

Meeting Summary



Commercial and Industrial Rate Design Meeting

Meeting Date: August 18, 2015

Time: 9:30 am – 12:00 pm

Location: OEB Offices, 2300 Yonge Street, Toronto

The Meeting Summary provides a high level review of the presentations and discussions at the **C and I Rate Design Meeting**. The summary identifies key issues that arise and any conclusions or recommendations by the group. It will not attribute comments to any individual organizations.

Attendees: Representatives of consumer stakeholders and OEB staff.

Board staff made a short presentation setting out the issues that this initiative is intended to address.

- The role of the distributor and rate design are connected
 - Rate design will be an introductory piece on the role of the distributor – would prefer to have come up with a more generic role first, however because rate design is so far along a design will have to be constructed such that it is broad enough to encompass goals that at this point in time we know are going to be a role of the distributor.
- Issues to consider when proceeding with rate design:
 - Distribution rates becoming more fixed reduces distributor risk and provides revenue certainty – therefore distributors should receive a smaller equity return

- Greater assessment of productivity data the OEB is using in its IRM model to determine what will be appropriate – specifically productivity adjusted for output
- Still have to determine the what will be a fair amount for C and I customers, the Board has indicated that C and I customers will not be going to a fully fixed rate
- One objective for rate design should be to align interests of utilities and customers - investment needs to be driven in a way by what assets are needed for what needs and what alternatives are within those needs (e.g., distributed energy)
- A major goal is to encourage avoidance of unnecessary costs, without disincenting appropriate investments in the system
- Distributed generation is one of the issues that rate design change is intended to address
- The Board is open to reconsider some of the policies that are at the core of the current rate design, including whether rates should be paid only by loads and how ancillary service costs should be recovered in respect to generation at the distribution level.
- Contracted capacity was suggested as an option. Internet and cable services were discussed as examples where customers pay for “capacity”.
- Contact internet companies to see impact of new pricing plans
- Value in capacity -- want to clarify we want to optimize not necessarily maximize and only way to approach that is think of management of the peak in the provincial energy system and in turn distributor specific energy system
 - Demand charges are more ideal if the goal is to drive down system peak (e.g., class A customers and how they are reacting to the current Global Adjustment mechanism) – by going with more fixed charges seems like you are giving the customer less control by fixing more of the bill
- Definition of peak

- Utilities incentive should be to lower the load shape subject to the system load shape – no incentive to do anything other than the status quo – prices alone are a weak signal without customer engagement
 - Reference to work by OPower where customer segmentation is performed based on load profile and load factor (Opower is a publicly held Software-as-a-Service company that provides cloud-based software to the utility industry and their customers.)
- OEB should perform a detailed load analysis to ascertain different consumption groups within each customer class
 - At this point the OEB is trying to maintain current customer classes
 - OEB should specifically look at and identify total number of 1MW customers and up -- opportunity to incentivize through peak energy management
 - In order to gain the right efficiencies OEB needs to identify load profiles of all the subgroups within each customer classification
 - OEB is undertaking some data analysis, but the results will not be available for several months
 - There was discussion about the type of analysis that might be carried out, and how the data might be made available
- Identification of ‘winners’ and ‘losers’ is a critical element as C and I customers will react differently – need to identify how they are going to respond (e.g., energy budget for schools could increase by \$10M and will just approach government for a budget increase to cover it)
 - Some stakeholders expressed serious concerns about the bill impacts of increasing the fixed charge component, as well as the rate discontinuity at the class boundary
 - A move to increased fixed charges, but not a fully fixed rate, is among the options being considered
- Participants do not believe that the OEB should be leading communication strategies for this project – utilities should be if they want guaranteed revenue certainty

- Utilities should be embracing innovation and coming up with ways to reduce peak demand (e.g., Baltimore and OPower behaviour demand response program)