John S. McGee, P. Eng.
Electrical Engineer

556 Leacock Drive
Barrie, ON,
L4N 7B1

Tel 705-726-0707
Fax 705-726-0541
e-mail mcgeejs@csolve.net

John Vrantsidis
Ontario Energy Board
Via e-mail

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EB-2005-0317, Cost Allocation Review, Phase One Technical Workshop

Dear John:

This is a compilation of comments sent via e-mail on the discussion at the workshop of Nov 2 & 3, 2005.

Split of Customer & Demand Related Costs

An over-arching concern of all Residential and smaller General Service customers is the magnitude of the fixed monthly charge. The proposal at present is to set a lower limit of basic customer costs (billing, metering, service drop etc) and an upper limit being the results of the "minimum system" studies.
In support of staying at the bottom end of the range are;

(a) Objective 6 of the OEB Act being "To facilitate energy efficiency and the use of cleaner, more environmentally benign energy sources in a manner consistent with the policies of the Government of Ontario." Loading a significant portion of distribution costs into the fixed charge dilutes the conservation price signal. Indeed, the fixed charge of smaller residential, seasonal and general service customers can be well in excess of 50% of the total bill.

(b) Transmission costs in Ontario are allocated solely on the basis of demand and have no fixed customer charge. Since the cost characteristics of transmission and distribution systems are similar, there is a strong argument for using similar cost allocation systems. There appears to be no move to adopt distribution pricing for transmission costs. Indeed, Hydro One uses transmission cost allocation principles to allocate sub-transmission costs to embedded directs, LDCs and their legacy customers, although it appears that other LDCs use distribution costing methods.

(c) The definition and costing of a minimum distribution system is complex, arbitrary and laden with assumptions. No two distribution engineers would agree on what constitutes a minimum system and no two rate analysts would come out with the same numbers. It is going to be extremely difficult for the OEB to produce guidelines that will result in consistent outcomes. On the other hand, calculation of basic customer costs is fairly straight forward and will yield similar results for similar LDCs.

In summary, the regulatory burden would be simplified and conservation price signals would be enhanced if the fixed charge consisted only of basic customer costs

Allocation to Customer Classes

Allocation of demand related costs to customer classes requires detailed and statistically significant load research. It is unlikely that allocation of costs to the current plethora of customer classes is supported by accurate load research so the current load data collection is welcome.

The working group currently favours the use of 1 NCP to allocate costs to customer classes on the basis that anything else smooths the data too much. However, this is a major departure from the 12NCP used by Hydro One and the historical guidelines implicit in rate guidelines in use by other LDCs. For those LDCs, like Hydro One, having many small classes other the traditional Res, GS, Street Lights and Large Users, it is going to be a formidable task to produce good load research data to justify this radical departure from 12 to 1 NCP or even the existing cost allocation.

Of course the classes that are severely impacted by this move are going to want to see the load research data.

The favoured time interval for allocating demand costs is one hour. This does not respect the time-temperature characteristics of transformers that take several hours to come up respond to load changes. A 4 hour time interval is suggested to more accurately reflect the physics of transformer and underground cable loading.

Weather Correction of Load Data

Upon further reflection and despite comments I made at the workshop, I now feel that utility and class specific weather correction should be applied to load data collected over the last couple of years. After all, it would be unfair to burden the customers of a Northern Ontario LDC with load data collected from Southern Ontario LDCs that saw extreme 1NCP peaks established in the extremely hot summer of 2005.

John McGee
Consultant to FOCA