Meeting Summary

Rate Design for Electricity Distributors

EB-2012-0410

Advisory Committee of Regulatory and Finance Councils,
Electricity Distributors Association
May 12, 2014

Coalition of Large Distributors
15 May, 2014

At each meeting, Board staff began by presenting a brief summary of the draft Report of the Board available on the Board's website.

General comments on the policy of moving to a fixed rate design

In response to questions from the distributors, staff clarified that the Board has indicated that it intends to address rate design for larger electricity customers and all natural gas customers in due course.

It was pointed out that the distribution charge is about 20 to 25% of a typical customer's total bill. Transmission and losses are also shown on the delivery line and would not be addressed as an outcome of this policy. Some distributors questioned the materiality of having a change in the distribution charge or the customer's ability to see a more fixed bill given those facts. Distributors also drew a link to bill presentation regulations in terms of efforts to help the customers understand their bills. The main point distributors seemed to want to get across was that in deciding on an option, the benefits and costs should be measured with the impact on the bill in mind. Distributors also suggested that in reaching a decision on a final approach the Board should consider the benefits and fairness of the potential solutions for allocation of revenue, stratification of consumers and minimizing impacts.

Distributors generally agreed that the Board should consider allowing LDCs to tailor a number of options to their individual circumstances within the overarching objectives for consistent messaging. Comparability across the province is good but it is more important that the principles are the same while application of them across the province may differ. The best solution may be a default option with alternatives. There was disagreement between distributors about the extent to which customers compare their rates or how they are billed to other distribution service areas or other customers. Some felt that the ability to customize a solution for the customer base in the service area was more important than comparability from one are to another. .

In discussing how a distributor would identify a particular option for its service area, the idea of customer opinion/engagement was raised. Distributors would like to know how much they would be expected to do in terms of checking with their customers on what approach is best.

The distributors suggested that the Board should consider focusing on a residential rollout first and leave GS<50 until the approach for GS>50 is decided. The feeling was that this approach would avoid possible issues related to the boundary and the fact that some customers cross that boundary in annual reviews and may be confused or concerned about the impact. This is in part to avoid creating new boundary issues with a new design in the over 50kW class. .

A number of the distributors suggested that timing of implementation is important. If the change is made during an LDC's IRM period, the LDC must be able to retain increases in revenue related to customer and volume growth since its last rebasing.   In their view changing the rate for everyone at once makes central messaging easier. They would like to ensure there was a coordinated messaging on the approach and the reasons for it. They would be looking for Board leadership on communications and messaging with stakeholder input.

Comments on proposal 1

This option is the fixed charge for fixed assets to focus customers on what they can control which is amount and timing of the commodity.

All of the distributors saw this option as the easiest and least expensive option to implement. Many were in favour of adopting this approach for several reasons. There would be little change to the CIS system since it is essentially setting the variable rate to zero and an average cost fixed rate. People are used to paying a fixed rate for comparable fixed asset/variable service industries such as cable and home telephone. The distributors saw this as easiest to explain to customers. With support for low-income or disadvantaged customers it might be acceptable.

Although a number of the distributors indicated they and concerns about the acceptability and fairness of a one size fits all approach. Some method of grouping customers for 2 to 3 different fixed rates would be good. Distributors suggested multi-residential (condos and apartments), houses and very large homes as different subclasses or subclasses based on end-use Work would have to be done to specify those boundaries. Any proposal to make subgroups creates difficulties around the boundaries and changes to CIS systems to flag the subgroup. One possibility would be square footage if that information is available from property assessment records but this may not be a good predictor of energy demand. An alternative to be considered is two subgroups: 1) self-contained meter, and 2) instrument transformer meter.

GS>50 must be subdivided and likely into at least 5 groups.

Comments on proposal 2

In some distributors' view this proposal most closely matches the charge to the cost to serve customers in the same way that the economic connection test does. The main concern for many of the distributors was that they do not have the necessary information to implement the option and would need to undertake a data gathering exercise. For new customers, connection information will be noted. Some LDCs have the information to classify and maintain customers into the listed subgroups from the smart meter roll-out and smart meter functionality. At least one distributor noted that this option is the most open to gaming and that if information cannot be measured then the distributor is likely to lose from customers increasing service without paying the higher rate.   This would put the distributor in the position of policing the customers. There is a cost to society of customers changing out service for the lower rate. It was noted that one route for getting necessary information was through the ESA.

The option of several distributors was that this is likely the most administratively intensive because of the policing aspect and may create difficulties with the IRM process depending on how many customers change out service.

This option is easier to see being implemented with GS<50 customers since their service is much more likely to go into the higher amperages and be one or three phase.

Comments on proposal 3

Some of the distributors recognized the value of this option from a CDM perspective. They indicated support for the price signal. This option however causes concerns for many of the distributors because of the likely high administrative burden to reclassify customers every year. The lag between peak measurement period and the reclassification event would significantly blunt the conservation/reward message. The relativity aspect of setting boundaries between the different sub-groups is a concern. The distributors think it will be a very challenging option with respect to customer communications and managing customer concerns. Distributors are concerned about customers who strive to move to a lower rate group and, because others have as well, do not get into the lower group. Distributors also note the problem of new or relocated customers and their initial placement.