

Load Displacement Generation Working Group - Meeting 1

EB-2013-0004

April 5, 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. Introductory Slides by Board Staff

Board staff welcomed working group participants and discussed the history of the Board's work on standby rates and Load Displacement Generation ("LDG") related issues. Board staff also discussed the purpose and objectives of the working group. A high level discussion of the work plan for the consultation was also reviewed.

2. Attendance

Participants introduced themselves and delivered brief presentations, which are summarized in the next section.

- Shelly Grice, Association of Major Power Consumers in Ontario ("AMPCO")
- Arjan Vos, Rosa Flora Growers Limited ("RFG")
- Paul Liikkonen, Canadian Solar Industries Associations ("CANSIA")
- Jason Chee-Aloy and Jake Brooks, Association of Power Producers of Ontario ("APPPrO")
- 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")
- Darryl Seal, Coalition of Large Distributors ("CLD")
- Henry Andre, Hydro One Networks Inc. ("HONI")
- Mike Roger, Elenchus
- Lawrie Gluck and Takis Plagiannakos, Board Staff

3. Participant Presentations

Entegrus	<ul style="list-style-type: none">• Discussed some history of Entegrus and its interest in the standby rates for LDG consultation.• Set out some issues that Entegrus believes are relevant to the consultation including: consideration of cost allocation on a systemic basis and / or specifically identifiable cost basis, consider any alternative methodologies that may create rate shock cautiously, and consider the impact on any future rate design change in terms of conservation efforts of LDG customers.• Stated that the outcome of the consultation should ensure that: all customers are treated equitably, methodologies are administrable from a billing perspective, and methodologies are proposed to mitigate any potential rate shock to customers.
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OAPPA	<ul style="list-style-type: none"> • Discussed OAPPA and its interest in the standby rates for LDG consultation. • Set out some issues that OAPPA believes are relevant to the consultation including: recognition and allocation of LDG benefits and costs, rate structure issues, inconsistency between LDCs, and grandfathering and phase-in clauses. • Stated that the outcome of the consultation: should ensure that there is a consistent, transparent and easy to understand rate calculation methodology and structure; should ensure an appropriate allocation of system benefits and costs associated with LDG; should ensure appropriate pricing signals when considering all electricity bill items; and should ensure appropriate grandfathering or phase-in provisions for changes to standby rates.
OPA	<ul style="list-style-type: none"> • Discussed OPA and its interest in the standby rates for LDG consultation. • Noted that OPA is an observer in the process and is a member of the working group to provide OPA's perspective on LDG issues and to provide insight into OPA's programs that are relevant to the consultation.
EPS	<ul style="list-style-type: none"> • Discussed EPS and its interest in the standby rates for LDG consultation. • Discussed changes in Ontario's market and the incentives for distributed generation. • Discussed whether standby charges are necessary. Noted if they are necessary, how do you design them fairly and transparently? • Discussed the implications of standby charges for LDG customers.
APPrO	<ul style="list-style-type: none"> • Discussed APPrO and its interest in the standby rates for LDG consultation. • Briefly mentioned the report on quantification of benefits of distributed generation. • Stated that the outcome of the consultation should ensure that standby rates reflect economic efficiency and fair cost allocation principles and that standby rates should result in a fair and efficient framework that ensures that any investment in LDG is done on an economic basis.
AMPCO	<ul style="list-style-type: none"> • Discussed AMPCO and its interest in the standby rates for LDG consultation. • Set out some issues that AMPCO believes are relevant to the consultation including: government policy regarding green energy and the importance of distributed generation, generation size, customer differences, contracting issues, and analysis of cost and benefits. • Stated that the outcome of the consultation should be a Board policy that reflects customer differences, is fair to both LDCs and customers, and results in a rate that encourages distributed generation.
CLD	<ul style="list-style-type: none"> • Discussed the CLD and its interest in the standby rates for LDG consultation. • Raised its concerns regarding the retroactive nature of interim rates. • Stated that any standby rates resulting from the consultation should reflect the following principles: the rates should reflect the cost to serve customers, the rates should not be overly complicated for the customers, and the rates should be designed to minimize the risk of recovering the costs of serving LDG customers.
CANSIA	<ul style="list-style-type: none"> • Discussed CANSIA and its interest in the standby rates for LDG consultation. • Discussed the potential for solar in a net metering situation. • Stated that any policy developed by the Board regarding standby rates for LDG should ensure that the benefits of LDG (line losses, transmission charges, etc.) are aptly quantified and reflected in the rate design.
VECC	<ul style="list-style-type: none"> • Discussed VECC and its interest in the standby rates for LDG consultation. • Bill Harper discussed his own experience with regards to standby rates and LDG issues. • Set out some issues that VECC believes are relevant to the consultation including:

	<p>rate classification for LDG customers, the purpose of standby rates, threshold issues, billing issues, cost allocation issues.</p> <ul style="list-style-type: none"> • Stated that the consultation should result in a better understanding regarding why standby rates are required and should lead to greater clarity and consistency in the treatment of LDG customers.
HONI	<ul style="list-style-type: none"> • Discussed HONI and its interest in the standby rates for LDG consultation. • Discussed how HONI applies standby charges. • Stated that defining LDG appropriately is crucial to this consultation. • Stated that the consultation should result in standby rates that are set on the basis of cost causality. Standby rates must ensure fair and equitable treatment of distribution customers. Standby rates should be simple to administer and minimize data collection and monitoring.
RFG	<ul style="list-style-type: none"> • Discussed RFG and its interest in the standby rates for LDG consultation. • Stated that any standby rate policy developed must be fair to the generator.

4. Summary of Data Collected from Ontario LDCs

Board staff presented the data collected from Ontario LDCs regarding standby rates and LDG customers. The data collected from the LDCs reflected distributor-specific information (including: rate treatment of LDG customers, number of LDG customers, distribution revenues, billed demand, cost allocation methodologies, application of rates, etc.). The data collected from the LDCs also reflected customer-specific information (including: customer type, generation type, nameplate rating, demand information, billing information, etc.).

5. Cost Allocation Principles

Mike Roger (Elenchus) provided background information regarding cost allocation principles and the aspects (and functional steps) of a standard cost allocation study. Mike Roger also discussed how the cost allocation model was used by LDCs for allocating costs to the standby rate class. He also discussed the issue of revenue to cost ratios. At the conclusion of his presentation, Mike Roger provided some history regarding the development of the Cost Allocation Model and cited the Board’s policy documents relevant to cost allocation issues.

Mike Roger’s presentation started a discussion on direct assignments and how they could work in the context of allocating costs to LDG customers.

6. Briefing Notes - Transmission Charges and Line Losses

Mike Roger (Elenchus) presented two briefing notes: (1) Transmission Charges & Transmission Capacity Requirements; (2) Line Losses.

In the presentation on Line Losses, Mike Roger provided a description of line losses on both the transmission and distribution systems. He also discussed the impact that LDG customers have on line losses.

In the presentation on the Transmission Charges & Transmission Capacity Requirements, Mike Roger discussed how transmission charges are billed to LDCs and how the LDCs pass these charges onto their customers. He also discussed the impact that LDG customers have on transmission charges and transmission capacity requirements.

The presentations on both of these briefing notes started discussions amongst the participants on how these issues are relevant to LDG customers and the rate treatment of these customers.

7. Issues Relevant to the Consultation

Mike Roger (Elenchus) presented a preliminary list of issues relevant to the consultation. The purpose of the presentation was to raise some issues for future consideration (not to solve them at the meeting).

Mike Roger made note of the following issues (and brief discussions took place on each issue):

- Definition of LDG (and definition of LDG in the context of applying standby rates);
- Cost Allocation issues (need for a specific standby rates class, incurred cost items to be allocated, Cost Allocation Model issues, etc.);
- Rate Design issues (fixed / variable split, back-up service vs. maintenance service, billing determinant issues, operating conditions of LDG facility issues, contracting issues, service options – interruptible service, etc.); and
- Avoided Cost issues (Distribution level avoided costs, transmission level avoided costs, generation level avoided costs, etc.)

8. Jurisdictional Review Proposal

Mike Roger (Elenchus) presented his proposal for the Jurisdictional Review that Elenchus will undertake on behalf of the Board. No participants raised any concerns with Elenchus' proposal.

9. Action Items and Next Meeting

Board staff suggested some potential dates for the next working group meeting. The meeting date was later confirmed as April 23, 2013. An agenda for the meeting will be provided to working group members in the week before the meeting.

Elenchus will prepare a list of relevant issues and recommended options for addressing the issues for the next meeting. These issues (and the recommended options) will be presented in order to receive input from working group members. The focus of the meeting will be on defining LDG in the context of standby rates and addressing cost allocation & rate design issues. Avoided cost issues will likely be discussed at the third meeting.

Ryan Diotte (Entegrus) and Darryl Seal (CLD) will prepare information for the working group regarding how Entegrus, Hydro Ottawa and Horizon allocated costs to their respective Standby Power rate classes. They will prepare some information for the working group regarding how Entegrus and Horizon apply standby charges to their customers (similar to the explanation provided by Hydro Ottawa).

Meeting Adjourned at 4:30pm.