Developing a Renewed Regulatory Framework for Electricity

• Rate Mitigation (EB-2010-0378)
Rate Mitigation

- *To provide transmission and distribution utilities and the Board with a set of tools, approaches or options to help mitigate the effects of unavoidable and significant rate and/or bill impacts.*
Rate Mitigation: Context

- Government predicts electricity prices will rise 3.5% per year over the next 20 years, with a sharper increase in the near term for residential prices: 7.9% per year (or 46% over 5 years).
  - Short term increase to help pay for critical improvements to electricity capacity in nuclear and gas, transmission and distribution, and for investments in renewable generation.

- The Ontario Clean Energy Benefit, effective January 1, 2011, is intended to help ratepayers with rising costs and electricity prices.
  - 10% rebate on the total bill for the next 5 years.
The Board’s current mitigation policy is described in chapter 13 of the 2006 Electricity Distribution Rate Handbook.

A mitigation plan is required if total bill increases for any customer class or group exceeds 10% (keeping the commodity component constant).

Distributors have discretion over the mitigation methodology proposed, which is considered by the Board on a case-by-base basis.

10% threshold was initially established to mitigate rate increases from the unbundling of services.
Rate Mitigation: Issues for Consideration

Review of Current Mitigation Policy

• In what cases (driver and amount of the increase) has the Board approved/requested mitigation plans?

• What sort of mitigation plans has the Board approved?

• Has the Board’s mitigation policy applied to increases on total bill (excluding taxes) or just delivery charges?
Jurisdictional Review

• What mitigation approaches/methodologies have been implemented in other jurisdictions?

• How have “green” jurisdictions (jurisdictions with a significant share of renewable generation in their supply mix) promoted gradualism in rates or bills? How have these policies been set? What principles or regulatory objectives were driving them?

• Are there other jurisdictions that have a threshold in place that applies to the mitigation of rate or bill impacts? If so, what is the threshold and how is it set?
Mitigation of Commodity Charges (RPP)

- Should the Board mitigate changes in commodity charges through the RPP-setting process? If so:
  - How might the Board mitigate these changes while maintaining the principle of full cost recovery?
  - Would an accelerated recovery of the balance in the OPA variance account result in smoother/lower bill changes? What would be the implications of an accelerated recovery?
Mitigation of Delivery Rates

• What principles should guide the Board’s mitigation policy?

• Should there be a generic methodology/approach to mitigate delivery rates or should utilities have discretion about the type of mitigation plan to be proposed?

• What alternative approaches and/or rate treatments might smooth the impact of rate increases? (Ex ante & ex post approaches).
Ontario Clean Energy Benefit (OCEB)

- In developing its policy, should the Board consider the OCEB?
- If so, how?
Mitigation Threshold

• Should the Board’s mitigation policy have a threshold? If so, what should that threshold be and how might the Board set the threshold?

• Should the threshold be different for different rate classes?
Rate Mitigation

- Questions
- Comments
- Discussion