



May 14, 2007

Mr. Peter O'Dell  
Assistant Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street  
27<sup>th</sup> floor  
Toronto, ON M4P 1E4

**Re: EB-2007-0031: Comments on Staff Discussion Paper – Rate Design for Electricity Distributors**

Dear Mr. O'Dell:

The Building Owners and Managers Association of Greater Toronto (BOMA) is pleased to provide the following comments on issues and questions raised in the Staff Discussion Paper.

These views are provided from the perspective of our members, who typically represent large General Service and Large User accounts in urban centres across Ontario.

**Rate Principles:**

With respect to the principles of rate design, we recognize the established principles as stated, and appreciate the need to balance competing interests.

In summary our position is that distribution rates should provide:

- **Fairness**, with costs allocated to those customer classes according to the costs they impose.
- **Practicality** with a consistent application of *rate structure* across the Province.
- **Facilitation** of the broader objectives of conservation, demand management and distributed generation.

## **Service Classifications:**

With respect to service classifications, we generally believe that fewer classifications are desirable, to the extent that cost can be fairly allocated to respective groups. Rate categories should recognize the inherent differences in customer characteristics.

Most importantly, to the extent possible, rate categories should be consistent across all LDCs in Ontario, or failing that across all the mainly urban LDCs". This would provide for better understanding on the part of consumers, more cost effective and more effective LDC billing verification and would allow for clear comparability between LDCs.

We suggest the following classifications:

**Residential** – the largest number of accounts representing the most homogenous group.

**General Service Less than 50 kW** – this has been an historic classification that we believe still provides for a rational segmentation. These are the ‘small business’ consumers – small stores and operations that are large in number and not far removed from residential accounts in magnitude. There is a natural demarcation at 50kW, which corresponds to about 250,000 kWh per year – the threshold for ‘designated’ consumers who are eligible to receive the regulated price plan.

**General Service: 50 – 1000 kW.** This next category represents the ‘bulk’ of mainstream commercial consumers – offices, stores, apartment buildings, schools, etc. They have the commonality of relatively large costs and comparable service conditions. Having defined 50kW as a practical threshold between ‘small business’ and ‘commercial’ consumers, the question then becomes – what is an appropriate upper level? We note that different LDCs have different thresholds - 500 kW, 1000 kW, 1500 kW. We suggest that 1000 kW is an appropriate level. It provides a reasonable demarcation between the large number of mainstream commercial consumers and the smaller minority of accounts that are very large, and could generally be considered as ‘expert’ consumers, likely to be dedicating resources to the management of their costs.

**General Service: 1000 kW and Higher.** We suggest that having recognized a threshold at 1000 kW, there is no practical difference in the make-up of these consumers from those very few Large Users, greater than 5000 kW. As such we suggest the Large User category be abandoned. The large User rate classification appears to be a legacy of Ontario Hydro rate categories. In our view there is no substantial difference in customer characteristics over 1000 kW that warrants the continuation of a separate Large User (5 MW and greater) classification for such a small minority of consumers. Further supporting this position, we note that certain LDCs have large discontinuities between GS and Large User rates at the 5 MW level. This is neither supportable, nor equitable.

We do recognize the inherent differences in customer make-up for Hydro One [excepting Hydro One Brampton], and other mainly rural LDCs, as opposed to the mainly urban LDCs. We appreciate that Hydro One may require additional classifications for seasonal and farm customers. Still, their residential and general service rate classifications should be consistent with that stated above.

#### Fixed and Variable Components:

We note large discrepancies between the fixed and variable portions of distribution rates across Ontario LDCs.

We suggest that fixed portions should be minimized to the point that they reflect the actual administration and overhead costs of servicing the accounts for that rate classification. i.e. billing, metering, customer care.

Variable costs should be the larger component, to cover the capital investment and operation and maintenance of the physical infrastructure to serve customers in that particular rate classification.

By having variable costs as the larger component, the broader encouragement of conservation and demand management is supported.

#### Billing Determinants:

Here we note a perplexing variety of billing determinants across LDCs that begs for standardization – peak, max., different peak times, 15 minute or hourly peaks, kW or kVA.

Of necessity our members routinely deal with these subtle yet significant differences.. Consumers who manage portfolios of large accounts generally implement bill verification and cost management systems. To accommodate different rate categories, and especially different billing determinants, imposes needless complications and inefficiencies..

The need for consistency in billing determinants is of paramount importance. Our suggestions follow:

Peak demand is currently calculated in different ways: peak 15 minute demand, peak discrete hourly demand, or peak hourly demand based on a 15 minute rolling window. We suggest that all LDCs should adhere to the standard procedure used by the IESO in the wholesale market – peak demand calculated as a discrete hourly value.

We note that Toronto Hydro is the one exception in Ontario in that they charge for demand on kVA as oppose to kW (as does BC Hydro). We suggest that charging for demand based on kVA is a more practical and fair alternative.

First, it more directly represents the investment in physical distribution infrastructure (transformers and switchgear are rated in kVA, not kW). And it provides a clearer signal of the need to improve power factor at the customer level.

Our strongest recommendation in this regard is to *have demand charges only determined “at peak times”*. Prior to market opening this was the case. With the disaggregating of rates around 1999, distribution demand charges took a regressive step by being applied as maximum demand, i.e. as occurring at any time. This diminished the motivation for consumers to implement load management, shifting demands to off peak periods. To be consistent with broader electricity objectives to encourage demand management and reduce peak system demand, this disincentive should be removed. Distribution demand charges should only be applied during peak hours.

#### Distributed Generation:

We strongly support the broader development of distributed generation resources as a means of reducing transmission capital upgrades, reducing transmission losses, and generally improving the security of the power system.

Any distribution rate design should support this broader development of DG, not penalize it. The imposition of standby charges to load displacement DG projects is inappropriate in that it penalizes consumers by charging them for a service they have not used. The rationale of recovering costs associated with alleged ‘stranded assets;’ has no basis in LDCs that are struggling to meet growing consumers demands.

#### Rate Harmonization:

While we strongly advocate the need for common *rate structures*, the actual distribution rates should not be otherwise pooled or harmonized. This would remove any transparency of relative costs pertaining to individual LDCs and would be a regressive step in terms of encouraging increased costs efficiencies. Each LDC should continue to have rate orders based on their specific revenue requirements.

#### Varying Levels of Service.

We see no basis for consideration of so called ‘designer power’ options with different service offerings.

Where exceptional security of supply is required, such as through back up generation or UPS, this is available through normal commercial channels.

LDCs should be striving to meet obligations for acceptable levels of service for all consumers, rather than contemplating some theoretical differentiation of service levels.

Locational Pricing:

We do not support the development of locational pricing as it relates to distribution rates. Any locational differences within a specific LDC geography should be harmonized in the standard rate classifications for that LDC. To do otherwise would present needless complications and regulatory oversight, with the potential for new customer inequities.

Impact of the Simplified Bill:

As our members would not generally be subject to the simplified bill requirements we refrain from making specific recommendations.

However we do endorse the principles that all consumers must be provided sufficient information to validate their total charges – billed quantities, billing determinants and applicable rates.

And we support the principle that rates should motivate consumers to pursue more efficient and demand responsive behaviour.

Thank you for your consideration of our view. We would be pleased to elaborate on any aspects. And we look forward to further participation as this project develops.

Yours truly,



Chuck Stradling  
Executive Vice President  
BOMA Toronto