EB-2022-0325

ONTARIO ENERGY BOARD

Generic Hearing on Uniform Transmission Rates – Phase 2

Association of Major Power Consumers in Ontario (AMPCO) Submissions Issue 4: Charges Caused by Planned transmission Outages

The Ontario Energy Board (OEB) is holding a public hearing on its own motion under sections 19, 21, and 78 of the Ontario Energy Board Act, 1998, to consider issues 4, 5 and 6 related to Ontario's Uniform Transmission Rates (UTRs). This is the second phase of this hearing.

Hydro One Networks Inc. filed a Background Report on April 2, 2024 on Issues 4, 5 and 6. The LDC Transmission Group[1] and Glencore Canada Corporation (GCC) filed evidence in this proceeding.

AMPCO has reviewed the Background Report, Intervenor Evidence and the submissions of other parties in this proceeding filed October 16, 2024 and makes the following comments on Issue 4.

Issue 4: Charges caused by planned transmission outages

Summary of Double Peak Billing Issue

- Transmission charges are billed based on the monthly peak at each delivery point.[2]

- Double peak billing occurs when a transmission customer supplied by more than one delivery point (DP) is charged for the same load on both DPs in a given month at the time of a planned transmission outage[3] when the customer's load is transferred from an impacted DP to another DP(s) to avoid or minimize power interruption.

- Double peak billing events occur in circumstances of both planned and unplanned transmission outages.

- For transmission-connected customers, double peak billing impacts Uniform Transmission Rates (including Network, Line Connection, and Transformation Connection charges) paid to

[1] Including ENWIN

[2] HONI Background Report p.1

[3] for example to facilitate system maintenance or system upgrades initiated by the transmitter or the transmission-connected customer

the IESO.[4] Many AMPCO members are transmission-connected customers.

- Approximately 40% of transmission-connected load customers have multiple DPs.[5]

- LDCs are the most likely transmission-connected customers to experience double peak billing events, as approximately 70% of LDCs have multiple DPs.[6] Twenty LDCs have identified double peak billing as an issue, and the actual number is likely higher.[7]

- 25% of large commercial and industrial transmission-connected customers have multiple transmission DPs. Many are not located such that load could be transferred between transmission DPs.[8]

- Between the years 2020 to 2023, Hydro One's data indicates three LDCs and two Industrial customers were impacted by double peak billing.[9]

- Hydro One estimates the incremental billing costs for the transmission-connected customers that made double-peak billing inquiries to Hydro One, or ad-hoc load transfer settlements directly between Hydro One and the transmission-connected customers at $258,000 for LDCs and $429,000 for Industrial customers.

- Hydro One anticipates the majority of the double peak billing events were not identified by the transmission-connected customers which implies that the above stated incremental billing costs could be much greater.

AMPCO agrees with LPMA that the $429,000 in incremental billing costs for two industrial customers is a significant cost for these customers and a solution to avoid such a future occurrence should be sought.[10]

In its Background Report, Hydro One identified four potential options to address the issues as follows:

1. Maintain Status Quo
2. Bill by Customer, Instead of by DP
3. Revise the Definition of the Transmission Charge Determinants
4. Track Double Peak Billing Impact in a Deferral Account

AMPCO supports Option 4, but does not support Options 1, 2 and 3.

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[4] HONI Background Report p. 4
[5] HONI Background Report p. 8
[6] HONI Background Report p. 5
[7] LDC Transmission Group_SUB_20241016 p.1
[8] HONI Background Report p. 5
[9] 4-AMPCO-1 (a) & (b)
[10] LPMA_SUB_20241016 p.2

Option 1 – Maintain Status Quo

Under this option, customers would continue to bear the cost impact of double peak billing arising from load transfers between a customer's DPs during a planned transmission outage.

AMPCO agrees with many of the submissions that double peak billing is a significant problem for many LDCs and transmitters,[11] that needs to be addressed. It is also a significant problem for industrial transmission-connected customers that are located such that load could be transferred between transmission DPs and result in double peak billing events. Unlike LDCs who are able to recover double peak billing costs from customers, large industrial transmission-connected customers with multiple transmission DPs who experience double peak billing events bear any additional costs directly.

Hydro One provided examples in its Background Report to illustrate the impacts of a double peak billing event on a transmission connected customer as well as real examples of instances of double peak billing. The LDC Transmission Group evidence provided numerous experiences and examples of double peak billing at a variety of LDCs under a variety of scenarios along with the impacts of the double peak billing on their customers.[12] These examples illustrate the scope of the issue.

The current Status Quo billing approach does not address the above double peak billing concerns and customers would continue to bear the cost impact of double peak billing arising from load transfers between a customer's DPs during a transmission outage. SEC agrees that there is unfairness caused by both planned and unplanned transmission outages on customers with more than one delivery point when they transfer load.[13]

Based on its description of the issue and the impact on LDCs, the LDC Transmission Group does not support Option 1.[14] In its submissions, LPMA submits that the OEB should make changes to the treatment of double peak billing to avoid levying the additional transmission charges related to double peak events or ensure refunding of the additional charges incurred by the affected customers.[15] AMPCO agrees with the LDC Group and LPMA that changes to the treatment of double peak billing are required. Maintaining the status quo is not fair to transmission-connected customers that are financially impacted by double-peak billing events.

Option 2 – Bill by Customer, Instead of by DP

Under this approach, transmission charges would be calculated based on each customer's

[11] LDC Transmission Group_SEB_20241016 p. 1
[12] LDC_Intervenor Evidence_Exhibit M1 LDC Transmission Group_20240829
[13] SEC_SUB_UTR_20241016 p. 2
[14] LDC Transmission Group_SEB_20241016 p. 18
[15] LPMA_SUB_20241016 p. 3

aggregated demand from all of their DPs, for a given time interval.

The OEB previously considered this option and determined that "the alternative of allowing customers to aggregate demand from delivery points for billing purposes would provide an unfair advantage to those customers with diversity of demand from geographically different delivery points at the expense of other customers".[16]

Hydro One provides disadvantages with respect to Option 2: customers with multiple DPs may gain unfair advantage because of a diversity of demand across their DPs resulting in shifting costs to the customers with single DP; it would involve significant effort for the IESO including updates to its billing and settlement systems; it would require significant updates to the UTR schedule; and adopting the proposed approach of billing by customer for transmission-connected customers only, would create an anomalous outcome for distribution-connected customers. The IESO detailed its concerns in VECC-25 (c).

LPMA submits that Option 2 raises issues with respect to fairness, practicality and the cost to implement such a change.[17] Given the disadvantages of Option 2, Hydro One recommends that transmission charges remain on a per delivery point basis as currently structured.[18] VECC submits that all transmission charges should continue to be calculated on a per delivery point basis. In VECC's view the number of customers and the costs associated with double billing are in no way material enough to warrant such a significant change in the approach to calculating transmission charges and the resulting cost shifting between transmission customers.[19] AMPCO agrees with these submissions. AMPCO does not support Option 2 to address double peak billing concerns.

<u>Option 3: Revise the Definition of the Transmission Charge Determinants</u>

Under this approach, charge determinants used to establish UTRs and bill transmission charges would be redefined to exclude the impact of planned transmission outages on customers with multiple DPs. This represents a change to the current methodology to establish UTRs and bill transmission charges which does not adjust for double peak billing events.

Hydro One assumes that this will require significant time and effort to design and implement and that significant changes would be required to the IESO's billing and settlement systems and processes in order to calculate the charge determinants applicable to transmission customers experiencing double peak billing events. Hydro One points out there is no historical data set for transmission charge determinants excluding double peak billing events and therefore there is no historical baseline that could be used for setting future charge determinants forecasts that

[16] HONI Background Report p. 3
[17] LPMA_SUB_20241016 p. 3
[18] HONI_SUB_Issue 4, 5 and 6_20241016 p. 3
[19] VECC_SUB_UTR_Issue 4-5 & 6_20241016 p. 6

exclude double peak billing events and the level of effort required is unclear.[20] This option would also require input from the IESO with respect to the scope and cost of this work.[21] The IESO detailed its concerns in VECC-25 (c).

Hydro One does not support revising the definition of transmission charge determinants to exclude the impact of planned transmission outages for customers with multiple delivery points.[22] OEB staff does not support revising the definition of the transmission charge determinants. OEB staff submits that transmission outages, either planned or unplanned, should not be afforded special treatment when considering transmission charges. When considering cost causality, the load transfer due to a transmission outage does not merit different treatment from any other load transfer.[23] The LDC Transmission Group also indicated that they do not support this approach.[24] VECC does not support Option 3 given it requires significant time (and likely resources) to implement and it is uncertain as to whether a "workable" solution can be developed.[25] AMPCO agrees with these submissions. AMPCO does not support Option 3 to address double peak billing concerns.

Option 4: Track Double Peak Billing Impact in a Deferral Account

Under this approach, the current UTR charge determinant definition and practices of billing based on a monthly peak at each DP will not change, but the transmission-connected customers that are charged for double peak billing events will receive a refund directly from their transmitter. The transmitter will track the refunded amounts in a deferral account and at its next rebasing application, the transmitter will bring forward the deferral account balances for disposition.[26]

Hydro One favours the use of a deferral account approach to address the concerns related to double peak billing.[27] Hydro One identified a number of advantages to Option 4 that include:

- No changes are required to the IESO's processes and current billing practices.
- No changes are required to the UTR schedule.
- As the transmitter issues refunds directly to the affected transmission customers, there are no administrative settlement requirements imposed on the other unaffected transmitters or the IESO.
- No change required to existing load forecasting.

[20] HONI Background Report p. 10
[21] HONI Background Report p. 10
[22] HONI_SUB_Issue 4, 5 and 6_20241016 p.6
[23] EB-2022-0325 – OEB Staff Submission p. 8
[24] LDC_Intervenor Evidence_Exhibit M1 LDC Transmission Group_20240829 p. 18
[25] VECC_SUB_UTR_Issue 4-5 & 6_20241016 p. 6
[26] HONI Background Report p. 11
[27] HONI_SUB_Issue 4, 5 and 6_20241016

- The IESO does not need to track demand data without double peak events, as transmitters will continue to use metered data (unadjusted) as basis for producing charge determinant forecast.
- There is no risk of under or over recovery of costs associated with double peak events as the exact amounts provided as refunds to the customers are recovered through the disposition of the deferral account at a future date.
- Provides clear visibility to the magnitude of double peak billing events as part of the regulatory process for disposition of the associated deferral account.

The disadvantages include an additional administrative burden for transmitters and the methodology for calculating the refund amount will need to be established. AMPCO agrees with SEC that while there are details that will need to be worked out, the approach appears to be the most transparent for transmitters, double-peak billed customers, all other customers, and the OEB.[28]

In VECC's view Option 4 is the preferred option out of the four presented by HONI in the Background Report based on the advantages identified by HONI.[29] VECC states HONI's Option 4 is more transparent as the amounts in question will be subject to review by the OEB when the deferral account balances are cleared.[30] LPMA supports the billing impact of planned and unplanned transmission outages being tracked in a deferral account or accounts.[31] AMPCO agrees with these submissions and supports the use of a deferral account. Hydro One further notes that this approach could be implemented more quickly than any of the options that require making changes to the current billing approach. Additionally, since this option does not impact the charge determinant forecast, it can be implemented at any time after an OEB decision in this proceeding without affecting any existing approvals for the current cost of service period and without the need to coordinate with the timing of any future cost of service applications. Further, Hydro One indicates such an account could also apply to other transmitters if double peak billing is an issue for their transmission customers. [32]

Based on the OEB's scope in this proceeding, the focus of Hydro One's Background Report is transmission-connected customers. Hydro One notes in its report and submissions that double peak billing events can impact both transmission-connected and distribution-connected customers, and as such, the distribution aspects will need to be addressed after the transmission aspects of double peak billing are addressed in the current proceeding. There is an anomalous/unfair outcome for customers if double-peak billing issues are resolved for transmission-connected customers but not for distribution-connected customers.[33] AMPCO agrees with Hydro One's submissions.

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[28] SEC_SUB_UTR_20241016 p. 2
[29] VECC_SUB_UTR_Issue 4-5 & 6_20241016 p. 10
[30] VECC_SUB_UTR_Issue 4-5 & 6_20241016 p. 8
[31] LPMA_SUB_20241016 p. 5
[32] HONI_SUB_Issue 4, 5 and 6_20241016 p. 8
[33] HONI_SUB_Issue 4, 5 and 6_20241016 p. 9

AMPCO's member Glencore Canada Corporation (GCC), a transmission-connected industrial customer, provided evidence in this proceeding based on its experiences with respect to double peak billing related to short term load transfers (STLT) from a transmission-connected DP to another source of supply through connection to the distribution system (distribution-connected DP).

GCC filed submissions on October 16, 2024, which state "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." Further, "GCC understands Hydro One's proposed Option 4 to entail GCC paying this distribution invoice, and then receiving a refund from Hydro One." [34] GCC also states "As a matter of principle, fairness commends recovery by transmitters of any double peak billing credits or refunds issued to affected STLT customers."[35] AMPCO supports the submissions of GCC.

Hydro One noted GCC's evidence and the specific situation for customers that have load transfers from transmission to distribution, and the need for this issue to also be addressed.[36]

Conclusion

AMPCO supports Hydro One's Option 4, which would involve transmitters refunding transmission-connected customers for the impact of the double-peak billing event and tracking the amount in a deferral account. AMPCO submits this option meets Hydro One's objectives: avoids levying the additional transmission charges related to double peak events or ensure refunding of the additional charges incurred by the affected customers; and all transmitters should be able to fully collect their OEB-approved revenue requirement.

[34] GCC_SUB_2UTR_20241016 p. 3
[35] GCC_SUB_2UTR_20241016 p. 5
[36] HONI_SUB_Issue 4, 5 and 6_20241016 p. 9