

Efficiency Priorities for Electricity Distributors

Presentation to OEB:

“Review of Further Efficiencies in the
Electricity Distribution Sector”

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Overview

- Procedural concerns
- Prioritizing LDC efficiency issues in Ontario's growing electricity crisis
- Data requirements for efficiency analysis
- Inappropriateness of taking guidance from Electricity Conservation and Supply TF
- Avoid options that would reduce efficiency
- Conclusion

Procedural Concerns

- What is the origin of this process?
- Inappropriate hastiness of review, lack of notice
- Special disadvantage for non-commercial, public interest groups
- Need for the OEB to publish all submissions

Prioritizing LDC Efficiency Issues

- Bill 4 has temporarily patched the greatest immediate stability concern for LDCs
- Other electricity system stability concerns must get higher priority than LDC efficiency

Efficiency Analysis Needs Data

- No cost of service baseline established
- Reliability and other SQI data not published
- No data on losses available

Credibility of Electricity Conservation and Supply Task Force

- Dominated by supply-side interests
- No C&I customer representation
- IMO participation *ultra vires*
- Lack of knowledge of internationally demonstrated benefits of market design elements like spot market

Efficiency Reducing Options

- Converting LDCs into load serving entities
- Fiat-driven LDC consolidation

Inappropriateness of LDCs as Load Serving Entities

- Distributors contracting for commodity creates risk
- LDCs have no experience in commodity buying
- Government-owned LDCs cannot be properly accountable to government regulation

LDC Consolidation: Efficiency or Inefficiency (1)

- Hydro One acquisition program inefficient
- Separating Hydro One's T from D should be studied
- Parts of Hydro One distribution suitable for buyout by more efficient LDCs

Labour Cost: Efficiency Driver

- Labour cost is key efficiency driver
- OEB should study labour costs

LDC Efficiency: Smart Better than Big

- Toronto Hydro – large and naturally advantaged but high cost
- Variability of rates suggests efficiency advantages from buyouts
- Market-driven consolidation superior to fiat-driven

Conclusion

- Consumers need efficiency
- Proper data, analysis, and debate needed
- LDCs as load serving entities harmful to the public interest
- Non-market, fiat-driven consolidation harmful to the public interest