



Ontario Energy Board

Commission de l'énergie de l'Ontario

Electricity Distributor Rate Design Phase 2 – Session 1

Stakeholder Consultation
October 17, 2007

Agenda

- **1:00** **Introduction and Project Overview**
- **1:30** **Context of the Rate Design Review**
- **2:00** **Review of Rate Design Issues and Options**
- **3:15** **Break**
- **3:30** **Review of Rate Design Issues and Options (cont.)**
- **4:30** **Approach to Examining Rate Design Issues
and Evaluation Options**
- **4:45** **Meeting Wrap-up and Next Steps**





Ontario Energy Board

Commission de l'énergie de l'Ontario

Introduction and Project Overview

- Reasons for review
 - Advanced metering
 - Conservation and demand management
 - Distributed generation and load displacement
 - Restructuring of the sector – distributors as corporations
 - 1999 Rate Design – limited unbundling
- Blank page

- Policy
 - Laurie Reid, Team Lead
 - Marika Hare
 - Takis Plagiannakos
- Board Advisors
 - Pam Nowina
 - Ken Quesnelle
 - Paul Vlahos
- Legal
 - Martine Band
- Team Members
 - Allan Fogwill
 - Pascale Duguay
 - Neil Mather

- Not a hearing
- Staff and consultant provide research
- Stakeholders provide ideas and submissions
- Board staff make recommendations in a discussion paper
 - Stakeholders make submissions
 - Board may call for oral presentations
- Decision is made by the full Board

Purpose of Consultations

- Consensus on issues
 - if possible but not expected
- Determine nature of disagreements
 - Facts unknown or in dispute
 - Differing approach to policy
- Board staff understanding of stakeholder ideas
 - To present to Board
 - Meeting notes and one set of revisions
- Today's session
 - Not to debate issues
 - To identify priority options for discussion at future meetings

- Just and reasonable rates
 - Protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.
 - Promote economic efficiency and cost effectiveness in the...distribution...and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.

- Board meeting October 3
- Starting point
 - Bonbright's principles
 - Stakeholder comments in submissions
- Identified priorities
 - Efficiency
 - Static (e.g. use of system)
 - Dynamic (e.g. rational growth)
 - Fairness
 - Cost causality
 - Without undue discrimination
 - Recovery of revenue requirement in an effective way
 - Practical, clear and uncontroversial

Consistency of rate design: Rate Harmonization

- Staff discussion paper
 - All distributors use a single rate order (revenue pooling)
- Comment
 - Most against; except
 - School Energy Coalition
 - it is the most important issue
 - SEC has no position but shows how it might be implemented
 - LMPA supports for owners with buildings in many service areas
 - Decision: continue to study, especially for small distributors



- Staff Discussion Paper
 - Customers who require special reliability or power quality
 - Customers who accept interruptible service
 - Potential for classes or sub-classes
- Comments
 - LDCs should be able to offer it but as a cost-based charge
- Decision: Possible interruptible rates
 - Gather information on other jurisdictions

- Staff Discussion Paper
 - Currently, rates are based on accounting (sunk) costs
 - Economists suggest rates should be based on marginal cost to control incremental behaviour
 - Short run marginal cost
 - Long run marginal cost
- Comment
 - Little support; some say it would be interesting but hard
 - Pollution Probe: distribution rates based on the LRMC of the integrated system
 - PWU: update Incremental Distribution Cost from 1999
- Decision: Remove from scope

- Staff Discussion Paper
 - Costs on geographic parts of a system can be quite different
 - Localized rates based on localized costs in addition to classes
- Comment
 - Little support
 - EDA: some zonal rates may be appropriate,
 - HONi: if coordinated with transmission
- Decision: Remove from scope

- Staff Discussion Paper
 - Does the Simple Bill blunt any conservation effect of rates?
- Comment
 - Recognition that it is a problem but that conservation can still happen
- Decision: Implementation Issue
 - After policy decision, review implications of the simple bill

- Distribution system losses
 - Method for charging customers for distribution losses
 - Decision: Add to scope
- Implementation issues
 - Acceptable levels of rate shock, etc.
 - What the bill should look like
 - Decision: Note for future stage
e.g. development of rate handbook
- Revised framework for cost based charges and economic evaluation
 - The new rate design could affect revenue recovery and customer contributions
 - There should be a standard procedure for assessing DG benefits and designer power
 - Decision: Note for future stage