



Ontario Energy Board Commission de l'énergie de l'Ontario



Rate Design – Commercial/Industrial

Stakeholder Consultations

September 2015

Board policy and objectives

“ The OEB’s general policy for rate design is to increase the amount of revenue collected through the fixed rate, and reduce the amount of revenue collected through the usage rate.”

- Develop a new rate for GS<50kW
- Develop a new rate for GS>50kW
- Business Plan FY 2014
 - Initiate development of new time-sensitive distribution rates for large customers.

Objectives for Commercial/Industrial

- 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 fairness of cost recovery:
 - 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.



Staff identified issues for discussion

- **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?
- **Valuing connection to the system:** The Board has typically allocated costs to a fixed charge based on a minimum system process. Given the Board's policy, what is the appropriate approach?
- **Valuing capacity:** What price signals will align the interests of customers and distributors to optimize use of the system and contain long-term costs?
- **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?
- **Rate goals:** Stakeholder comments on the previous project suggested that a desirable rate design would be: cost driven; customer controlled; forward looking; and induce conservation. Are these the appropriate goals?



New York DPS (Reforming the Energy Vision)

- Track 1: Distributed System Platform Provider (DSP)
 - to integrate Distributed Energy Resources into planning and operation of the grid
 - outcome based ratemaking reforms
 - market solutions
- Track 2: Rate Design (distribution only)
 - Released July 28, 2015
 - Drivers:
 - DERs will displace traditional infrastructure investments
 - Customer premises will be a core resource, therefore need better price signals
 - Better information will enable a more precise rate design
 - Issues:
 - Increasing granularity
 - Unbundling customer attributes (charges and credits)
 - Reflecting DER value (locational without having locational delivery rates)
 - Managing complexity vs. simplicity



NY REV track 2 con't

- Customers:
 - Traditional, Active, Prosumers (provide services)
- Proposed:
 - Peak-coincident demand charge
 - TOU rates
 - Smart home rate for behind-the-meter management
 - Better C/I rates (potential peak/off peak)
 - Better solutions for low-income
 - Revise standby tariffs



Consultations – Points of Consensus

- Consumer education and a slow transition is important
- Valuing peak capacity is fair
 - Coordinating with the charge basis for other bill elements would help customers manage actions.
 - Real pricing avoids both inefficient bypass and intra-class subsidies
 - Question is the value of off-peak capacity – zero or some contribution?



Consultations – Points of Consensus

- Different approaches for different rate classes
 - Large users need flexibility (and the distributors need flexibility to address requirements)
 - Smaller users need predictability
 - Creating more customer classifications would allow different treatment but address boundary issues
- Valuing DER attributes should be location specific
 - Load control and balancing, VAR support, frequency response
 - Distributor pay or buy requires incentivizing on revenue
 - Transmission and losses pass-through is problematic



Next steps

- Posting of consolidated and circulated meeting notes
- Data gathering and sandbox scenarios
- Staff discussion paper for comment:
 - Consolidating the various perspectives
 - Analysis of several options
- Presentation of stakeholder comments and staff recommendations to Board
- Further steps to be determined at this point

