ONTARIO ENERGY BOARD

Generic Hearing on Uniform Transmission Rates –
Phase 2

GLENCORE CANADA CORPORATION (GCC)
WRITTEN SUBMISSIONS: ISSUE 4

Glencore Canada Corporation (GCC) Double Peak Billing

1. In its October 27, 2023 Notice of Hearing, the Ontario Energy Board (OEB) describes Issue #4 as follows:

> *In a month when a planned transmission outage occurs, a transmission customer that transfers its load to another of its delivery points is charged more than it would be if the outage did not occur. This is because transmission charges are based on the monthly peak at each delivery point.*

2. As described in Exhibit M3, Glencore Canada Corporation (GCC) has directly experienced this circumstance a number of times, and as a result has been charged more than it would be if the transmission outages that have affected its supply of electricity did not occur.

3. During these outages, GCC's Sudbury INO Fraser Mine is able to receive a "back feed" of electricity through Hydro One Distribution's Larcwhood Transmission Station (Larchwood TS).[1] As GCC's electricity service at these times is transferred to, and flows through, a Hydro One distribution station, Hydro One Distribution's demand on the transmission system at that TS has increased and thus Hydro One Distribution's own transmission charges can increase. In consequence, Hydro One sends a bill to GCC which includes retail transmission service (RTSR) charges as well as distribution service and energy charges.

4. In such instances, GCC's monthly peak demand at its regular transmission service delivery point (the GCC owned Strathcona TS)[2] does not decrease. In the result, GCC is charged <u>twice</u> for the <u>same</u> load in the month; once through UTRs for demand in the month from its regular Hydro

[1] N-M3-Staff-7
[2] See N-M3-Staff-7 for a full description of GCC's Sudbury INO facilities and associated electricity delivery service connections.

One Transmission delivery point at its customer owned Strathcona TS, and a second time through a RTSR charge from Hydro One based on demand temporarily served through Hydro One Distribution's Larchwood TS transmission delivery point. This is a situation contemplated in Hydro One's April 2024 Background Report on double peak billing.[3]

5. In addition to Transmission Network, Transmission Connection and Transmission Line RTSR charges billed by Hydro One for short term load transfer (STLT) of GCC's load to the Larchwood TS, GCC is billed for certain distribution services and power costs (i.e. Cost of Power, Wholesale Market Service Charge, Global Adjustment and Common ST Line Charge) for demand and energy consumed during such an STLT.[4]

6. GCC takes no issue with these distribution service charges and power costs (save for the double Global Adjustment charge thereby levied, though GCC recognizes that this is an issue unconnected with UTRs and thus for another forum). GCC is willing to pay for the distribution services used during its STLTs, and of course for the power consumed. GCC does note that none of the Larcwhood TS or associated distribution system capacity was built with its STLT demand in mind. GCC only gets the benefit of an STLT as and when Larchwood TS has unused capacity available.[5]

7. The RTSR transmission charges levied by Hydro One for GCC's temporary demand on the Larchwood TS, however, are wholly duplicative of charges paid by GCC for transmission system demand at its primary delivery point - its customer owned Strathcona TS[6] - which is on the same part of the transmission system as Hydro One's Larcwhood TS.

8. For an STLT in August, 2022, for example, GCC paid ~$72,000 in duplicative transmission charges[7], though it placed no incremental demand on the area transmission system. GCC has experienced 3 or 4 such STLTs at its Sudbury INO facilities in the last 5 years.[8]

[3] HONI Background Report, page 3, line 21 through page 4, line 5. See also footnote 3 on page 5 of HONI's Background Report, and Example 5 in that report at pages 18. Example 5 is a summary of GCC's August, 2022 STLT, as evidenced by the Hydro One invoice to GCC included as Attachment B to Exhibit M3.
[4] Exhibit M3, Attachments A and B.
[5] Exhibit M3, page 2, paragraph 9.
[6] Exhibit M3, page 1, paragraph 5.
[7] N-M3-Staff-11, part a).
[8] N-M3-Staff-10, part e).

Uniform Transmission Rate Solution

9. GCC is a transmission connected customer, and remains a transmission connected customer during STLTs.[9] When such a load transfer occurs, Hydro One generates a "one off" statement of charges to GCC for recovery of incremental costs to Hydro One Distribution that may result from the addition of GCC's load to Hydro One's Larchwood TS.[10] However, at no time does GCC's customer status change from transmission connected to sub-transmission or distribution connected.

10. In respect of GCC's specific circumstance, a variation of Hydro One's Option 4 as articulated in its Background Report could most easily address and preclude the negative impact on GCC and similarly situated customers of double peak billing.[11] (Hydro One's options 2 and 3 could also address GCC's double peak billing, and would be acceptable to GCC, but would entail broader changes and have broader impact.)

11. When a GCC STLT occurs, Hydro One generates an invoice for GCC to pay for distribution, and RTSR related costs.[12]

12. GCC understands Hydro One's proposed Option 4 to entail GCC paying this distribution invoice, and then receiving a refund from Hydro One.

13. GCC is not normally billed by Hydro One. As a transmission connected customer, GCC normally settles its monthly power and transmission services costs directly with the IESO.

14. In this circumstance, the most appropriate mechanism for ensuring that GCC pays its fair share of transmission costs, and no more, while holding Hydro One Distribution and all Ontario transmission and distribution customers harmless, is for Hydro One Transmission to directly transfer to Hydro One Distribution funds to pay any RTSR charges allocable to GCC on account of GCC's STLT to Hydro One Distribution`s Larchwood TS. Hydro One Transmission could then record any resulting transfers in the proposed deferral account, for disposition in its next rebasing application, as proposed in the Background Report. The Hydro One invoice to GCC for distribution level and electricity charges would continue and be paid by GCC as such charges

[9] N-M3-Staff-12.
[10] N-M3-Staff-12 and Exhibit M3, Attachment B.
[11] GCC understands that Hydro One's Option 4, and the LDC Transmission Group's second proposed solution (summarized in Exhibit M1 at PDF page 3, last paragraph) would essentially be to the same effect. GCC does not believe that, in circumstances such as those facing GCC, a working group is required in order to implement such a solution, as further detailed in this submission.
[12] Exhibit M3, Attachment B. See also N-M3-Staff-12.

are billed for GCC's use of Hydro One's distribution system during a STLT of GCC's Fraser Mine electricity demand for delivery through Hydro One Distribution's Larchwood TS.

15. GCC notes that, in the case of its STLTs, the flow of funds as between UTRs and STLTs would be completely internal to Hydro One. Through the internal transfers outlined above Hydro One Distribution and its distribution customers would be kept whole, and ultimately so would Hydro One Transmission and, through the IESO, all Ontario electricity customers.

16. Further, as indicated by Hydro One in its Background Report[13]:

(a) No changes would be required to the IESO`s processes and current billing practices.

(b) There would be no administrative settlement requirements imposed on the IESO.

(c) No change would be required to existing load forecasting processes.

(d) There would be no risk of under or over recovery of costs associated with double peak events.

(e) Hydro One would have, and through deferral account disposition could provide to the OEB, clear visibility to the magnitude of such double peak billing events.

17. GCC notes that its STLT demand and consumption is tracked, and currently invoiced, by Hydro One through temporary in-line Hydro One installed metering.[14]

18. In respect of the potential "disadvantage" of Option 4 listed by Hydro One in its Background Report[15]:

(a) There may be some new *"business processes and coordination"* required of Hydro One as between its transmission and distribution teams. GCC does not believe that this would be particularly onerous, as GCC has dealt directly with the same people at Hydro One in respect of both its direct transmission connection and its STLTs.

(b) There should be no material incremental burden or methodological requirements for calculating amounts for transfer/deferral account inclusion, as such calculations are already done in order to bill GCC for the RTSRs historically invoiced as a result of STLTs that have occurred. As noted above, these billings are based on readings taken by Hydro One from temporarily installed in-line meters.

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[13] Hydro One Background Report, Pages 11-12
[14] N-M3-Staff-9
[15] Page 12

Fairness and Ability to Implement

19. In its initial UTR decision, the OEB very briefly addressed a proposal that was advanced by the Municipal Electric Association (MEA) to preclude charging for what was then referred to as a "maintenance peak" (which, in this proceeding, is referred to as "double peak billing" resulting from a planned STLT). The MEA had proposed preclude such a charge through appropriate notification for pre-approval of (what we are now referring to as) STLTs.[16]

20. In the context of that much broader proceeding, the primary focus of which was to establish theretofore non-existent transmission service charges in a newly re-regulated electricity sector, the OEB summarily determined that a mechanism such as that proposed at the time by the MEA would be *"cumbersome, inconsistent with the user-pay or fairness principle, and impractical"*.[17] This finding was set out in one sentence, without further discussion, analysis or reference to the record in the proceeding.

21. In contrast, the record in this proceeding, with a particular focus pursuant to issue 4 on the double peak billing issue, illustrates that not only would correction of double peak billing not be unfair or contrary to the user pay principle, but quite the opposite. Not correcting double peak billing would be *un*fair to affected electricity customers who would continue to pay twice for the same demands on the transmission system[18], which would be *contrary* to the user pay principle.

22. Hydro One notes in its Background Report that the OEB's 1999 determination on this double peak billing issue was *"seen to follow the user-pays principle as transmission-connected customers with more than one DP were seen as receiving the benefit of increased reliability and should as a result be expected to pay for this type of reliability."*[19]

23. When asked about the basis of this characterization of the basis for the OEB's 1999 determination on the topic, Hydro One referred to the same one paragraph determination by the OEB in that case that is noted at paragraph 20, above. That paragraph from the 1999 decision, in full, reads as follows:

> *In the Board's view, the alternative of allowing customers to aggregate demand from delivery points would provide an unfair advantage to those customers with diversity of demand from geographically different delivery points at the expense of other customers. The Board is also of the view that allowance for shifting as suggested by the MEA is*

[16] RP-1999-0044, *Decision with Reasons*, paragraph 3.4.8.
[17] RP-1999-0044, *Decision with Reasons*, paragraph 3.4.9.
[18] Hydro One Background Report, page 3, line 28 through page 4, line 5.
[19] Hydro One Background Report, page 7, lines 26-29.

cumbersome, inconsistent with the user-pay or fairness principle and impractical. The Board therefore accepts OHNC's proposal for transmission charges to be calculated on a per delivery point basis.

24. This paragraph in the RP-1999-0044 *Decision with Reasons* concludes a brief (the foregoing plus another three paragraphs) section entitled *"Charges Per Delivery Point"*. The other two paragraphs in this section of the decision refer to positions on whether transmission services should be charged on an aggregate per customer basis or on a per delivery point basis. In that more complete context, the first sentence in the paragraph excerpted above is properly read as referring to the topic of per customer vs. per delivery point transmission charge determination. That is, the *"unfair advantage"* reference in the excerpted paragraph was not in relation to the MEA's proposal in that case to preclude double peak billing, but rather was in relation to setting general transmission charge determinants on the basis of aggregated (across delivery points) customer demand.

25. As noted in GCC's evidence, and as the OEB is well aware, transmission connected customers pay the costs for their connections.[20] Where there are two connections to the system, the customer pays for both. Any reliability benefit achieved through a second connection is paid for by the benefiting customer through connection costs. As further noted above, GCC benefits from an STLT only to the extent that there is excess capacity at Hydro One's Larchwood TS available at the time. That TS was not designed or built, nor is it maintained, to accommodate any portion of GCC's load.

26. As already argued, there would be no unfairness in precluding double peak billing. In fact, quite the opposite.

27. In respect of the other two reservations expressed by the 1999 Hearing Panel regarding a proposal to preclude double peak billing – that such a mechanism would be *"cumbersome"* and *"impractical"* – GCC endorses a variation of a mechanism proposed by Hydro One that would could be easily and immediately implemented. Billing data is already available, and in fact is already used to track GCC's demand shifted to Larchwood TS and to bill twice for that shifted demand. Deferral account treatment in respect of such, as proposed by Hydro One, is neither cumbersome nor impractical, nor is it novel.

Conclusion

[20] Exhibit M3, page 2, paragraph 6.

28. GCC appreciates the OEB's direction that this phase of the proceeding is intended to address only UTRs, and the impacts of double-peak billing on distribution-connected customers were not intended to be considered.

29. As noted above, GCC is a transmission connected customer, and remains a transmission connected customer during STLTs.[21]

30. In GCC's particular circumstances, the proposed solution to double peak billing charges is one implemented by Hydro One Transmission, as a correcting entry in respect of Hydro One distribution's RTSR charges arising from UTR charges to Hydro One Distribution and (potentially) associated with GCC's temporary demand on Hydro One Distribution's Larchwood TS. GCC submits that this simple solution to the discrete issue faced by GCC and, potentially, a small number of other similarly situated customers[22], fits within the OEB's consideration of UTR focussed solutions to double peak billing issues for transmission connected customers.

ALL OF WHICH IS RESPECTFULLY SUBMITTED by:

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[21] N-M3-Staff-12
[22] Hydro One response to Clarifying Questions, Issue 4, AMPCO-3.