



Ontario Energy Board

Commission de l'énergie de l'Ontario

Development of a Standby Rates Policy for Load Displacement Generation – Working Group Meeting

EB-2013-0004

April 5, 2013

Agenda for April 5, 2013 Working Group Meeting

- 1) History, Purpose and Objectives
- 2) Participants' Experience with LDG and Standby Rates
- 3) Summary of Data Collected from Ontario Distributors
- 4) Cost Allocation Principles
- 5) Background Notes on:
 - a) Transmission Charges
 - b) Line Losses
- 6) Discussion of Issues Relevant to Consultation Process
- 7) Jurisdictional Review Proposal
- 8) Plans for Next Meeting





Board Staff

- Lawrie Gluck, Regulatory Policy, Project Lead
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Consultant

- Mike Roger
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History of the Board's Work on Standby Rates / LDG

- On March 21, 2006 (EB-2005-0529), the Board declared “all existing and proposed standby rates” interim pending further review of the issues associated with standby rates.”
- In 2007, the Board initiated a consultation on distributed generation that included consideration of the setting of standby rates for LDG, amongst other issues (EB-2007-0630).
 - EES was first retained by the Board to prepare a report on a wide range of issue related to distributed generation. The EES report was issued in June 2007.
 - Power Advisory LLC was subsequently retained by the Board to prepare a report on the quantification of benefits. The Power Advisory LLC report was issued in July 2008.
- On January 29, 2008, the Board informed participants that the issues of rate classification and standby rates for load displacement generation were being moved to the Rate Design for Electricity Distributors consultation (EB-2007-0031).
- On April 16, 2009, the Board informed participants in EB-2007-0031 that it had decided “to defer the completion of the rate design project.”
- In the Report of the Board in EB-2010-0219, *Review of Electricity Distribution Cost Allocation Policy*, issued March 31, 2011, the Board committed to establishing a separate consultation process to address the issues pertaining to LDG.



Consultation - Purpose and Objectives

Purpose:

The Board is seeking to provide a standard methodology for the setting of standby rates through this consultation process. This will allow distributors (which currently have standby rates and those that do not have approved standby rates) to apply the standard methodology developed and request the establishment of final standby rates for LDG.

Objectives:

- (a) to address issues pertaining to load displacement generation that were identified in EB-2010-0219 (i.e., cost allocation, avoided costs, existing interim rates, benefit valuation and rate design);
- (b) to develop a standard methodology that will be used to allocate costs to load displacement generation customers; and
- (c) to develop a standard methodology that will be used to design standby rates for load displacement generation customers.

Participants' Experience – Standby Rates / LDG

	Organization or Interest Group	Primary Representative
1	Association of Major Power Consumers in Ontario (“AMPCO”)	Shelly Grice
2	Rosa Flora Growers Limited (“RFG”)	Arjan Vos
3	Canadian Solar Industries Association (“CANSIA”)	Paul Liikkonen
4	Association of Power Producers of Ontario (“APPPO”)	Jason Chee-Aloy
5	Building Owners and Managers Association of Greater Toronto (“BOMA”)	Marion Fraser
6	Ontario Power Authority (“OPA”)	Joyce Poon
7	Ontario Association of Physical Plant Administrators (“OAPPA”)	Mike Risavy
8	Vulnerable Energy Consumer Coalition (“VECC”)	William Harper
9	European Power Systems Limited (“EPS”)	Jan Buijk
10	Entegrus Powerlines Inc. (“Entegrus”)	Ryan Diotte
11	Coalition of Large Distributors (“CLD”)	Darryl Seal
12	Hydro One Networks Inc. (“HONI”)	Henry Andre





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Summary of Responses Ontario Distributors - LDG and Standby Rates

Board Survey – Standby Rates / LDG Background

- On February 7, 2013, the Board circulated three separate surveys to Ontario's distributors:
 - 11 distributors that have approved standby rates and a standby power rate class
 - 4 distributors that have approved standby rates but do not have a standby power rate class
 - the rest of the distributors in the province that do not have approved standby rates
- Overall, 60 distributors responded to the Board's surveys:
 - 11 distributors that have approved standby rates and a standby power rate class
 - 4 distributors that have approved standby rates but do not have a standby power rate class
 - 45 distributors that do not have approved standby rates
- In total, 24 distributors reported LDG customers in their service areas

Key Messages from Survey Responses

Distributors with Approved Standby Rates

- Fifteen distributors currently have standby rates for LDG:
 - 14 - interim standby rates
 - 1 - final standby rates
- 11 have a standby power rate class.
 - 5 have allocated costs to the standby power rate class to reflect the costs of providing standby service.
 - The R-C ratios range from 80% to 147%.
 - 6 did not allocate costs to the standby power rate class.
 - Distribution revenues related to the provision of standby service comprise a very small percentage of the distributors' total distribution revenues (0.01% - 0.51%)
 - Billed demand related to the provision of standby service comprises a small percentage of the distributors' total billed demand (0.2% - 7%)
- 4 do not have a standby power rate class.
 - 1 has no LDG customers
 - 1 treats its LDG customer as a regular load customer
 - 2 bill on a gross metered demand basis applying the rates from the relevant GS rate class

Key Messages from Survey Responses

Distributor Rate Treatment of LDG Customers

- The rate treatment applied to LDG customers varies amongst distributors.
 - Of the 24 distributors that reported LDG customers in their service areas:
 - 14 treat their LDG customers as regular load customers (i.e. no charges for standby service).
 - 10 charge, in some manner, for Standby Service:
 - 2 apply a gross billing methodology to their LDG customers. Of these 2 distributors, 1 applies a monthly fixed charge to some of its LDG customers for standby service.
 - 7 apply standby rates to contracted (or some other calculation for standby) demand for standby service and apply regular load rate treatment for supplementary service. Of these 7 distributors, 1 also applies a monthly fixed charge to its LDG customer for standby service.
 - 1 applies a monthly fixed charge to its LDG customers for standby service and applies regular load rate treatment for supplementary service.
- Of the 10 distributors that charge, in some manner, for standby service, 34 LDG customers were reported. However, some of these customers do not meet the threshold, applied by the distributor, for the application of standby rates.

Key Messages from Survey Responses

Distributors that do not apply charges for Standby Service

- Of the 50 distributors that do not apply charges for the provision of standby service, 14 reported that they do have at least one LDG customer.
- Amongst the 50 distributors, 58 customers with **some form of generation** were reported:
 - 28 LDG (8 Residential, 1 GS<50kW, 14 GS>50kW, 5 unknown)
 - 2 demand response generators
 - 17 were reported as emergency back-up generators
 - 3 generators with RESOP contracts in place
 - 7 were reported as net metered generation customers
 - 1 was reported as generating electricity partially for own use and partially to sell back to the grid

Key Messages from Survey Responses

Customer-Specific Information from Distributors with Approved Standby Rates

- The customer-specific data highlighted:
 - Customer type is relatively evenly distributed (6 - commercial, 9 industrial, 7 institutional)
 - Most LDG facilities are gas-fired or CHP (91%)
 - Average nameplate rating of LDG facility is 5.7MW
 - 126 MW of total nameplate capacity
 - 61 MW of contracted demand for standby service
 - Average customer load displaced by LDG facility is 65.5%
 - In every month in 2012, LDG customers required electricity service from their distributor
 - Average standby charges as a percentage of total charges billed to the LDG customer is 7.5%

Distributor Specific – Standby Rates Information (1)

Distributors that do have a Standby Rate Class for LDG

Attachment "A"

Distributor Specific Load Displacement Generation Information – Distributors that do have a Standby Rate Class for Load Displacement Generation

Distributor	Approved Rates	Rate Class(es) for Customers with LDG	(a) Billing Determinant And (b) Threshold for Inclusion in Standby Rate Class ¹	Standby Rate	Rate Rider(s) Applied to Customers with LDG? (Yes or No)	Monthly Service Charge	Distribution Revenue (associated with LDG)	Distribution Revenue (associated with LDG) as a percentage of Total Annual Dx Revenue (%)	(a) # of LDG Cust. who meet threshold for inclusion in Standby Rate Class And (b) # of LDG Cust. who do not meet threshold for inclusion in Standby Rate Class ¹	Annual Billed kW (associated with LDG)	Annual Billed kW (associated with LDG) as a percentage of Total Annual Billed kW (%)	R-C Ratio	EB# of Cost Allocation Methodology Approval	Cost Allocation Methodology and Basis For Cost Allocation / Rate Design ¹
Brantford Power	2012	Standby Power	(a) Contracted Amount (Nameplate rating of generation facility) (b) No Firm Threshold	\$/kW 1.6729 (2012)	Yes	No	\$59,203 (2012)	0.4% (2012)	(a) 1 (2012) (b) 0	38,712 (2012)	2.68% (2012)	115.73% (2008)	EB-2007-0098	Costs were allocated as per the methodology in the Board's 2007 CA Informational Filing
Canadian Niagara Power – Port Colborne	2012	Standby Power	(a) Contracted Amount (Nameplate rating of generation facility) (b) No Firm Threshold	\$/kW 1.1676 (2012)	Yes	No	\$97,882 (2012)	0.2% (2012)	(a) 2 (2012) (b) 0	84,000 (2012)	0.2% (2012)	No Costs Allocated (Not included in cost allocation study)	EB-2002-0107	2001 RUD Model
Chatham Kent Hydro (Now known as Entegrus Powerlines)	2012	Standby Power + Intermediate with Self-Generation	(a) Contracted Amount (Nameplate rating of generation facility) (b) 500 kW	\$/kW 1.6906 (2012)	Yes	No Standby Service Related Monthly Charge But Yes Monthly Charge in ISG class	\$46,573 (2012)	0.39% (2012)	(a) 1 (2012) (b) 0	29,034 (2012)	2.24% (2012)	90.2% (2012)	EB-2009-0261	See Response for full description.
EnWin Utilities Additional Info included in No Standby Rates Applied Table	2012	Standby Power	(a) Contracted Amount (Nameplate rating of generation facility) (b) N/A – does not charge standby rates	\$/kW 0.5599 (2012)	No	No	\$0 (2012)	0% (2012)	May have some LDG customers - but as EnWin does not charge standby rates they do not know how many or their volumes.	0 (2012)	0% (2012)	No Costs Allocated (Not included in cost allocation study)	Does not charge standby rates	Does not charge standby rates
Horizon Utilities	2012	Standby Power	(a) Contracted Reserved load transfer capacity Or Monthly peak load displaced by the generating facility (b)	\$/kW 2.4952 (2012)	Yes	No	\$493,704 (2011)	0.51% (2011)	(a) 4 (2011) (b) Not available	199,012 (2011)	2.63% (2011)	80% (2011)	No Reply	No Reply
Hydro One Brampton Additional Info included in No Standby Rates Applied Table	2012	Standby Power	(a) Monthly Peak Load Displaced by generating facility. Brampton has not applied standby charges since 2010. (b) No firm threshold	\$/kW 1.5164	No	No	\$0 (2012) Currently Under Review	0% (2012) Currently Under Review	(a) 1 (2012) (b) 0	0 (2012) Currently Under Review	0% (2012) Currently Under Review	No Costs Allocated (Not included in cost allocation study)	Approved in EB-2005-0377	Costs were not allocated to rate class. There are no historical billing quantities.

Distributor Specific – Standby Rates Information (2)

Distributors that do have a Standby Rate Class for LDG

Attachment "A"

Distributor Specific Load Displacement Generation Information – Distributors that do have a Standby Rate Class for Load Displacement Generation

Distributor	Approved Rates	Rate Class(es) for Customers with LDG	(a) Billing Determinant And (b) Threshold for Inclusion in Standby Rate Class ¹	Standby Rate	Rate Rider(s) Applied to Customers with LDG? (Yes or No)	Monthly Service Charge	Distribution Revenue (associated with LDG)	Distribution Revenue (associated with LDG) as a percentage of Total Annual Dx Revenue (%)	(a) # of LDG Cust. who meet threshold for inclusion in Standby Rate Class And (b) # of LDG Cust. who do not meet threshold for inclusion in Standby Rate Class ¹	Annual Billed kW (associated with LDG)	Annual Billed kW (associated with LDG) as a percentage of Total Annual Billed kW (%)	R-C Ratio	EB# of Cost Allocation Methodology Approval	Cost Allocation Methodology and Basis For Cost Allocation / Rate Design ¹
Hydro Ottawa	2012	Standby Power GS 50 to 1,499 kW	(a) Specific Methodology (see filing) (b) LDG > 500kW	\$/kW 1.5734	Yes	\$117.90	\$13,954 (2012)	0.01% (2012)	(a) 2 (Both GS 1,500 to 4,999) (2012) (b) Not available	86,400 (2012)	0.82% (2012)	147%	EB-2011-0054	Exhibit G1-1-1 EB-2011-0054
		Standby Power GS 1,500 to 4,999 kW		\$/kW 1.4433										
		Standby Power Large Use		\$/kW 1.8016										
London Hydro	2012	Standby Power	(a) Contracted Amount (Nameplate rating of generation facility) (b) LDG > 1000 kW	\$/kW 2.3942	Yes	No	\$274,507 (2010)	0.44% (2010)	(a) 3 (b) 2	154,800 (2010)	3.26% (2010)	80% (2010)	EB-2007-0002 and filed with rate application EB-2005-0389	London applies a forecasted contracted amount of kW for allocation using OEB CA Model Sheet 18.1 Revenue Worksheet. The kW's represent the reserve amount of kW's three customers have contracted with London Hydro. Also populated on same Worksheet is the weather normalized kW's. Sheet 18 is populated with forecasted demand data. No other factors such as meter, meter reads, billing/collecting, services are applied.
Orillia Power	2012	Standby Power	(a) Contracted Amount (Nameplate rating of generation facility) (b) No	\$/kW 1.0217	No	No	\$12,918 (2012)	0.2% (2012)	(a) 1 (b) 0	27,288 (2012)	7% (2012)	No Costs Allocated (Not included in cost allocation study)	N/A	Orillia's standby rate was developed pre-market opening in conjunction with former Ontario Hydro.
PowerStream Additional Info included in No Standby Rates Applied Table	2012	Standby Power	(a) Contracted Amount (Nameplate rating of generation facility) (b) Only applied to full displacement customers.	\$/kW 2.6854	No	No	\$0 (2010-2013)	0% (2010-2013)	(a) No customers being charged standby rates as no LDG customers are fully displacing their load. (b) 12 LDG customers (4 Residential and 8 GS>50 kW) 7 Net Metering Customers (5 Residential and 2 GS>50 kW)	\$0 (2010-2013)	0% (2010-2013)	No Costs Allocated (Not included in cost allocation study)	Barrie Hydro: EB-2007-0746 Powerstream: EB-2012-0161	The Standby Power Service Class was not included in Cost Allocation. Information on Rate design for the Standby Power Service Class is not available.

Distributor Specific – Standby Rates Information (3)

Distributors that do have a Standby Rate Class for LDG

Attachment "A"

Distributor Specific Load Displacement Generation Information – Distributors that do have a Standby Rate Class for Load Displacement Generation

Distributor	Approved Rates	Rate Class(es) for Customers with LDG	(a) Billing Determinant And (b) Threshold for Inclusion in Standby Rate Class ¹	Standby Rate	Rate Rider(s) Applied to Customers with LDG? (Yes or No)	Monthly Service Charge	Distribution Revenue (associated with LDG)	Distribution Revenue (associated with LDG) as a percentage of Total Annual Dx Revenue (%)	(a) # of LDG Cust. who meet threshold for inclusion in Standby Rate Class And (b) # of LDG Cust. who do not meet threshold for inclusion in Standby Rate Class ²	Annual Billed kW (associated with LDG)	Annual Billed kW (associated with LDG) as a percentage of Total Annual Billed kW (%)	R-C Ratio	EB# of Cost Allocation Methodology Approval	Cost Allocation Methodology and Basis For Cost Allocation / Rate Design ³
Toronto Hydro	2011	Standby Power GS 50 to 999 kW	(a) Contracted Amount (Nameplate rating of generation facility) Toronto does not actually apply standby charges to the contracted amount related to the LDG facility. Therefore, LDG customers are effectively billed on a net demand basis + the monthly standby charge (b) 500 kVa	\$/kVA 5.5656	No	\$197.91 (per 30 days)	\$9,733 (2012)	0.33% (2012)	(a) 4 (b) 5	0 kVA (2012)	0% (2012)	No Costs Allocated (Not included in cost allocation study)		The Standby Rates in each rate class are the same value as the rate class variable distribution rate.
		Standby Power GS 1,000 to 4,999 kW		\$/kVA 4.4497										
		Standby Power Large Use		\$/kVA 4.7408										

Distributor Specific – Standby Rates Information (4)

Distributors that do not have a Standby Rate Class for LDG but have approved Standby-related Rates / Charges

Attachment "A"

Distributor Specific Load Displacement Generation Information – Distributors that do not have a Standby Rate Class for Load Displacement Generation but have approved Standby-related Rates / Charges

Distributor	Explain the treatment applied to customers with LDG (include discussion of any thresholds related to the size of the LDG facility ¹)	Approved Rates	Rate Classes that have Customers with LDG	Rates / Charges Applied to Customers with LDG	Monthly Service Charge Applied to Customers with LDG	Rate Rider(s) Applied to Customers with LDG	Billing Determinant Applied to Customers with LDG	(a) # of LDG Cust. who meet threshold to be applied standby rates / charges And (b) # of LDG Cust. who do not meet threshold to be applied standby rates / charges ²	Other Comments
Enersource Hydro ³	No demand related standby charges have been applied in 2011 or 2012. Only fixed monthly standby charge is applied to some (but not all) LDG customers. Customers are essentially billed on a gross demand basis (rates priced on the basis of the class the customer falls within) + standby monthly charge (in some cases). No threshold seems to be applied.	2012	GS 50 to 499 kW	\$/kW 4.2044	\$200 - \$500 (depending on meter configuration)	Yes	Gross metered demand or Contracted demand (whichever is greater)	5	See Tariff for more information on rates.
			GS 500 to 4,999 kW	\$/kW 2.0981					
			Large Use	\$/kW 2.9225					
Kingston Hydro	No customers are applied standby charge. Existing customers are billed on a gross demand basis	2012	GS 50 to 4,999 kW	\$/kW 1.9440	No	No	Contracted Amount (Nameplate rating of generation facility) Customer must be net metered to be considered for the standby charge.	Kingston has 2 gross metered co-generation accounts whose associated load account would be Large Use. And 2 gross metered generator accounts with FIT contracts whose associated load accounts would be GS>50kW.	Kingston currently does not have any net-metered generators that require the use of its Board approved Standby Charge. All existing load displacement generation of size >50kW in Kingston Hydro's distribution territory are currently gross metered.
			Large Use	\$/kW 1.0207					
Kitchener-Wilnot Hydro	No customers are applied standby charge.	2012	GS 50 to 4,999 kW	\$/kW 4.0319	No	No	Contracted Amount (Nameplate rating of generation facility)	1 (GS 50 to 4,999 kW)	Applicable Customer has contracted with the OPA for DR3, therefore the LDG has not been utilized for several years.
			Large Use	\$/kW 1.3727					
Hydro One	No customers are applied standby charge.	2011	Monthly Charge for LDG	N/A	\$480	No	Specific Service Charge	0	None

Questions

