Meeting Summary

Commercial and Industrial Rate Design Meeting

Meeting Date: August 26, 2015 **Time:** 9:30 am – 11:30 pm

Location: OEB Offices, 2300 Yonge Street, Toronto

The Meeting Summary provides a high level review of the presentations and discussions at the **Commercial and Industrial 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 organization besides presenters.

Attendees: Representatives of generator groups and OEB staff.

- Stakeholders stated that the Ministry of Energy Working Group on net metering discussed value of behind the meter generation (specifically looking at solar) – about thinking about how to factor that into an OEB process– will it have any effect on the residential rate structure?
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    - o Value of connection– should customers receive additional benefit from net metering?
        - Ministry decisions will drive this
- Education component is the weakest link (very weak link in market opening) – suggest that education is a key factor to success – not sure if the full opportunity has been developed at the residential level – C and I sector is more informed and able to look at more complex rate structures – limited period of time to get the educational period working and will require work from all sectors – risk factor for

the whole process for sure – OEB should be thinking about how to educate the public on rate design

- Stakeholders stated that concern had been expressed at SAC meeting that policies in other sectors may drive demand into the future
    - Increasing amount of distributed generation within the system – can't replace one way flow with similar equipment – What is the business of LDCs going to look like?
        - Biggest risk is planning for falling demand and ending up in a scenario with super peaks – that the rate structure and infrastructure is not built to handle

Discussion of regional planning and difficulty of coming up with number of areas

- Locational based prices means that DR at a certain area of the distributor's territory is different from another
    - One feeder might be overloaded compared to another one – different value at different parts of the system
- As a natural evolution this makes sense with regional planning at a regional level – maybe not at a feeder level (too complicated and issues of fairness)
- LDCs used to be much more involved in managing their peak requirements from the grid and their losses
- Large LDCs are struggling with how to manage new investments on the large scale (when they are justified) – want to be able to control that risk – cost is prohibitive to own stations and lines – would prefer to own both
    - Connection lines are the distributors choice and they make a choice to own that or not – distributors want to own their own assets and that drives up the price to the customer
    - How do we get it so the distributor is indifferent to whether or not they own equipment that goes into their rate base?
- When they are looking at locational pricing are they just looking at what they paid at various sites for DER or also what the rate would be?

    - Looking at fixed rate design charges strictly for DER
  - Have utilities done the locational adders concept?
  - On reliability front --once you get more DG – if there is a reserve requirement of 18 – 20% on the system– billion dollar of investment associated with that
    - Ultimately I suspect you are going to get way lower reliability/reserve requirements due to DG
- Stakeholders stated concern that getting price signals wrong could encourage uneconomic grid defection through undervaluing grid connection
  - CanSIA and APPrO wanted to ensure that the rate structure for commercial and industrial customers allows for customer choice to the greatest extent possible in how that customer is going to meet their energy needs, whether that is by installing behind the meter generation or relying on the LDC.
- **Discussion of Staff identified issues**
  - From the OEBs perspective its making sure the connection to the system is valued appropriately from what you are paying – creating a structure that makes customers see the value of being connected? From the OEBs perspective is it making the value to the system apparent through the fixed charge and making sure those who are connected pay appropriately?
    - Seems to be both and one of the questions for me is are they forcing everyone to invest in their own storage – not just virtually acting as your storage by taking energy and giving it to others at that minute and having it connected to the system
    - Might get messy having different levels of storage and the competition between that
    - This falls under customer choice – do I want to island myself or pay for that storage?
  - Valuing connections to the system -- Currently fixed charges built on a minimum system idea (wires and infrastructure but no capacity in the system and how you pay for that) is that appropriate? Should it be higher or lower?
    - Need to be able to make an investment in capacity
    - Standby charges don't seem to function in this framework

- Rate stability – since unbundling, under and over 50kW charged in different ways
    - Allowing for customer choice might be more appropriate – let customers choose whether they are < or > than 50kw and if they go above they are penalized
    - There is an interest in a sort of contract amount – something that could potentially be looked at
    - Why is the jumping of one rate class to another a big concern to the OEB?
        - Jumping from under to over 50 can lead to bad debt for distributors and not nice to GS customers – shows lack of economic efficiency in rate design
    - Does this occur with current rate design?
        - Yes – boundary issue of 50kw currently exists
- Rate goals – on residential side we had complex rate design to address small vs large user issue but nobody liked it– comments have identified that rate needs to be forward looking, customer controlled, and driven by costs and induces conservation – do you agree with that?
    - Stability concern – what kind of stability can you expect – energy side and value to the system comes at a cost to future investment – need a good vision as to what costs are going to be – wire side it will be easier since it sits around for 40-50 years
- Complaining about 7% penetration, but that means there's no risk to the person who made the investment
- Depends on how distributors views their responsibilities – 7% restricts on generation – if distributor sees itself as manager of a distributed network – it will be looking for reasons to invest into the system – it will be beneficial for others on this line to upgrade
- In a net metering allocation of connection capacity would be optimised differently

- **New point on rate goals – want to make sure distributor gets accurate signals about investment needs – rate design should not take away from accuracy of signals for investment**
    - Want to make sure that interests of distributor and customer are aligned
- Imagining the concept of the distributor being a collection of microgrids – is that a lower cost system than one that services its population directly? Will it be a more simple option?
    - Might not be more simple but it will be more reliable – will encourage customer choice
    - Is the goal to allow distributors to maintain a ROR – it may not be (something) just the maintenance to do things
    - The goal should be consumer choice – how you go about doing that is the point to this discussion
    - **Choice however does not mean less cost – it leads to value judgements**
    - So do we change the act to ensure that distributors are only responsible for the connection for the customer but don't have exclusive rights to maintain a transactional relationship with the customer?
- **What is the number of % of fixed amount in the C and I side...what chunk of a customer's bill going to look like?**
- Hurdle is the balancing act of complexity and simplicity – can't assume that every customer can come forward and play in that complexity
- Large cost discrepancies if one distributor manages a collection of microgrids with electronic controls and management systems and the next door LDC does not do that – customers on one side of the street is paying a different DX rate than the other customer across the street – discrepancy could be exaggerated