

## Load Displacement Generation Working Group - Meeting 2

EB-2013-0004

April 23, 2013

*These notes are intended to be indicative of discussion points and progress at the meeting, rather than an exhaustive summary of comments made by the working group members. They are provided to allow others to follow the progress of the working group.*

Upon convening at 9:30am

### 1. Introductions

Board staff welcomed working group participants and asked if anyone had any material to present at the meeting. Entegrus and Rosa Flora both advised that they had information that they would like to present to the group.

### 2. Attendance

The following people attended the meeting:

- Shelly Grice, Association of Major Power Consumers in Ontario ("AMPCO")
- Arjan Vos, Rosa Flora Growers Limited ("RFG")
- Bob Waddell, Canadian Solar Industries Associations ("CANSIA")
- Jason Chee-Aloy, Association of Power Producers of Ontario ("APPrO")
- Joyce Poon, Ontario Power Authority ("OPA")
- Mike Risavy, Ontario Association of Physical Plant Administrators ("OAPPA")
- Bill Harper, Vulnerable Energy Consumer Coalition ("VECC")
- Jan Buijk, European Power Systems Limited ("EPS")
- Ryan Diotte, Entegrus Powerlines Inc. ("Entegrus")
- Marion Fraser, Building Owners and Managers Association of Greater Toronto ("BOMA")
- Henry Andre, Hydro One Networks Inc. ("HONI")
- Mike Roger, Elenchus
- Lawrie Gluck and Takis Plagiannakos, Board Staff

### 3. Entegrus Presentation

Entegrus presented information regarding how it applies its approved standby rate to its customer with LDG. Entegrus noted that it works closely with its LDG customer on standby rate issues.

HONI noted that Entegrus' approach for applying standby rates is appealing as it is simple from an administrative perspective. Entegrus' approach does not rely on metering the generator's output.

EPS and BOMA questioned why the standby rates are applied only to customers with self-generation. Both parties noted that the same demand variance as can be caused by self-generation can be seen in many customers that do not have self-generation. Both parties stated that applying standby rate treatment only to customers with LDG is unfair.

Entegrus also provided information regarding how it allocated costs to the standby power rate class.

## **Rosa Flora Presentation**

Rosa Flora presented information regarding its electricity requirements, its on-site electricity generation capacity, and its unique load profile. Rosa Flora also spoke to the key factors in designing a standby rate which would be fair from its perspective.

Rosa Flora stated that the standby rate should not be a province-wide rate, should consider site-specific factors, and should allow Rosa Flora to stay competitive on the global market. Rosa Flora also asked how capital contributions would be reflected in the standby rate development process.

## **4. Elenchus Presentation of Issues and Recommended Options**

### **a) Defining Load Displacement Generation**

Elenchus recommended the following definition for LDG in the context of applying standby rates:

*Generation installed behind the customer's meter that is used to partially or fully replace the customer's electricity needs and is connected to the distribution system. Excess generated electricity may be exported to the grid.*

All parties agreed that the definition is acceptable with some minor revisions / suggestions.

VECC noted that the definition should be clear that only excess generated electricity may be sold to the grid. VECC noted that customers with self-generation cannot be selling and buying electricity at the same time under the definition for LDG.

HONI noted that any load customer with self-generation that has contracted to sell its generation into the electricity market is not an LDG customer for the purpose of stand-by rates since the self-generated amounts are not being used to offset the amount of energy being purchased by the load customer from the market.

OPA suggested that the definition be revised to include a statement that gross billed customers shall not be applied standby rates (as they are already effectively paying for standby service).

All parties asked Elenchus to develop some examples to illustrate what is and what is not LDG under the definition.

### **b) Distributor-Specific or Province-Wide Standby Rate**

Elenchus recommended that each distributor should develop its own Standby rates according to Board guidelines.

All parties agreed with Elenchus' recommendation.

### **c) Threshold for the Application of Standby Rates**

Elenchus recommended that a threshold of 500 kW should be used to establish a Standby customer class.

All parties agreed that the issue of threshold setting should be revisited once the issues associated with standby rates are better defined and the working group has a better understanding of the incremental

costs associated with serving LDG customers (and whether those incremental costs are associated with the size of the LDG facility).

Entegrus suggested that the threshold should be designed so that it triggers a review requirement to determine whether a standby charge should be applied. If there is evidence that the customer is not posing material incremental costs on the system then the LDC could decide to waive standby charges. The LDC would have to make the case for waiving the standby charge in a CoS application. Also, if an LDG customer is below the threshold, LDCs could make the case that the LDG customer does create incremental costs on the system and they can make a case to the Board that standby rates should be applied.

#### **d) Separate Customer Class for Customers with LDG**

Elenchus recommended that customers with Load Displacement Generation should be grouped in a separate customer class. The separate customer class would reflect the costs associated with providing standby service to the portion of the customer's load being displaced by the LDG facility. The costs related to the load that the customer requires for its needs, which are not being displaced by its own generation, would be recovered by distributors by way of their standard distribution rates.

Elenchus clarified their intent was that the "separate customer class" be associated with the load customer's standard rate class (so for example, there could be a Large User rate class and a Large User with LDG rate class). The intent was not to suggest including all customers with LDG (regardless of the rate class the load customer is in) as part of a single LDG rate class.

Most parties agreed with Elenchus' recommendation. A number of parties asked that the recommendation be clarified to state that there will be a standby rate class which is allocated only the costs of serving the standby load related to the LDG facility. Also parties noted that the recommendation should be clarified to state that another separate rate class will be developed for the LDG customers where the costs for serving their net load will be allocated.

#### **e) Incremental Costs Imposed by Customers with LDG**

Elenchus noted that the possible additional costs imposed by Load Displacement Generation customers on Distributors include:

1. Distribution Asset related (e.g. transformer and/or line capacity);
2. Meter;
3. Meter Reading;
4. Billing;
5. Customer Care; and/or
6. Transmission Asset related (e.g. Network, Transformation and/or Line Connection capacity).

Elenchus recommended that all of the above listed costs should be explored as possible incremental costs imposed on distributors by customers with Load Displacement Generation. To the extent that these incremental costs can be quantified and are significant from the perspective of the distributor, they should be taken into consideration in a distributor's Cost Allocation Study and should be recovered from customers with Load Displacement Generation by way of Standby rates.

OAPPA recommended that the transmission asset related costs be removed from the list of potential incremental costs imposed by customers with LDG. Elenchus agreed.

HONI noted that if separate classes for LDG customers were to be included in the CA model, distributors would need guidance as to how to include these incremental costs in the CA model. HONI also questioned whether the number of LDG customers currently in place, and limited potential for new LDG customers in future, warranted making changes to the CA model which comes with the complications of establishing all the inputs for a new rate class in the CA model.

Parties asked Board staff to check with the CLD and try to get information regarding how Hydro Ottawa and Horizon have allocated costs to the standby rate class. If that information is not available (or not useful), then a subgroup could be initiated to look at how incremental costs associated with LDG customers would be allocated in the CA model.

#### **f) Direct Allocation of Costs**

Elenchus recommended that distributors should first attempt to identify assets and expenses that may be used only by customers with Load Displacement Generation and are not shared with other distributor's customer classes. These assets and expenses should be directly assigned to the Standby customer class. All other assets and expenses that are shared by Standby customers with other distributor's customers, should be apportioned amongst the distributor's customers classes based on the OEB's Cost Allocation Study that uses cost causality principles in order to apportion shared assets and expenses to the distributor's customer classes.

Most parties agreed with Elenchus' recommended approach.

VECC noted that there may be limited applicability for direct allocation especially if the customer's load is split between a GS class and the standby rate class.

HONI noted that the working group should look at ways to create a standby rate without actually creating a separate rate class within the CA model and allocating costs to a standby power class in the CA model. A simpler approach that "discounts" the rates applicable to the load customer class within which the LDG resides is preferred. This could work in a manner similar to how the Transformer Ownership Allowance discount from the standard rate is treated in the OEB cost allocation model.

#### **g) Fixed / Variable Standby Charges**

Elenchus recommended that Standby rates should have both a fixed (\$/month) and a variable component (\$/kW).

All parties agreed with Elenchus' recommendation subject to the analysis of incremental costs in order to determine if there are fixed and/or variable incremental costs attributable to standby customers.

#### **h) Standby Rates Billing Quantity / Applying Standby Rates / Excess Demand Charges**

Elenchus recommended that the contracted amount should be used as a quantity for applying the Standby rate variable charge.

Elenchus recommended that standby rates should be applied differently depending on the operation of the generation facility during the billing period.

Elenchus recommended that a similar methodology as used by Hydro Ottawa (explanation attached as Appendix) for applying standby rates should be utilized.

Elenchus recommended that there should be an additional charge if the demand by the customer with Load Displacement Generation exceeds its contract demand with the distributor for Standby power.

There was no agreement amongst parties on these issues. Some parties noted that Entegrus' approach for applying standby rates should be considered as a potential alternative. However, some parties noted that the problem with Entegrus' approach is that if the generator runs the whole year then there is no billing quantity to which standby rates would be applied.

VECC questioned whether the policy should allow the contracted quantity to change? And if so, how often can the contracted quantity change?

HONI noted that this would introduce metering and monitoring requirements that could complicate the administration of stand-by rates.

#### **i) Firm / Interruptible Service**

Elenchus recommended that there should be both firm and interruptible Standby rates to the extent that a cost differential can be determined.

Parties agreed that the working group would look at this issue again in the future.

VECC and HONI noted that it is not practical to offer interruptible standby rates. EPS agreed with VECC and HONI that providing interruptible standby rates does not seem to be manageable or practical for LDCs.

APPPrO / AMPCO stated that some LDG customers may want the optionality of interruptible standby rates and potential implementation issues could be dealt with through the contracting between the LDG customer and the LDC.

### **5. Action Items and Next Meeting**

Board staff noted that the next meeting would be set for mid to late May, 2013. Board staff will circulate an email closer to the date to determine a date that is the most convenient for working group members.

Board staff noted that the next meeting will likely include discussions on the jurisdictional review, allocating incremental costs to LDG customers in the CA model, and avoided costs.

For Board staff and Elenchus review, Darryl Seal (CLD) will prepare information for the working group regarding how Hydro Ottawa and Horizon allocated costs to their respective Standby Power rate classes using the cost allocation model. If that information is not available (or not useful), Board staff will organize a subgroup to determine which incremental costs should be allocated to the standby power class (and how those costs would be allocated in the CA model). This information would be presented at the next working group meeting.

For the next meeting, Elenchus will prepare some illustrative examples as to what is LDG and what is not LDG in the context of Elenchus' recommended definition for LDG.

For the next meeting, Board staff will find and circulate tariff sheets from utilities in other jurisdictions regarding their provision of interruptible standby service.

Meeting Adjourned at 3:30pm.