



BY E-MAIL AND WEB POSTING

February 21, 2019

**TO: All Rate-Regulated Electricity Distributors
All Parties in EB-2015-043
All Other Interested Parties**

RE: Staff Report to the Board

Today the Ontario Energy Board (OEB) is releasing a [Staff Report to the Board: Rate Design for Commercial and Industrial Customers to Support an Evolving Electricity Sector](#). The Report provides OEB staff's recommendations for new rate designs for electricity commercial and industrial rate classes. The OEB is seeking comments on the Report from customers and interested stakeholders in order to develop its policy direction for the sector.

The demands on electricity distribution systems are changing as more businesses take advantage of technological changes to lower their energy costs or improve their operations. The focus on volumetric charges under the current rate design does not align well with the changing use, expectations and value to some customers. A customer installing storage or generation will shift costs related to the distribution system to other customers even though they are still using the system. A new rate design that more accurately reflects customer use of the distribution system and anticipates rapid evolution of the sector is needed.

The OEB has decided it is necessary to develop a new approach to rate design that would support customers' adoption of these new technologies while encouraging efficiency in the operations of distribution networks. The OEB set the following objectives for new commercial and industrial rate designs:

- Facilitate customer adoption of technology to manage energy use and costs, including the installation of distributed energy resources
- Increase efficiency of the system by encouraging cost effective investment in distributed energy resources

- Maintain fairness in the recovery of costs of maintaining a reliable and flexible distribution system and ensure that customers who install distributed energy resources do not shift costs to other customers
- Facilitate investments to modernize the grid in a paced and prioritized manner that will support customer choice and efficiency

To develop its recommendations, OEB staff have consulted widely with affected customers and interested stakeholder groups. Staff also performed in-depth analysis of customer energy profiles to develop recommendations for new rate designs for small and large commercial and industrial customers that would support changes in customer use of the system and facilitate optimal operation of distribution systems. Staff believe that the recommended rate designs address the objectives the OEB set out for this initiative. At a high level the recommendations are to:

- Establish a fixed distribution charge for commercial customers with demands under 10 kW who's use of the distribution system is like residential customers
- Implement a demand charge mode, rather than the current volumetric charge, for distribution service for all commercial and industrial customers with demands greater than 10 kW to reflect these customers use of the system
- Introduce a capacity reserve charge for customers with load displacement generation to replace stand by charges and provide for recognition of the benefits of this generation on the system

While the new rate designs will be revenue neutral for the distributors, any change to rate design will have bill impacts for customers. The OEB has always maintained a policy of ensuring bill impact mitigation when making changes to rates. To address the impact of any changes, OEB staff has made recommendations for a transition period to mitigate the effect on customers' bills. This phased approach will allow those customers most affected by the new rate design to modify their use of the distribution system and thus ultimately reduce any overall bill impact.

Invitation to Comment

The OEB invites consumers and interested stakeholders to comment on the Staff Report. Comments on the Report are due on **March 29, 2019**. These comments will assist the OEB in its consideration of staff's recommendations and decisions on implementation strategies. The OEB will decide next steps after reviewing stakeholders' comments. Although comments on any aspect of the Staff Report are welcome, staff have provided specific consultation questions to gather more information. These questions are set out in Appendix A attached to this letter.

The OEB intends to hold a **stakeholder conference on March 7, 2019**, to allow stakeholders to ask questions about the Report. If you are interested in participating in this meeting, please send an email to Veronica Mendes at Veronica.Mendes@oeb.ca

with “EB-2015-0043 Stakeholder conference” in the subject line and with your name, organization, in the body of the message.

Cost Awards

Cost awards will be available under section 30 of the *Ontario Energy Board Act, 1998* to those that are eligible to receive them in relation to written comments provided on the Staff Report to the Board and the Stakeholder Conference. Parties who were previously found eligible for costs for this project must reapply.

Costs will be recovered from all rate-regulated electricity distributors and apportioned based on their respective customer numbers.

Appendix B to this letter contains important information regarding cost awards, including the eligible activities, making eligibility requests and objections. The deadlines for filing cost eligibility requests and objections will be strictly enforced to facilitate a timely decision on cost eligibility for the purpose of informing eligible stakeholders.

Submitting Comments on the Staff Report to the Board

The OEB requests that interested parties make every effort to provide electronic copies of their filings on the attached Staff Report to the Board in searchable/unrestricted Adobe Acrobat (PDF) format, and to submit their filings through the OEB’s web portal at <https://pes.ontarioenergyboard.ca/eservice/>. A user ID is required to submit documents through the OEB’s web portal. If you do not have a user ID, please visit the “e-filings services” services” [webpage](#) on the OEB’s website at www.oeb.ca, and fill out a user ID password request.

In addition, interested parties are requested to follow the document naming conventions and document submission standards outlined in the document entitled “RESS Document Preparation – A Quick Guide” also found on the e-filing services webpage. If the OEB’s web portal is not available, electronic copies of filings may be filed by e-mail at boardsec@oeb.ca or by mail to the address below. Those who do not have computer access are required to file two (2) paper copies.

Filings to the OEB must be received by the Board Secretary by **4:45 p.m.** on the required date. They must quote file number EB-2018-0278 and include your name, address, telephone number and, where available, your e-mail address and fax number. All filings received by the OEB in relation to this consultation will be available for viewing at the OEB's offices during normal business hours and will be placed on the OEB's website.

If the filing is from a private individual (i.e., not a lawyer representing a client, not a consultant representing a client or organization, not an individual in an organization that

represents the interests of consumers or other groups, and not an individual from a regulated entity), before making the filing available for viewing at the OEB's offices or placing the filing on the OEB's website, the OEB will remove any personal (i.e., not business) contact information from the written comment (e.g., the address, fax number, phone number, and e-mail address of the individual). However, the name of the individual and the content of the filing will be available for viewing at the OEB's offices and will be placed on the OEB's website.

ADDRESS:

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto, Ontario M4P 1E4

Attention: Board Secretary
Questions about this consultation process should be directed to Laurie Reid at Laurie.Reid@oeb.ca at 416-440-7623. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Attachment: Appendix A Specific Consultation Questions
Appendix B Cost Awards

Appendix A

To Cover Letter Dated February 21, 2019

EB-2015-0043

SPECIFIC CONSULTATION QUESTIONS

Interested stakeholders are invited to comment on any aspect of the Staff Report. However, staff have created the following consultation questions in order to gain additional information on specific issues.

1. Regarding the recommendation for a new sub-class of small commercial customers, what is the appropriate definition of the class boundary and whether it would substantially change the customers who are included in the class. Options could include 10kW, 2000kWh per month, or a combination of current and voltage. (ref C.4)
2. What would be the appropriate time frame for implementation and rate mitigation for the new small volume commercial sub-class? Should the OEB keep to its general policy of keeping increases under 10% per year on total bill? What considerations should the OEB examine in order to finalize the proposed mitigation? (ref. C.4)
3. Are most current electricity distributor customer information systems capable of maintaining both a kWh and kWh/h distribution rates as part of the applied tariff? (ref. C.5)
4. Given that there would be bill increases for a small segment of each new class, what would be the appropriate time frame for implementation and rate mitigation? (ref. C.6)
5. Stakeholders are invited to comment on the feasibility of implementing the Capacity Reserve Charge approach and expected consequences on customer investments in distributed generation. (ref. D.4)
6. Should there only be one option address the issue of customers who do not abide by their maintenance or bypass obligations? Should the customer have the option? Should the distributor have the option? (ref. D.7)

Appendix B

To Cover Letter Dated February 21, 2019

EB-2015-0043

Cost Awards

Cost Award Eligibility

The OEB will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person intending to request an award of costs must file with the OEB a written submission to that effect by **February 25, 2019** identifying the nature of the person's interest in this process and the grounds on which the person believes that it is eligible for an award of costs (addressing the cost eligibility criteria as set out in section 3 of the *Practice Direction on Cost Awards*). All requests for cost eligibility will be posted by the OEB.

Rate-regulated electricity distributors will be provided with an opportunity to object to any of the requests for cost award eligibility. If an electricity distributor has any objections to any of the requests for cost eligibility, those objections must be filed with the OEB by **March 7, 2019**. Any objections will be posted by the OEB. The OEB will then make a final determination on the cost eligibility of the requesting participants.

Cost Eligible Activities and Hours

Cost awards will be available in relation to the provision of comments on the Staff Report to the Board, to a **maximum of 15 hours**.

Eligible stakeholders that attend the Stakeholder Meeting to be held on March 7, 2019 will be eligible for an award for preparing for the meeting as well as attendance to a **maximum of 6 hours**.

Cost Awards

When determining the amount of the cost awards, the OEB will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the OEB's Cost Awards Tariff will also be applied. The OEB expects that groups

representing the same interests or class of persons will make every effort to communicate and coordinate their participation in this process. Interested parties are reminded that cost awards are made available on a per eligible participant basis, regardless of the number of professional advisors that an eligible participant may wish to retain.

The OEB will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the OEB will act as a clearinghouse for all payments of cost awards in this process. For more information on this process, please see the OEB's *Practice Direction on Cost Awards* and the October 27, 2005 letter regarding the rationale for the OEB acting as a clearing house for the cost award payments. These documents can be found on the OEB's Rules, Codes, and Requirements webpage.