Rate Design for Electricity Commercial and Industrial Customers
EB-2015-0043

Objectives and Issues

The Board has initiated a review of rate design for electricity distribution rates for commercial and industrial customers. This document is a statement of the objectives and issues relevant to that initiative.

Scope

This initiative will cover electricity distribution rates for commercial and industrial customers. It is not intended to change customer classifications or cost allocations to the current classes for general service less than 50 kW, general service over 50 kW, large use or any additional intermediate classes that a distributor might have.

It will not at address transmission charges or natural gas charges.

Objectives

The Board has identified the following objectives for the project.

- To support innovation for customers given the evolution of supply:
  - Customers' ability to leverage new technology;
  - Customers' ability to manage their bill through conservation; and
  - Customers' understanding of the value of connection.
- To increase efficiency:
  - To maximize use of the current system; and
  - To optimize investment for long-term cost containment.
- To stabilize distribution revenue:
  - To enable technology changes;
  - To support conservation;
  - To facilitate investment planning.

Issues

Board staff has identified the following issues to use to lead discussion with the stakeholder groups. Stakeholders are welcome to suggest other issues that they believe are crucial to a successful outcome.

1. Valuing connection to the system: The Board has typically allocated costs to a fixed charge based on a minimum system process.[1] Given the Board's policy, what is the appropriate approach?

2. Valuing capacity: What price signals will align the interests of customers and distributors to maximize use of the system and contain long-term costs?

3. Valuing distributed energy resources: What treatment of distributed energy resources would recognize the costs and benefits of these resources to the system? What are the implications for customers who do not participate?

4. Rate stability: Customers moving from one rate class to another can find that their bill changes dramatically. How can Commercial/Industrial rates be designed to avoid that sudden transition at the boundaries of rate classifications?

5. Rate goals: The Board has identified the objectives for the rate design. Stakeholder comments on the residential project suggested that, within those objectives, a desirable rate design would be: cost driven; customer controlled; and forward looking. Are these the appropriate goals?

[1] "Minimum system" is a cost allocation methodology whereby a theoretical system of poles and wires with zero capacity is considered as fixed costs while the costs of any system capacity are considered demand-based.