

Ontario Energy Board

Renewed Regulatory Framework for Electricity

Pollution Probe's Questions for the December 8 & 9, 2011 Board Staff Information Session

Preamble

According to the Board's October 27, 2010 letter with respect to this proceeding:

"First, the Board will re-examine its approach to network investment planning by transmitters and distributors. **This work will include an examination of ways to encourage distributors and transmitters to plan their investments with the total bill impact in mind.** Efforts to manage the prioritization and pace of network investments may require an assessment of the combined cost impact of both the proposed network investment and the generation that would be connected by that investment; that assessment should help to ensure that the most cost effective network investments are made first....

It is important to the sector that the Board's regulatory framework sets appropriate standards for performance and efficiency and rewards distributors and transmitters that exceed these standards. Consequently, this initiative will consider new ways of setting efficiency standards and providing appropriate incentives to transmitters and distributors." [emphasis added]

According to Attachment A to the Board's November 8, 2011 letter with respect to this proceeding:

"The Board envisions that the renewed regulatory framework will lead to a more outcome-based approach to regulation of the sector, supported by clearly defined objectives and responsibilities...

A life-cycle view can be a useful tool throughout these consultations. Such an approach can facilitate discussions with stakeholders on potential outcome-based approaches to encourage transmitters and distributors to control costs *ex ante* and thereby reduce the need to mitigate rate and/or bill increases *ex post*. **When developing inter-related policies, a life-cycle view should also help maintain awareness of the "big picture" of how individual parts of the greater whole relate to each other and thus help to identify inter-dependencies and co-dependencies.**" [emphasis added]

Pollution Probe agrees with the Board that a new regulatory framework should seek to ensure that Ontario meets its energy needs at the least cost including social and environmental costs.

According to the State of California, cost-effective energy efficiency is the resource of first choice for achieving this objective:

“The state’s “loading order” – first acknowledged in Energy Action Plan I – identifies energy efficiency as California’s top priority resource. Under Public Utilities Code Section 454.5(b)(9)(C) utilities are required to first meet their “unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible.”¹

Conservation and demand management (including behind the meter combined heat and power) are also Ontario’s lowest cost options to meet its energy needs.²

Nevertheless, Board Staff’s discussion papers are virtually silent on the need for the utilities’ planning processes to pursue all cost effective, reliable and feasible conservation and demand management (CDM) in order to minimize their customers’ bills. Instead, they appear to be focused on minimizing the cost of supplying more electricity (kWh) and minimizing the cost of connecting new Made-in-Ontario renewable electricity to the grid. That is, the discussion papers appear to be focused on the traditional goals of electricity network planning.

Questions

1. Does Board Staff agree that the goal of this regulatory process is to ensure that Ontario meets its energy service needs (e.g., lighting, refrigeration) at the least cost including social and environmental costs?
2. Does Board Staff agree that the Board’s new regulatory framework should ensure that all available CDM (including behind the meter combined heat and power) that is cost effective, reliable and feasible should be pursued?
3. Does Board Staff agree that the pursuit of all available CDM that is cost effective, reliable and feasible should be the most profitable course of action for Ontario’s utilities?
4. Does the *Distribution System Code’s* “no duplication rule” need to be modified to encourage competition, innovation and entrepreneurship by Ontario’s utilities with respect to CDM?
5. Should Ontario’s utilities be encouraged to re-establish equipment rental and on-bill financing programs to help their customers lower their energy bills while minimizing cross-subsidies?
6. Should Ontario’s utilities be encouraged to invest in district energy systems to help reduce their customers’ bills? Should the utilities be allowed to include the capital costs of their district energy systems in their utility rate base?

¹ California, *Energy Efficiency Strategic Plan: January 2011 Update*, page 1.

² Ontario Clean Air Alliance, *Ontario’s Electricity Options: A Cost Comparison*, (November 2011); <http://www.cleanairalliance.org/files/costcompare.pdf>

7. Should the utilities' rate design and connection policies be modified to encourage behind the meter combined heat and power projects that can meet the province's electricity needs at a lower cost than large conventional power plants?
8. Should the *Transmission System Code* be modified to encourage behind the meter combined heat and power projects that can meet the province's electricity needs at a lower cost than large conventional power plants?
9. Should Ontario utilities be allowed to continue to "pass through" their distribution system losses costs to their customers? If yes, how should the Board encourage the utilities to pursue all their cost-effective opportunities to reduce distribution losses?
10. Should the utilities' residential and small volume customer monthly fixed charges be lowered, and their per kWh distribution charges raised, to increase their customers' incentive to conserve energy. (N.B. Toronto Hydro's residential fixed charge of \$18.25 per month is \$13.70 higher than the OEB's lower bound for this charge, i.e., \$4.55 per month.)
11. Should the differential between peak and off-peak rates be increased to reduce the need for new high-cost peaking electricity supply-side infrastructure? (N.B. For residential customers the differential between peak and off-peak rates is only 4.6 cents per kWh despite the fact that the differential between peak and off-peak costs is approximately \$1.60 per kWh.³)

³ Ontario Clean Air Alliance, *An Energy Efficiency Strategy for Ontario's Homes, Buildings and Industries*, (October 2011), pages 20-22. <http://www.cleanairalliance.org/files/ee.pdf>