to bring some closure to this issue.

Capacity Reserve Charge

The 2019 Staff Paper on Rate Design included a proposal for the General Service greater than 50 kW, Intermediate, and Large Use rate classes that included, in addition to changes to base distribution rate design, a Capacity Reserve Charge (CRC), which, for the Large Use rate class, included options for emergency backup, maintenance, and full bypass. The intent of this charge was to replace current standby rates.

In the current consultation, OEB staff proposed that only the standby charge for LDG would be considered for possible implementation (commercial distribution rate design was not considered). OEB staff proposed to adopt the CRC as the default option for a standby rate for LDG. In addition, it was noted that other ongoing consultations⁴ are considering benefits associated with distributed energy resources (DERs) and potential implications for rate design, and that the current consultation would not include considerations for those types of behind the meter load displacement. The focus of the current consultation was on the narrower scope of the costs borne by electricity distributors in providing standby services in respect of LDG and the consideration of the interim nature of existing rates for this service.

Consultation Meeting

On January 11, 2023, the OEB held a meeting with stakeholders to discuss options for new LDG standby rates and the treatment of existing standby rates, in particular the interim nature of existing standby rates for several electricity distributors.

Presentations were made by OEB staff, Hydro One Networks Inc. (Hydro One), Alectra Utilities Corporation (Alectra), and Northumberland Hills Hospital (NHH). OEB staff presented its proposal for the CRC (unchanged from the 2019 proposal). Hydro One presented the approach it uses for gross load billing of its sub-transmission customers. Alectra presented a proposal for redundant supply to be treated similarly to standby.

³ Due to evolving priorities at the OEB, the staff paper was not acted upon at the time.

⁴ [Distributed Energy Resources \(DER\) Connections Review](#), [Benefit Cost Analysis Framework for Addressing Electricity System Needs](#)

NHH presented on its combined heat and power (CHP) generation facility, upstream benefits, and the potential impact that application of new standby charges could have on the economics of its CHP project.

In discussion of the materials presented, participants at the stakeholder meeting mostly opposed the proposed use of the CRC as a default rate design for standby rates at this time. More broadly, participants opposed the setting of standby rates for LDG on a standalone basis.

Participants raised the points that LDG was being singled out for specific rate design treatment, despite other activities imposing similar burdens on the distribution system. These activities include Alectra's proposal for pricing redundant supply as well as energy storage and other forms of load management.

Although part of a separate DER consultation, some participants raised concerns about the application of standby rates in the case of DERs in advance of the full consideration of valuing benefits, and that this would have a cooling effect on the uptake of DERs. Certain participants noted that the imposition of a standby rate appears to be contradictory to incentives provided by the IESO and to OEB efforts facilitating development of DERs and non-wires solutions. Participants viewed it necessary to consider pricing of incremental costs caused by generators through standby charges either after, or in conjunction with other initiatives, including the approach to DERs where benefits would also be considered.

Participants acknowledged the challenges associated with developing a policy for standby rates has existed for a long time. However, given rapid developments in the DER and non-wires alternatives space, and uncertainty of suitability of standby rates to new generation and system innovations, the design and pricing of standard standby rates for LDG may be more problematic now than it was in 2019 or before. In addition, some participants considered that the CRC may make the most sense in the context of a full Commercial and Industrial rate design policy (similar to the 2019 Staff paper), and that it should not be severed to be implemented on its own.

Participants expressed that in the absence of a comprehensive policy, any application of new standby charges could be best considered on the specific merits of LDG for individual circumstances. This could be considered on a case-by-case basis, without a default.

With respect to the continued application by electricity distributors of existing standby service charges, participants did not express concerns. Several agreed that given the length of time the rates have been interim, it would be appropriate to have the existing rates made final.

Policy for Standby Rates

Based on feedback in this consultation and on the evolving nature of DER's and other behind the meter alternatives, the OEB is not prepared to impose or recommend a default approach to pricing LDG at this time. Electricity distributors are in the best position to know their system and cost causation and are encouraged to understand their customer needs. If a distributor determines that a standby rate is appropriate, it should propose a design that best fits the circumstances. Electricity distributors are encouraged to work with their customers in developing any standby rate. Cost causation should remain a key consideration in development of any standby rate proposal. In some cases, circumstances may not warrant the need for a standby rate. Future OEB Commissioner panels will decide on applications for new standby rates based on evidence in the proceeding and the application of sound ratemaking principles.

For electricity distributors that are currently operating with interim standby rates, there is a need for certainty going forward, even if the OEB is not establishing a default standby rate design. Participants did not express any concern with the finalization of existing standby rates based on the current rate designs. Given the length of time these rates have been interim, without proposals for change to the underlying rate design, the OEB agrees that finalization is the correct approach.

Electricity distributors with interim standby rates should inform their standby customers of the intention to apply to make the existing interim standby rates final, and then apply for this at the time of the next rate application. Distributors may choose to seek finalization of interim stand by rates in either rebasing or incentive rate-setting mechanism (IRM) applications as long as there is evidence of notice provided to customers for which any standby rate applies.

If such requests are made in an IRM application, the matter is expected to be heard by a panel of Commissioners if affected customers have expressed opposition to the finalization of the existing interim rates.

Distributors that opt to recommend a change to rate design or rate structures, should plan on proposing such changes in a rebasing application.

Cost Awards

The following participants attended the consultation meeting and applied for cost eligibility:

- Association of Major Power Consumers of Ontario (AMPCO)
- Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC)
- Environmental Defense (ED)

- Northumberland Hills Hospital (NHH)
- Ontario Association of Physical Plant Administrators (OAPPA)
- Vulnerable Energy Consumers Coalition (VECC)

The OEB finds that AMPCO, CCMBC, ED, NHH, OAPPA and VECC are eligible to apply for an award of costs under the OEB's *Practice of Direction on Cost Awards*.

Eligible participants shall submit their cost claims no later than **April 11, 2024**. Detailed filing instructions can be found in **Appendix A**. Participants are reminded that eligible costs include a maximum of 3 hours for attendance at the stakeholder meeting plus a maximum of 1.5 hours for preparation. Costs claims will be posted on the [OEB portal](#) as they are received. Costs will be recovered from all electricity distributors based on number of customers. Licensed electricity distributors will have until **April 25, 2024**, to review the claims on the OEB portal and object to any aspect of the costs claimed. The objection must be filed with the OEB, and one copy must be served on the participant against whose claim the objection is being made. The participant whose cost claim was objected to will have until **May 9, 2024**, to file a reply submission with the OEB as to why its cost claim should be allowed. One copy of the reply submission is to be served on the objecting party.

This concludes the consultation on Policy on Standby Rates.

Yours truly,

Nancy Marconi
Registrar

Appendix A

Cost Award Matters and Filing Instructions

Eligible Activities

The eligible activities are as follows:

Activities Eligible for Cost Awards	Maximum number of hours
Attendance and participation in the stakeholder meeting	3 hours
Preparation for the stakeholder meeting	1.5 hours

Cost Awards

When determining the amount of the cost awards, the OEB will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the Cost Awards Tariff will also be applied. The OEB expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process. In accordance with section 12 of its *Practice Direction on Cost Awards* the OEB will act as a clearing house for all payments of cost awards in this process. For more information on this process, please see the OEB's *Practice Direction on Cost Awards*.

How to File Materials

Stakeholders are responsible for ensuring that any documents they file with the OEB **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number **EB-2023-0278** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.
- Stakeholders are encouraged to use RESS. Those who have not yet [set up an account](#) or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.

- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

Email: registrar@oeb.ca

Tel: 1-877-632-2727 (Toll free)