May 22, 2008

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario, M4P 1E4

Re: EB-2007-00031
Staff Discussion Paper on Rate Design for Recovery of Electricity Distribution Costs

The Building Owners and Managers Association of Greater Toronto (BOMA) is pleased to provide the following comments on the Staff Discussion Paper of March 31, 2008, following from our comments provided on the original discussion paper at May, 2007.

As BOMA's members are typically in the GS>50kW category, we have specific comments related to the larger rate classes. Our comments on residential and smaller customer rates are more general and are offered from the perspective of achieving fairness, practicality and clarity in the rate design.

General Comments:

We appreciate that much of the impetus for this discussion paper is the introduction of smart meters to residential and small customers and the associated opportunity to fundamentally rethink rate design. The majority of BOMA members have interval meters, and so are already being billed according to hourly usage and peak demand. As such, the impetus for overall change is not as compelling.

One general requirement that we believe should be a test for any rate design is *the ability for a customer to readily confirm their charges as being accurate*. This requires:

- Access to usage data
- Clear definition and transparency of billing determinants.
- Consistent application of charge calculations.

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Large, and arguably the more sophisticated, consumers routinely verify their charges and, can 're-create' their bills 'to the penny'. This is important for precise cost control, determination of savings from energy management and demand response, and ongoing budget tracking.

To give credit to electric LDCs, they have evolved substantially from market opening in terms of providing large customers with access to interval data, and providing clear and accurate billing statements (although with varying formats and inconsistent use of billing determinants between LDCs).

(As a related comment we note that such access to 'root' meter data is not generally facilitated by the gas LDCs, even though it delineated in GDAR)

We suggest that as a principle, this basic ability to verify and 'recreate a bill, be available to all customers. Rate designs that hinder this ability, or diminish the transparency of charge calculations, should be avoided.

Another general principle we propose is that *bills must stand alone on a month by month basis,* and not be impacted by usage or other considerations from prior or future months. This is especially important for large commercial consumers where costs are allocated or charged directly to tenants *based on the actual costs incurred by the landlord*. If those costs are somehow attributable to usage from other periods the legitimacy of the allocated charges can be called into question. Following this, we fundamentally recommend against any consideration of ratchet demand charges or contract demand.

As a final general comment, existing rate structures and billing determinants are largely understood and accepted by large customers. Some improvements, especially related to consistent application of rate structure and billing determinants, are to be encouraged. However, major structural change for large consumers is not seen as necessary or desirable.

Customer Classes:

BOMA sees merit in the proposed 'connection based' classes:

- secondary single phase
- secondary three phase
- primary
- sub-transmission

We view these classifications as logical and more accurately representing both the distribution system assets and customer distribution assets required for service.

At this point we suggest that further division of these classes would not be desirable. By having consistent charges within each class, the resulting 'step change' or price discontinuity from crossing a nominal volume threshold can be avoided. (For example we note that some LDCs have an incremental charge in excess of $10,000 per month by crossing into the 5000 kW threshold).

Consistent rates within each 'connection based' class would also allow for consistent application of loss factors. The current situation where loss factors change according to volumetric rate structure (e.g. a crossover to large user), presents an inequitable, and unsupportable allocation of losses and resultant costs.

The suggested options of establishing customer class based on voltage level or contracted demand are not supported by BOMA as we do not believe they fairly represent the actual costs imposed by consumers.

Fixed/Variable Split:

As a basic principle we believe the fixed portion of distribution costs should represent those static costs, independent of volume, that are related to each particular rate class. i.e. metering, billing and customer care.

We find the notion of increasing the fixed portion of distribution costs to provide a greater degree of revenue certainty to be unacceptable. All other businesses deal with the reality of varying revenues, and LDCs should be no different. To fix a larger portion of costs, rather than making them variable according to usage, works against the objective of encouraging efficient use.

Billing Determinant Options:

As mentioned in our previous submission, we see a priority issue is the need to establish *consistent application of billing determinants amongst LDCs*.

If we agree that peak demand is to be the determinant for variable charges – should it be discrete one hour demand, sliding window 1 hour demand based on 15 min intervals or 15 min peak demand? Then, should it be kW or kVA?

In our view the merits of choosing one particular approach are secondary to achieving consistency amongst LDCs. That said, we consider discrete one hour demand as the preferred option, based on practicality and existing consumer acceptance and understanding.

Related to this we note that some LDCs prorate the demand charge (and in some cases the monthly fixed charge) according to a 30 day month. While this may be more technically accurate, and is not hugely material, we suggest it presents an unnecessary complication, again working against our objective of having billed amounts easily verified.

We also note that Toronto Hydro is the one exception in that they charge on the basis of kVA. While it is the exception, the application of kVA is the most logical and provides the most direct correlation to distribution infrastructure assets. And it provides the clearest signal to consumers of the need to maintain appropriate power factor correction.

While billing on kVA demand would be our preferred option, the historical practice of billing on kW or 90% kVA is also well understood and accepted.

We remain of the opinion that *demand charges only be applied 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.

The suggested option of having variable or coincident peak times is unacceptable in our view as it introduces considerable complexity and works against our stated objective of be able to easily recreate and confirm charges. Defined, and consistent peak periods are required.

Consistent with this approach, we suggest that smaller RPP customers have their volumetric distribution charge be applied as a kWh charge according to TOU price periods. Ideally the distribution charge would only be applied during mid and/or peak price periods. Following from our recent submission on RPP design, we believe the allocation of distribution charges to peak times would further reinforce the on peak – off peak differential and provide greater motivation for consumers to practice load management.

In the discussion paper the option of applying demand charges to smaller consumers is raised. While the implementation of smart meters makes this a possibility, and arguably has theoretical and technical appeal, we suggest it may be imprudent to impose such radical change on small consumers. The acceptance of TOU pricing and subsequent encouragement of load management practices should be the primary objective for that customer group. The introduction of the concept of peak demand, even though it is fully understood and accepted by larger customers, may prove counterproductive if imposed on smaller consumers.

Distribution System Losses:

We recognize and support the need to pursue avenues that more accurately address the proper application of system losses. While we appreciate the technical reality that losses are variable and dynamic, we cannot see, at this time, a practical arrangement for application of loss factors that address this inherent variability without introducing unacceptable complexity. (i.e. working against our stated principle of customers being able to readily confirm charges). As such we suggest the application of static loss factors, according to customer class, is the only practical and equitable option at this time. Still we support any further study into the nature and subsequent allocation of losses that would serve to address loss reduction in a practical manner.

Thank you for the opportunity to contribute comments based on the perspective of large commercial consumers to this consultation.

Yours truly,

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BOMA Toronto