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September 6, 2018

VIA ELECTRONIC MAIL

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

**Attention: Patrick Wruck, Commission Secretary
and Manager, Regulatory Support**

Dear Sirs/Mesdames:

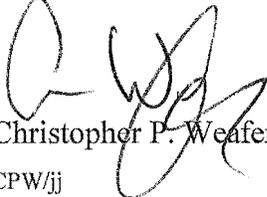
Re: FortisBC Inc. – Self-Generation Policy Stage II Application ~ Project No. 3698820

We are counsel to the Commercial Energy Consumers Association of British Columbia (the “CEC”). Attached please find the CEC’s Final Submissions with respect to the above-noted matter.

If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

Yours truly,

OWEN BIRD LAW CORPORATION



Christopher P. Weafer

CPW/jj
cc: CEC
cc: FortisBC Inc.
cc: Registered Interveners

**COMMERCIAL ENERGY CONSUMERS
ASSOCIATION OF BRITISH COLUMBIA**

FINAL SUBMISSION

**FortisBC Inc. Self-Generation Policy Stage II Application
Project No. 3698820**

September 6, 2018

Commercial Energy Consumers Association of British Columbia

Final Submission

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**COMMERCIAL ENERGY CONSUMERS ASSOCIATION
OF BRITISH COLUMBIA ('CEC')**

FINAL SUBMISSION

FortisBC Inc. Self-Generation Policy Stage II Application ~ Project No. 3698820

The Commercial Energy Consumers Association of BC ("CEC") represents the interests of ratepayers consuming energy under Commercial tariffs in applications before the British Columbia Utilities Commission ("BCUC" or "Commission").

On March 4, 2016, the BCUC directed FortisBC Inc. ("FBC") to file a Stage II Self-Generation Policy Application which includes both a comprehensive Self-Generation Policy and Generator Baseline Guidelines, ...within 120 days of the date of the order.

In November 2016, FBC applied for approval of the policies that it proposes to govern its interaction with self-generating customers. The policies are intended to provide clarity around how the self-generation output will be treated in order to facilitate self-generating customers' ability to make investment decisions.¹

The CEC participated in both the Stage 1 proceeding and the Stage II proceeding and provides the following submissions and recommendations for the Commission's consideration.

A. CEC Summary Position and Recommendations

1. The CEC submits that the utility has been placed in a difficult situation by the recent Commission determination which requires the utility to share what the Commission has determined are 'net benefits' from self-generation between the self-generator ("SG") and FBC customers in general on a shared basis.²
2. The CEC notes that FBC's approach to its Self-Generation Policy Guidelines do attempt to reconcile the various issues at play as a result of the utility's understanding of the Commission's decision while providing for, and prioritizing, the resolution so that operational agreements can be finalized.
3. The CEC submits that it would be preferable for FBC to continue to require self-generating customers to offset their Annual Generation Used to Serve Load prior to taking energy from the utility and prior to sharing 'Net Benefits'.
4. The CEC submits that there may be benefits available to both parties as a result of having self-generation under the Net of Load ("NOL") construct, but there are no substantively

¹ Exhibit B-1, page 1

² Exhibit B-1, page 3

quantified material benefits in evidence to the utility or its ratepayers for providing energy to self-generation customers under FBC's proposal.

5. The CEC recommends that the Commission deny the FBC proposal because FBC's Self-Serve Obligation ("SSO") is at 50% of the SG customers' historic Annual Generation Used to Serve Load, which could introduce unacceptable risks to ratepayers.
6. The CEC does not believe that the Commission should modify an existing contractual agreement such as the PPA without allowing for any other aspects to be reviewed. The CEC recommends that the Commission retain the PPA as contracted until such time as it expires or a new proceeding addresses the issue with the opportunity for a full review.

B. Introduction

7. FBC provides an updated draft of the Self-Supply Obligation Guidelines in its Final Submission.
8. FBC states that there are two primary issues driving the application. These include:
 - a) The opportunity sought by self-generating customers to sell power that would otherwise be used to serve their load;
 - b) A recent Commission requirement that FBC's Self-Generation related rates include a recognition of the benefits and costs that the presence of self-generation brings to the utility and other FBC customers.³
9. FBC clarifies that the issues contributing to the requirement for an SGP are twofold:
 - a) The desire on the part of certain SG customers to sell below-load power, coupled with the opportunity to do so suggested by the Commission under some constraints;
 - b) The Commission decision compelling FBC to recognize net benefits of self-generation.⁴
10. FBC points to the following statement by the Commission which occurs on page 31 of its Stage 1 Decision:

"The Panel supports an overriding principle where both the costs and benefits (net-benefits) are recognized and accrue to both the self-generating customer and FortisBC's customers on a shared basis."

³ FBC Final Submission page 2

⁴ Exhibit B-11, CEC 1.1.2

11. The CEC notes that the Commission's Stage 1 Decision goes on to object to FBC's proposal for sharing benefits based on the Stand-by rate's Stand By Billing Demand ("SBBD"), which it states:

“was designed under the net-of-load construct and did not take into consideration a Generator Baseline (GBL) construct”.
12. In Section 8 of the Decision the Commission provides explicit directions with which the SGP needs to comply and consider, and the SGP Guidelines need to address.
13. The CEC has reviewed the Final Determination and Stage II filing and does not find that there is an explicit requirement for the utility to avoid having any self-generators be required to offset their full historic baseload.
14. FBC also states that the overarching goal of the policies described in the FBC Self-Generation Policy Application is to provide a clear, workable, reasonable set of guidelines and policies that are fair to self-generating customers and non-self-generating customers alike.⁵ FBC also notes that there are a variety of operational agreements, such as General Service Agreements and any power purchase agreements that are difficult to complete while the treatment of SG customers remains in flux.⁶
15. FBC states that ‘ideally, both the SG customers and customers in general would consider that each received and provided a reasonable accommodation for the others’ interests’.⁷
16. The CEC agrees that this is an important outcome of the proceeding.
17. In addition, in FBC's view, approval of the FBC SGP should include a determination that restrictions should not be required on how FBC resources SG customer load that is served in accordance with the SGP.

C. ‘Net Benefits’ of Self-Generation and Generator Baseline

18. As noted above, the GBL Guidelines need to consider that:

“The Panel supports the policy where the net benefits are recognized and accrue to both the self-generating customer and FortisBC's customers on a shared basis;”⁸

⁵ Exhibit B-1, page 1

⁶ Exhibit B-11, CEC 1.3.2.1

⁷ Exhibit B-11, CEC1.1.3

⁸ In the Matter of FortisBC Inc Self-Generation Policy Application Stage 1 Decision and Order G-27-16 (Stage 1 Decision) Stage 1 Decision page 53

19. Net benefits are defined as including both costs and benefits.⁹
20. The Commission also provided a direction that the GBL Guidelines need to consider that:

“The Panel generally supports the setting of the GBL at the normal historical level for self-supply for idle generation; however, a definition of idle will be necessary;”¹⁰
21. The Commission provides a discussion of ‘Off-setting Load’ in Section 6.3 of its Stage 1 Decision.
22. In its Decision, the Commission cited the potential Net Benefits (provided by FBC) arising from the presence of self-generators.
23. FBC stated that the potential benefits included:
 - a) freeing up of utility power for export if the self-generating customer’s load is reduced;
 - b) electricity self-sufficiency as it relates to the *Clean Energy Act*. However, such considerations should not be pursued where the impact of doing so increases customer rates;
 - c) reduced greenhouse gas emissions;
 - d) a potential reduction in the need for utility-provided network capacity;
 - e) reduction of transmission losses. However, whether or not this benefit is realized is dependent upon the location of the other generating resources in the area;
 - f) reduction of environmental impacts;
 - g) improvement in reliability. However this depends on where the resource is located;
 - h) avoidance or deferral of investments. Again, in FBC’s case, given the stand-by rate structure, this is unlikely;
 - i) relief of transmission congestion; and
 - j) replacement or complementing of traditional power generation.¹¹

⁹ Stage 1 Decision page 31

¹⁰ Stage 1 Decision page 53

¹¹ Stage 1 Decision and Order G-27-16 (Stage 1 Decision) page 17

24. FBC concluded with a statement that, from a financial perspective:
- “the most likely potential benefits from the local installation of self-generation are due to the deferral or avoidance of a required capital addition, such as a substation, and a reduction in power purchases due to a reduction in system losses that could result.”¹²
25. Additional benefits were identified by Tolko to include: reduced transmission infrastructure from distributed generation, improved self-sufficiency of the FBC system, voltage support, and reduced system losses if the system is located next to load.
26. The CEC notes that these benefits are not substantively and well quantified, while ‘economic’ benefits are at best uncertain.¹³
27. Additionally, the CEC notes that FBC plans its system requirements on the basis that it may be required to meet the full load of self-generation customers, since experience indicates this to be the case.¹⁴ FBC confirms that for all existing SG customers, facilities exist that can serve the customers’ full plant load.¹⁵
28. One consequence of these realities is that Net Benefits of SG are likely dubious or substantially limited.
29. The CEC notes that self-generation supply in terms of the quality of the power versus the quality of power supply required by the utility to deliver service to all of its customers, is not comparable.
30. With regard to measuring benefits FBC also stated in the Stage 1 proceeding:
- “As a utility with generation insufficient to meet the aggregate load of its customers, load reduction by a single customer primarily provides an opportunity to reduce power purchases. Whether this provides an economic benefit to FBC customers depends on whether the purchase price is greater than or lower than the revenue generated from the customer rates.”¹⁶
31. The CEC largely agrees with FBC’s position.
32. The CEC notes however that the benefits identified above arise from the existence of self-generators displacing load on the FBC system, and potentially from new green energy resources being developed.

¹² Stage 1 Decision page 18

¹³ Exhibit B-1, pages 29-37

¹⁴ Exhibit B-6, BCUC 2.25.1

¹⁵ Exhibit B-11, CEC 1.8.3

¹⁶ Stage 1 Decision page 18

33. In a situation in which the self-generator is selling into market over their ability to self-serve while taking energy from the utility, however, the self-generator is adding to the Fortis load and essentially eroding benefits that may have otherwise accrued from load reductions.
34. FBC confirms that the setting and use of an SSO for a self-generator results in FBC's system load being always higher, but the impact of the higher load on ratepayers depends on market conditions.¹⁷
35. BC Hydro points out that:

“The Application indicates that the SGP proposal might provide self-generators in the FortisBC service area with an enhanced opportunity to realize greater returns on historical investments, rather than removing barriers or providing incentives for new investment in additional clean self-generation. BC Hydro believes that the SGP proposal likely would not result in new investment in cost-effective clean self-generation. FortisBC has not explained why it is necessary or appropriate to offer a service that provides self-generators in the FortisBC service area with an enhanced opportunity to realize greater returns on historical investments particularly when the enhanced returns would be at the expense of utility customers.”
36. To the extent parties might be under the impression that FBC's SGP proposal is required to enable FBC self-generating customers to enter into an electricity purchase agreement with BC Hydro, we confirm that it is not needed for such purpose.¹⁸
37. The CEC agrees with BC Hydro on these points.
38. The CEC submits that the 'net benefits' that are to be reflected back and shared in the SG plan should be critically examined as to whether or not they would actually arise from the SGP or whether they are simply diminishing benefits that have already arisen for both the self-generator and the utility.
39. The CEC submits that the SGP as proposed by FBC does not create the benefits that are intended to be recognized because it removes the Net of Load construct, and effectively creates risks for utility ratepayers with no commensurate benefit.

¹⁷ Exhibit B-11, CEC 1.17.1 Confirmed with the caveat that the market may not necessarily mean the short-term market. Please see response for details.

¹⁸ Exhibit C2-2 page 2

D. Risks to Ratepayers of Self-Generators Selling to Market Lower than Historic GBL

40. The CEC submits that the question of risks arising from Self-Generators selling without first offsetting their full historic baseline load is also not well quantified in the evidentiary record.
41. At a high level, the Panel noted two significant risks with a customer wishing to use its self-generation to off-set load. First is the risk of stranded assets, and second is the risk of a customer switching between using self-generation to off-set load and purchasing energy from the utility at embedded cost rates based on price.¹⁹
42. The Commission also provides a discussion on the policies surrounding G-38-01 in its Stage 1 Decision and distinguishes between the situations where there is idle generation and new generation.
43. As noted in FBC's response to CEC 1.1.1, 'Self-Generation in a Not Net of Load situation carries the potential for negative impacts on other FBC customers under certain conditions'.²⁰ FBC appears to believe that at present the risk to ratepayers is low due to the availability of 'low cost resources'.
44. The CEC submits that FBC's proposals are substantially based on the availability of low cost resources, and that this availability is not substantiated in the evidence as a long-term reality upon which FBC may rely to reduce risks to ratepayers.
45. Commission decisions with regard to the Site C Inquiry and BC Hydro's Waneta acquisition reference considerable potential for higher cost resources in the future than those FBC is able to rely on at present.
46. The CEC finds that the FBC proposals may expose ratepayers to considerable risks in the future.
47. In the Application (Discussion Guide) FBC acknowledges this risk.

“Should the self-generating customer take service pursuant to a an (sic) SSO rather than on a net-of-load basis, FBC's system load will be higher than it otherwise would be and therefore the general level of rates could be impacted. Whether or not this impact is positive or negative depends on the relative levels of the Company's industrial rates relative to the price that must be paid for the power required to serve the increased load.

¹⁹ Stage 1 Decision page 20

²⁰ Exhibit B-11, CEC 1.1.1

In the current environment of relatively low cost resources, and with the terms and conditions within the proposed SSO Guidelines, it is highly likely that an increase in FBC load due to the additional self-generator service requirements will have a mitigating effect on future rate increases.

To the extent that at some point in the future the reverse may be true, the SSO mitigates, but does not eliminate, the risk to other customers. The establishment of the SSO creates a reasonable compromise.”²¹

48. The CEC notes that Section 2.5 of the PPA with BC Hydro serves to prevent FBC from acquiring their lowest cost energy at a time when the self-generator is selling into the market. The CEC provides further discussion below under ‘Section 2.5 of the PPA’ in these submissions.
49. The CEC submits that it is reasonable to expect that a self-generator will generally sell into market when the market prices are high, and above that of the price for which they are paying for energy, which are equivalent to the utility revenues. As such, it follows that any market purchases the utility may be required to make may also likely be at a high rate.
50. In addition to the actual cost which could be incurred from purchasing energy and supplying to a self-generator, the CEC submits that FBC also experiences an opportunity cost. The energy being supplied to the self-generator selling into market could presumably be more cost effectively sold into market by FBC or the self-generator would not be doing so themselves.
51. The CEC inquired as to the duty of utilities to protect the interests of their ratepayers.
52. FBC responded as follows:

This is a very broad question. Obligations which, if fulfilled, protect the interests of a utility’s ratepayers include those reflected in ss. 59-63 of the *Utilities Commission Act*, such as the fact that a public utility must not make, demand or receive an unjust, unreasonable, unduly discriminatory or unduly preferential rate for a service provided by it in British Columbia. Other such obligations include various service-related requirements, such as those set out in ss. 28-30 and 38-39 of the *Utilities Commission Act*.²²
53. The CEC submits that the allowance of self-generators to acquire energy while not on a NOL basis effectively provides for the resale of electricity, which is generally not permitted to other customers. Under the UCA, customers reselling electricity are deemed to be ‘public utilities’ and subject to all the regulations of the UCA.

²¹ Exhibit B-1, Discussion Guide page 6

²² Exhibit B-11, CEC 1.3.1

54. The CEC submits that this could constitute an unduly preferential rate in favour of the self-generating customer.
55. The CEC also submits that there is no balancing of the risks and rewards for the self-generator, such as is supposed for the ratepayer.²³
56. FBC states:

“When an SG customer gains the ability to sell some amount of self-generated power that is not in excess of its load to a third party, while simultaneously purchasing embedded cost power from the utility, the risk/reward potential is not symmetrical between the SG customer and the rest of the customer base. This is due to the fact that the SG customer can control whether or not it chooses to exercise this ability and would presumably do so only when it would benefit. Also, since the terms of the sale, including the price at which the SG output can be sold is outside of the embedded cost of service, the SG can potentially benefit even when the other customers may be harmed. Nevertheless, this does not mean that there is no risk to the SG as the SG is responsible for the costs associated with the SG such as construction and ongoing maintenance or any other costs such as the potential for loss of the generation for any reason.”²⁴
57. The CEC submits that the ‘Net Benefits’ with regard to FBC’s proposal are inadequately defined or appropriately balanced in the interests of ratepayers to support approval by the Commission.

E. Proposed Guidelines

58. FBC provides an overview of its Self-Generation Policy proposal in its Application.
59. The proposal addresses the following three scenarios:
 - a) Customers that sell self-generation to third parties that is not in excess of load (which may be simultaneously taking power from FBC) (Scenario 1);
 - b) Customers that use self-generation to off-set load but are not selling any self-generation to third parties (Scenario 2); and
 - c) Customers that sell self-generation to third parties but only after off-setting their full load (i.e., that is in excess of load) (Scenario 3).

²³ Exhibit B-1, Discussion Guide page 6 and B-11, CEC 1.17.4

²⁴ Exhibit B-11, CEC 1.17.3

60. As noted in the Application:

“in all cases, once the Annual Generation used to Serve Load has been determined, the Self Supply Obligation (SSO) calculation is the same: Annual Generation Used to Serve Load, divided by 8760 as the number of hours in 364 days, and rounded to the nearest MW. This value is multiplied by 50% in recognition of the shared benefits that are assumed to flow from the presence of the self-generator.”

61. FBC also states that:

“The 50% is also responsive to the difficulties that FBC has heard repeatedly in determining the manner in which the net benefits should be shared. FBC believes it provides a fair, consistent approach and is similar to an approach that the Commission has suggested.”²⁵

62. As noted in CEC 1.5.3:

“Under the SSO construct, FBC will supply power to the customer to meet any load between the SSO and the actual load of the customer’s facility on an hourly basis. This will be the case even when the customer has generation in excess of the SSO that would otherwise meet its load.”²⁶

63. The CEC submits that the 50% reduction in the self -supply obligation does not provide for a sharing of the net benefits of having self-generating customers on the FBC system for the reasons cited above.

64. The CEC inquired as to why the utility did not comply with the Commission’s requirement to set the SSO at the normal historical levels for self-supply for idle generation.

65. FBC responded that:

“FBC considers that the principle underlying the Commission’s direction at page 44 of the Stage I Decision that, “The Panel generally (underlining in original) supports an incremental approach, based on a historical level of self-supply, for customers with idle self-generation; however a clear definition of what constitutes ‘idle’ would be necessary.” to be that a GBL (or SSO) be set in reference to historical generation. The SSO methodology proposed by FBC is consistent with this principle. However, in order to recognize any net-benefits of self-generation, a factor of 50 percent is applied. As stated in the Application, since the proposal

²⁵ Exhibit B-1, page 25

²⁶ Exhibit B-11, CEC 1.5.3

of FBC treats all customers in a consistent manner, a definition of idle is not required.”²⁷

66. FBC also states that:

“A 50% factor has been chosen by FBC because the selection of a number other than 50% would infer that the net benefits were in the favour of either the self-generating customer or the Company’s remaining customers and would require a potentially contentious determination of the exact nature and magnitude of the net-benefits. In the absence of such a determination, the 50% figure is the most fair.”²⁸

67. The CEC recognizes the FBC dilemma in attempting to ‘share’ unquantified, and in the CEC’s view, unrealizable, ‘net-benefits’, while at the same time meeting the Commission’s requirement to set the SSO at the normal historical levels for self-supply for idle generation.

68. However, the CEC is of the view that there is a failure of logic in the FBC concept and the CEC considers the situation to be unresolvable.

69. In CEC 1.5.2, the CEC posed the following question:

“5.2 In identifying 50% of what a self-generating customer generates and converting that to an annual number, is FBC inferring that the ‘total net benefits’ of self-generation are represented by the total amount that the customer would normally generate; which is then divided equally to ‘share’ the benefits? Please explain.”

70. FBC replied that:

“FBC makes no absolute assertions regarding the actual net-benefits that the totality of a customers’ self-generation represents. The SSO methodology is a means to arrive at the amount of annual load that a customer must continue to serve prior to selling any power to a third party, with the 50 percent factor applied with the intention of recognizing the net-benefits that may result from the self-generation of the customer.”

71. The CEC submits that such a proposal has nothing to do with the sharing of any benefits, of which there are likely no substantive quantifiable benefits available to the utility above the NOL baseline.

72. At best, the 50% factor provides some partial mitigation to the increased risks of 100% that accrue to the utility from removing the NOL construct.

²⁷ Exhibit B-11, CEC 1.18.1

²⁸ Exhibit B-1, page 30

73. In the Stage 1 Decision, the Commission wrote:

“The set of circumstances that rendered historical self-generation as the way to mitigate the risk to other ratepayer in Order G-38-01 likely applies in the case of a FortisBC customer with idle generation today. Specifically, it is likely that the customer is operating in an economically efficient manner and using whatever self-generation is economically efficient to off-set load with the remainder being idle. In the Panel’s view this approach would probably result in a sharing of benefits because ratepayers would benefit from the self-generator off-setting a portion of its load and the self-generating customer would benefit from having the ability to capitalize on current market opportunities for the excess. **The Panel generally supports an incremental approach, based on a historical level of self-supply, for customers with idle self-generation; however a clear definition of what constitutes ‘idle’ would be necessary.**”²⁹

74. The CEC submits that the Commission was correct in requiring that the SSO be established at the normal historical levels for self-supply for idle generation.

75. The CEC submits that the Commission should require substantive and well-quantified net benefits before enabling FBC to recognize ‘net benefits’ that occur from having self-generators on the system where the supply is not incremental to historic service.

76. The CEC submits that all customers who do not use electricity for one reason or another create benefits to the system in terms of avoided costs and reduced environmental footprints, and in fact includes non-customers. Where self-generators are able to cost-effectively supply their own energy or to market on a Net of Load basis, they are achieving cost benefits from their investments and should not require additional benefit recognition from the utility.

F. Obligation to Purchase

77. Section 3 of the Guidelines sets out the obligations of both the customer and FBC with respect to the supply of the customer load both above and below the level of the SSO.³⁰

“By taking service pursuant to a Commission-approved SSO, the customer agrees that in any hour where plant load exceeds the SSO, it will purchase, and FBC agrees that it will supply, power in an amount equal to the difference between plant load and the SSO. This must occur even where no sale is in place and recognizing that the accounting for third-party sales may be done on an after-the-fact basis. For clarity, in the absence of third-party sales, the customer is not at liberty to increase the amount it self-supplies except in the case where FBC is

²⁹ Stage 1 Decision page 44

³⁰ Exhibit B-1, page 22

unable to supply or otherwise mutually agreed to between the Customer and FortisBC.”³¹

78. The conditions are reviewed at page 22-23 of the Application.
79. The CEC has reviewed the evidence with respect to the conditions and submits they are satisfactory.

G. Unit of Measure

80. The SSO is expressed in MW hours, which the CEC submits is appropriate provided that all aspects of power supply are integrated into the measure appropriately for the customer.

H. Determination of Initial Self-Supply Obligation

The Self-Supply Obligation of any Eligible Customer will be equal to Annual Generation Used to Serve Load, as determined below, then divided by 8760 as the number of hours in 365 days. The result is rounded to the nearest MW and multiplied by 50% in recognition of the sharing of the net-benefits of self-generation. The SSO is an hourly MW obligation.³²

81. The CEC does not believe the determination of the SSO has been established in a manner that adequately protects ratepayers.
82. The CEC has provided its comments with regard to the appropriateness of the SSO above.
83. FBC also proposes that the SSO will be reviewed by FBC on an ongoing basis for 36 months, and may be adjusted upwards should actual annual generation exceed the annual generation assumed in the determination of the SSO.³³
84. FBC views 36 months as sufficient time for the operation of self-generation facilities to stabilize and fully integrate with industrial processes. It may also prevent a customer from not fully utilize its self-generation in the reference year in order to minimize its SSO because there would be an opportunity cost to letting functional generation sit idle. Once the 36-month period has elapsed, FBC does not intend to revisit the SSO except under the circumstances provided for in the SSO Guidelines.³⁴

³¹ Exhibit B-1, page 22

³² Exhibit B-1, page 23

³³ Exhibit B-1, page 26

³⁴ Exhibit B-11, CEC 1.9.1

85. The CEC accepts 36 months as a reasonable period for initially establishing the baseline for an SSO.

I. Use of the Initial SSO

86. Once an Initial SSO has been approved by the Commission, the customer will have 60 months (the Initial Period) to begin taking service pursuant to its SSO.³⁵
87. FBC provides its rationale in CEC 1.10.1.
88. The CEC submits that 60 months is a generous period and will be beneficial for Self-Generating customers.

J. Determination and Use of Subsequent SSO, Adjustments to an SSO and SSO Persistence

89. The CEC is satisfied with the Guidelines with regard to these items.

K. Net Benefits of Self-Generation

90. FBC provides its overview of the Net Benefits of Self-Generation at pages 29-37 of the Application.
91. By agreeing to an SSO, the customer and Company agree that all of the Net Benefits of Self-Generation to the customer and Company are recognized in the 50% factor applied to the Annual Generation used to Serve Load as used in the determination of the SSO.³⁶
92. FBC observes that ‘While the Company acknowledges that the net benefits are situational, attempting to determine exactly what those net benefits may be prior to incorporating them into an SSO is complicated, potentially contentious, and unlikely to warrant the effort involved in both that exercise and in resolving any associated dispute that may need to be brought before the Commission.’³⁷
93. The CEC submits that the ‘net benefits’ sharing concept is complex, and simplification leads to arbitrary pricing for these specific customers.

L. Assessment of Net Benefits

94. Section 13 of the Guidelines addresses the Net Benefits of Self-Generation.

³⁵ Exhibit B-1, page 26

³⁶ Exhibit B-1, page 29

³⁷ Exhibit B-1, page 30

95. As noted above, ‘Net Benefits’ refers to the net benefits of the costs and recognized benefits.
96. In the Stage 1 Decision the Commission states that:
- “Therefore, the SGP filed in Stage II needs to state FortisBC’s policy on how the net benefits of self-generation are measured and include an analysis of alternate methods of measuring the long-term benefits of self-generation including, at a minimum, consideration of:
- i) the LRMC used by BC Hydro;
 - ii) the LRMC used in the DSM Regulation; and
 - iii) FortisBC’s updated LRMC that is expected to be filed as part of its next Long Term Electric Resources Plan (due to be filed by June 30, 2016³⁸).”³⁹
97. As noted above, FBC addresses the sharing of Net Benefits by applying a 50% factor to the historical self-supply for customers not NOL.
98. The CEC submits that this does not directly address the measurement of net benefits for those using the SSO.
99. FBC appears to address the Measurement of Net benefits primarily from the perspective of customers without an SSO. They provide an analysis at pages 33-37 of the Application.
100. The CEC finds that the FBC assessment of ‘Net Benefits’ is less than adequate as a basis for providing pricing benefits to self-generators.

M. Section 2.5 of the Power Purchase Agreement with BC Hydro

101. As noted in FBC’s Final Submissions, FBC appears to currently be in the position that it:
- “is precluded from selling BC Hydro PPA Power to Celgar or other self-generators when they are selling power, but it is able to sell power from the components of its resource stack that do not include such power.”⁴⁰

³⁸ Stage 1 Decision page 19

³⁹ Stage 1 Decision page 52

⁴⁰ G-188-11, Panel description FBC Final Submission, page 6

102. FBC requests resolution of this issue and states that ‘approval of the FBC SGP should in any event include a determination that restrictions should not be required on how FBC resources SG customer load that is served in accordance with the SGP.’⁴¹
103. FBC expects that the Commission will make a determination on this point in the current proceeding.
104. The PPA provides that:

For greater certainty, Section 2.5(a)(ii) is intended to prevent FortisBC from increasing its purchases of Electricity under this Agreement if such increased purchases would be a result of FortisBC’s customers with self-generation facilities purchasing Electricity from FortisBC at regulated rates and simultaneously selling Electricity at higher rates, except as otherwise approved by the Commission.⁴²

105. However, FBC also points out that under G-60-14 PPA the Commission determined that:

under the terms of the New PPA there is no significant material risk of harm to BC Hydro that warrants it reasonable to continue to include the restrictions as originally provided for in sections 2.5(a)(ii), 2.5(a)(iii) and 2.5(b) of the New PPA.⁴³

106. Accordingly, FBC believes that:

‘... it would be inappropriate, and unfair to FBC and its customers if the Commission, having determined that FBC should provide service from its embedded cost resources to a SG customer when that customer is selling power, were also to place a limitation on FBC’s ability to source the required power in the most cost-effective manner.’⁴⁴

107. In response to BCUC 1.2.1 FBC also states that:

If the Section 2.5 Restrictions are not removed, then FBC will seek confirmation from the Commission that it considers that the SSO Guidelines provide protection for both the customers of FBC and BC Hydro such that the provision of an SSO to an FBC customer does not result in BC Hydro attempting to invoke the Section 2.5 Restrictions with respect to its service to FBC.⁴⁵

⁴¹ FBC Final Submissions page 3

⁴² Exhibit B-6, BCUC 2.7.1.1

⁴³ FBC Final Submission G-60-14

⁴⁴ FBC Final Submission, page 6

⁴⁵ Exhibit B-2, BCUC 1.2.1

108. The CEC agrees that it is not in FBC ratepayers' interests for FBC to be required to sell power to Self-Generators while simultaneously not being permitted to source the power from the most cost-effective source.

109. FBC's position is that there is no material risk to BC Hydro ratepayers from eliminating Section 2.5 of the PPA because:

*'...as the Panel observed in the PPA decision "any embedded cost energy that could have been used to serve incremental load under the 1993 PPA has almost totally been eliminated by the terms of the New PPA due to the introduction of the Tranche 1 cap, the Tranche 2 price and the Energy and Nomination Scheduling requirements."*⁴⁶

110. However, FBC also acknowledges that its position leading up to the PPA decision included the following:

21. All this being said, even if as a practical matter FortisBC would not seek to access additional BCH power in the current environment to serve self-generator customers, FortisBC acknowledges that it would theoretically be able to do so in the absence of the restrictions in s. 2.5 of the New PPA. FortisBC acknowledges that BC Hydro desires the certainty provided by the restrictions in s. 2.5 of the New PPA and that, without that certainty, BC Hydro may engage in certain conduct which results in additional time and cost being incurred at a later stage, to deal with an issue that the parties have already addressed in s. 2.5 of the New PPA as it presently stands. This is not intended to be critical of BC Hydro, but clearly, if the restrictions in s. 2.5 were not included in the New PPA now, it is reasonable to assume that BC Hydro would: (a) seek to revisit the New PPA in order to include them if economic or other circumstances changed such that increased purchases of New PPA power from BC Hydro were likely to occur; and (b) be more inclined to continue to intervene in FortisBC regulatory proceedings in order to ensure its perceived interests were safeguarded.

111. FBC goes on to state that:

*"In all circumstances, it is less important to FBC whether or not the restriction remains than that some finality is given to the issue, such that all parties can begin discussion to reach operational agreements that reflect whatever the ultimate Commission decision determines regarding the terms of service."*⁴⁷

112. In Exhibit C2-2, BC Hydro objects to FBC's proposal on the grounds that:

"The Self-Supply Obligation (SSO) methodology proposed by FortisBC in its Application does not conform to the principles of Commission Order No. G-38-01

⁴⁶ Exhibit B-3, FBC Comments on Outstanding Issues page 2

⁴⁷ Exhibit B-3, FBC Comments on Outstanding Issues page 2

and in particular the principle of not requiring the utility to supply increased embedded cost of service to facilitate a self-generating customer's exports to market."⁴⁸

113. The CEC is of the view that the BC Hydro position is reasonable in not permitting an increase in the supply of embedded cost power to SG customers that effectively support the sale of power that is not in excess of load.
114. The CEC submits that under the proposed SGP Guidelines the SG customers are effectively shielded from the regulations of BC Hydro by virtue of the fact that FBC is an intermediary.
115. The CEC submits that it is not appropriate for the Commission to effectively 'undo' an existing contractual agreement between two parties as a result of a third party requesting an opportunity that would place one of the original parties at risk.
116. The CEC submits that the appropriate assessment for the Commission is to recognize the PPA contractual agreements as they stand, and assess the risk to FBC ratepayers from the possibility of having to provide service on a non NOL basis while operating under its existing and approved contractual agreement with BC Hydro.
117. The CEC submits that given Section 2.5 of the PPA agreement, ratepayers of FBC can appropriately be found to be at a higher risk from self-generation on a non NOL basis than it might otherwise be.
118. The CEC submits that the Commission should not remove Section 2.5 of the PPA and should not approve the FBC SGP as proposed.
119. The CEC recommends that the Commission leave Section 2.5 of the PPA intact until expiry unless and until a further, dedicated process determines that it should be removed.

N. BC Hydro Self Generation Policy

120. BC Hydro states that it does not have customers that have requested the ability to sell self-generated power to third parties and has therefore not developed a GBL determination guideline, but that its general approach would be as follows:

“If a customer with self-generation facilities wished to sell self-generation output not in excess of load to a third party (i.e., not BC Hydro), then a GBL similar to a Contracted GBL would be required to identify normal historic self-generation output used for self-supply and incremental self-generation output that might be eligible for sale to third parties in accordance with BCUC Order No. G-38-01. If

⁴⁸ Exhibit C2-2, BC Hydro Comments on Outstanding Issues pages 1- 2

BC Hydro and the customer were not able to agree on a GBL in such circumstances, the customer might take its issue to the BCUC.”⁴⁹

121. The CEC is of the view that it would be reasonable for BC Hydro to consider the issue in advance of any customer requests so that it has a strong foundation with well-documented evidence for its positions.

O. Recommendation

122. The CEC recommends that the Commission deny the FBC proposal because FBC’s SSO is at 50% of the SG customers’ historic Annual Generation Used to Serve Load which introduces unacceptable risks to ratepayers.
123. The CEC does not believe that the Commission should modify an existing contractual agreement such as the PPA without allowing for any other aspects to be reviewed. The CEC recommends that the Commission retain the PPA as contracted until such time as it expires or a new proceeding addresses the issue with the opportunity for a full review.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

David Craig

David Craig, Consultant for the Commercial Energy Consumers Association of British Columbia



Christopher P. Weafer, Counsel for the Commercial Energy Consumers Association of British Columbia

⁴⁹ FBC Final Submission page 5 BC Hydro response to Celgar IR 1.1.2.9, Exhibit B-4, Application to Amend Tariff Supplement No. 74 Customer Baseline Load Determination Guidelines for RS 1823 Customers with Self-Generation Facilities.