

Handout A: Updated Transformer Allowance - Phase 2 Discussions (December 16, 2005)

Background

HONI delivers various voltages to Transformer Stations (TS) above 50 kV and then utilizes Bulk Delivery lines to delivery power to LDCs' Distribution Stations (DS). The LDCs then delivery power through primary lines at above 1000 V. In order to serve the smaller customers, the LDC uses line transformers to step down to voltages to smaller commercial and residential customers.

Some larger customers are sophisticated enough that they can provide their own transformation to better control their own operation. In the case of HONI, there are Direct Customers that provide their own transformation.

Advsitory Team Discussion Points

Traditionally, the LDCs have been using \$0.40 to \$0.60 per kW for transformer allowance. This allowance is to recognize the avoided costs to the LDC for not having to provide DS capacity. This also assumes that the total costs have been allocated to all classes. Parties have pointed out that this amount was set over 25 years ago and question if the amount is still appropriate at this stage.

There are two levels at which the customers can install their own transformation, one at the Bulk Delivery level and the other at the Primary level. Should there be two transformer allowances to recognize the difference in voltages? If different transformation allowances are applied to the same class, should the total amount of the two different credits be pooled for allocation to the class as a whole or should they be classified as a separate class/sub class with a different transformer allowance?

It is possible that within the Primary level, there could be different voltages; however, it is not possible to break out the cost in such detail to calculate the allowance for various voltages within the Primary system.

A team member pointed out that in some cases, even though a customer did not install a transformer, but due to their delivery voltage, they should receive a notional transformer credit.

Sometimes the contractors install the transformers as a turnkey operation and do not provided the breakdowns into different components such as protectors, switchgears, etc. There were some discussions as to what equipment should be included in the calculation of the transformer allowance.

Some LDCs housed the DSs in such a way that it blends in with the neighbouring houses (as required by City by-laws) and thus may drive the cost higher than LDCs that use the open type DSs. LDCs could install pad-mount or pole-mount transformers, depending on the location and the requirement. These would contribute to differences in allowance among LDCs.

A late response from a team member suggested that some utilities overbuild in anticipation of potential load growth. As a result, the transformer allowance could prove too high.

