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VIA E-FILING

Patrick Wruck
Commission Secretary
BC Utilities Commission
6th Floor 900 Howe Street
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Reply to: Leigha Worth
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Dear Mr. Wruck:

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

Please be advised that as counsel, we make the following submissions on behalf of the British Columbia Old Age Pensioners' Organization, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, and the Tenant Resource and Advisory Centre, registered in this process as BCOAPO et al.

INTRODUCTION

On May 6, 2014 British Columbia Utilities Commission ("BCUC") issued its Decision regarding an application by the British Columbia Hydro and Power Authority ("BC Hydro" or "BCH") to replace the existing 1993 Power Purchase Agreement between BC Hydro and FortisBC Inc. under Rate Schedule (RS) 3808 with a new Power Purchase Agreement (New PPA) and three supplemental agreements. The proposed New PPA contained a provision (Section 2.5) maintaining the provisions of section 2.1 of the 1993 PPA, namely that FortisBC is restricted from selling RS 3808 electricity to any FortisBC customer when that customer is selling self-generated electricity: More specifically the proposed section provided:

"Electricity taken under this Agreement shall not be sold to any FortisBC customer with self-generation facilities, or be used by FortisBC to serve such load when such a customer is selling self-generated Electricity unless a portion of the customers load equal to or greater than the customer-specific baseline is being served by Electricity that is not Electricity taken under this a Agreement where such a customer specific baseline as agreed between the Parties (acknowledging that such baseline shall be determined in a manner consistent with how BC Hydro establishes a generator baseline [(GBL)] for its own customers), failing which agreement either Party may submit the matter for

dispute resolution in accordance with Section 13..." (New PPA, section 2.5 (a) (ii))

In its Decision, the BCUC outlined a number of concerns regarding the proposed provisions in Section 2.5: particularly how the GBLs would be determined for FortisBC's customers¹. It also noted that section 2.5 could result in inconsistent outcomes and uncertainties for self-generators within the FortisBC service territory². However, the Commission also found that while its preferred solution would be to immediately remove the restrictions from section 2.5, it was premature to do so as FortisBC's self-generation policies were not sufficiently developed, articulated, and approved by the Commission. As a result, FortisBC was directed to initiate a consultation process in its service territory to address or ensure:

- (i) The potential benefits of self-generation;
- (ii) The 1999 Access Principles in the context of self-generating customers;
- (iii) If the GBL methodology is proposed, GBL Guidelines for both idle historic self-generation and new-self-generation; and
- (iv) arbitrage is not allowed.³

FortisBC was further directed to file a Self-Generation Policy (SGP) application with the Commission that establishes high level principles for its service territory.

FortisBC filed its Self-Generation Policy Application on January 9, 2015. Following a February 5, 2015 procedural conference, the BCUC found that there was merit in a two-stage approach whereby in Stage I the Panel would make certain findings on the High Level Policy Statement and Supporting Policies, which would then form the building blocks for the filing of the GBL Guidelines Application in Stage II.

On March 4, 2016 the BCUC issued its Decision on FBC's Self-Generation Policy Stage I Application and in Order 60-14, the Commission directed FortisBC to file a comprehensive Self-Generation Policy and Generator Baseline Guidelines and provided a framework for their preparation in terms of both the principles to be followed as well as the Commission's expectations regarding their scope⁴.

¹ Page 71-72

² Page 98

³ Order G-60-14

⁴ Stage I Decision, pages 52-53

On November 16, 2016 FortisBC filed its Self-Generation Policy Stage II Application. The BCUC subsequently established a regulatory timetable that called for a round of information requests from the Commission staff followed by a second round of information requests from both the Commission staff and Intervenors and then final submissions from all parties.

In response to the Commission's first round of IR's, FortisBC filed⁵ a standalone comprehensive Self-Generation Policy which also included appendices setting out:

- Its proposed Self-Supply Obligation Guidelines which would apply to eligible customers that intend to sell power not in excess of load and would establish the amount of electricity that the customer must self-supply.
- Its proposed approach for Calculation of Stand-By Billing Demand for those customers that elect to take service under FortisBC's Stand-By Rate (RS 37).

As a result of the information request process, FortisBC made a number of revisions to its Self-Supply Obligation Guidelines and filed a revised version in conjunction with its August 16, 2018 Final Submission.

Set out below are BCOAPO's final submissions regarding FortisBC's proposed Self-Generation Policy (including the two appendices). The submissions are structured in accordance with the sections of the proposed policy.

FORTISBC'S POLICIES REGARDING SELF-GENERATING CUSTOMERS

ELIGIBILITY REQUIREMENTS

FortisBC proposes that the Policies Regarding Self-Generating Customers (also referred to as Policies Regarding Self-Generation or the Self-Generation Policy or SGP) be applicable to Eligible Customers with Self-Generation from Eligible Technologies⁶.

Eligible Customers would include customers served under Rate Schedule 30 (Large Commercial Service – Primary) or Rate Schedule 31 (Large Commercial Service – Transmission). Eligible Customers may also be taking service under Rate Schedule 37 (Stand-by and Maintenance Service).

⁵ Exhibit B-2, BCUC 1.1, Attachment 1.1

⁶ Exhibit B-2, BCUC 1.1, Attachment 1.1, page1

Eligible Technologies clean and renewable generation resources as defined in the Clean Energy Act and regulations.

The proposed SGP also notes that customer-owned generation that does not meet the definition of a clean or renewable resource may still be connected to the FBC system but is not eligible for treatment in accordance with the SGP.

Submissions

There is no eligibility distinction between current and future customers. In this regard, BCOAPO submits that the proposed SGP meets the expectation of the BCUC's Stage I Decision that a comprehensive SGP would "apply to both current and future customers"⁷.

In Order 60-14, the BCUC stated "FortisBC must establish Self-Generating customer polices for current and future customers at distribution and transmission voltage"⁸. Subsequently, in Order G-32-15 (from the Stage I procedural conference), the Commission determined that any GBL guidelines should be applicable to both transmission and distribution customers with the caveat that it should only be applied to customer generation facilities over 50 kW⁹. Under FortisBC's proposal, retail (end-use) customers served at Transmission and Primary Distribution¹⁰ voltage would be eligible under the SGP. However, FortisBC notes that prior to fully implementing its proposed SGP it will need to gain Commission approval of an applicable Primary Stand-by rate.

FortisBC acknowledges¹¹ that it is possible for customers served at secondary voltages (<750 volts) to have self-generation in excess of 50 kW. However, FortisBC explains¹² that with respect to the service voltage, it assumed that the Commission intended that eligible customers would be those served at transmission voltage (greater than 35,000 volts) or primary voltage (700 volts to 35,000 volts).

⁷ Page 52. See also Exhibit B-2, BCUC 1.2

⁸ Page 104

⁹ Appendix A, page 14

¹⁰ RS 30 customers have a contract demand of 500 kVA or more while RS 21, RS 22A and RS 23A customers have demands of less than 500 kW.

¹¹ Exhibit B-9, BCOAPO 4.1 and 4.2

¹² Exhibit B-1, page 13

BCOAPO notes that under proposed SGP, customers served on RS 21 or RS 23A would not be “eligible”, even though such customers may have loads of up to 500 kW and therefore are likely served at primary voltages and (in theory) could have self-generating facilities in excess of 50 kW¹³. Similarly, Wholesale customers (RS 41) with self-generating facilities would not be eligible even if served at Transmission or Primary voltages.

In the case of Wholesale customers (RS 40), FortisBC notes¹⁴ that the Commission’s processes to date have focused on industrial customers and, while it is not opposed to future consideration as to the applicability of the SGP to Wholesale customers, the related issues have not been explored.

In BCOAPO’s view, it is reasonable to limit the applicability of the SGP to commercial (i.e., non-residential retail customers) served at Transmission and Primary voltages as proposed by FortisBC. However, in this regard, it is also BCOAPO’s view that eligibility should be extended to RS 23A (Commercial Service – Primary – Time of Use)¹⁵ and RS 21 (Commercial Service) customers that are served at a primary voltage¹⁶. Furthermore, any SGP approved by the BCUC as a result of this proceeding should, until an appropriate Stand-by rate has been approved, explicitly note that Stand-by service is currently limited to RS 31 customers.

In the alternative, given FortisBC’s claim¹⁷ that an application for approval of a Primary Stand-by rate could be prepared and submitted within 30 days of a decision by Commission, the “coming into effect” of the SGP could be delayed until after the Primary Stand-by rate has been put in place.

The proposed SGP states, “Customer-owned generation that does not meet the definition of a clean or renewable resource may still be connected to the FBC system but is not eligible for treatment in accordance with the SGP”. In response to information requests, FortisBC clarified this further by stating that the SSO and SBBB reduction are only available for customers with clean or renewable resources¹⁸. The response also

¹³ It is noted that customers on RS 22A can also have loads of up to 500 kW. However, this tariff is specifically applicable to customers served at secondary voltages.

¹⁴ Exhibit B-1, page 14 and Exhibit B-8, BCUC 9.2 and 9.4

¹⁵ It is noted (per FBC’s 2017 RDA, page 109) there are currently no customers on this rate.

¹⁶ These would be the same RS21 customers that receive a Transformation Discount (per FBC’s 2017 RDA, page 79)

¹⁷ Exhibit B-8, BCUC 14.2.1

¹⁸ Exhibit B-9, BCOAPO 7.1

states that RS 37 contains no restrictions as to generation type and will continue to be generally available to customers with self-generation.

However, RS 37 also make reference to the establishment of a Stand-by Billing Demand (SBBD), again with no restrictions as to type of generation technology used¹⁹. Therefore, it would appear to BCOAPO that such customers would still be eligible for an SBBD that is less than 100% of the SBDL, even after the SGP has been approved by the BCUC. The difference in such cases would be that for “eligible customers” (per the SGP) the determination of the SBBD would follow the methodology set out in Appendix B of the SGP whereas for ineligible customers some other means of establishing the SBBD billing parameter would or could be applied. FortisBC may wish to clarify this issue in its Reply.

USES OF FBC TRANSMISSION INFRASTRUCTURE

The SGP notes that self-generators intending to sell any portion of their generation output to a third party will require the use of FortisBC’s transmission infrastructure and, in the case of a distribution-connected customer both the transmission and distribution infrastructure²⁰. It then goes on to note that use of the FortisBC system by a party other than FortisBC requires a separate application made pursuant to the Transmission Access Terms and Conditions – Tariff Supplement No. 7.

While the SGP makes reference to distribution-connected customers making use of FortisBC’s distribution infrastructure for purposes of making sales to third parties, FortisBC acknowledges that it does not currently have wheeling rates for industrial customers served at primary voltages²¹.

Submissions

FortisBC states that while it “has been “accommodating” the use of its distribution system for the transmission of distribution-connected customers’ power for the purpose of third party sales, the formalization of the SGP provides impetus to update the current (transmission) tariff²².

¹⁹ Exhibit B-12, ICG 5.10

²⁰ Exhibit B-2, BCUC 1,1, Attachment 1, page 2

²¹ Exhibit B-1, page 41

²² Exhibit B-1, page 41

BCOAPO has concerns regarding FortisBC's admission that it has been "accommodating" the use of its distribution system for the purposes of third party sales in the absence of a wheeling rate for industrial customers served at primary voltages. If this truly is the case, then either FortisBC is not charging for such services or is charging a rate that is not approved by the Commission. BCOAPO submits that if the SGP is to be extended to customers served at primary voltages then priority should be given to not only extending the Stand-by Rate (RS 37) to such customers but to also to putting in place a Commission-approved applicable primary wheeling tariff. Indeed, provision of service under an SSO should not be extended to primary distribution customers until such tariffs have been put in place.

SALE AND PURCHASE OF POWER

This section of the proposed SGP addresses two issues: i) the formal purchase of self-generation output by FortisBC and ii) unscheduled deliveries of power to FortisBC.

Purchases by FortisBC

The SGP states that the purchase of any self-generation output by FortisBC will be reviewed on a case-by-case basis just as FortisBC would consider a new source of supply from any other resource²³. More specifically the Policy notes that, when assessing the value of self-generation supply, FortisBC will consider relevant criteria in terms of meeting its Load-Resource Balance (LRB) requirements and its Long Term Electric Resource Plan (LTERP) objectives, as it does with other supply-side resource options. In addition, while the LTERP considers a broad range of resources, those resources to which the SGP applies, as stated above, must also meet the definition of Eligible Technologies²⁴.

Submissions

BCOAPO agrees that formal purchases of customer self-generation by FortisBC should be assessed within the context of the Company's Long Term Electric Resource Plan. To do otherwise would be inconsistent with the Commission's Resource Planning Guidelines²⁵.

²³ Exhibit B-2, BCUC 1.1, Attachment 1.1, page 3. See also Exhibit B-6, BCUC 35.1

²⁴ Exhibit B-2, BCUC 1.1, Attachment 1.1, page 3

²⁵ Page 4

Unscheduled Deliveries to FortisBC

The proposed SGP notes that from time to time, a self-generator that is served on a Net-of-Load basis may have excess energy that is delivered to the FortisBC system without also having a scheduled delivery to another third party²⁶. By prior agreement, and under the terms of an energy purchase agreement, FBC will absorb the energy and compensate the self-generator at a standard purchase price. The rate applied to such unscheduled purchases will be reflective of the energy's avoided cost value as determined by FBC at that time.

FortisBC's proposal is to set this rate equal to the lesser of the Tranche 1 Energy Price set out in Rate Schedule (RS) 3808 as of January 1 in the calendar year in which the unscheduled delivery is made and the Mid-C Day-Ahead Index Price, less 2 mils, using the heavy load index for Heavy Load Hours and the light load index for Light Load Hours²⁷.

In response to information requests, FortisBC indicated that, unless there was an EPA in place, unscheduled deliveries to its system, it would be settled with the self-generator without compensation²⁸.

Submissions

The SGP appears to only address unscheduled deliveries by customers with self-generation served on a Net-of-Load basis. Circumstances could also arise when a self-generation customer is served pursuant to an SSO where excess energy is delivered to FortisBC's system. While not specifically set out in the proposed SGP or its Appendices, FortisBC has stated in its Stage II Application:

Even in the event that no third party sales are occurring, the customer must purchase from FBC the power required above the SSO even if the customer could supply some portion of plant load above its SSO. Any imbalance between

²⁶ Exhibit B-2, BCUC 1.1, Attachment 1.1, page 3

²⁷ Exhibit B-2, BCUC 1.1, Attachment 1.1, page 3

²⁸ Exhibit B-8, BCMEU 2 c)

the sales amount and the required generation to match the sales amount will be covered under the Wholesale Wheeling Tariff, even if the sales amount zero²⁹.

BCOAPO notes that under the Wholesale Wheeling Tariff customers are allowed to maintain a $\pm 1.5\%$ balance between generation (minus losses) and load within the hour. Also, positive hourly imbalances within the $\pm 1.5\%$ band not eliminated within 30 days will attract a credit that is equal to the Company's minimum monthly cost of purchasing energy. If the Company does not purchase energy during the month, the previous minimum price will be used. Furthermore, positive hourly imbalances outside the $\pm 1.5\%$ band are forfeit.

The result is that, under FortisBC's proposals, the compensation provided (if any) for unscheduled deliveries will vary depending upon whether the customers is serviced pursuant to an SSO or on a Net-of-Load basis. BCOAPO submits there is no reason for a difference in approaches.

Given that FortisBC has no wish to "buy unscheduled purchases"³⁰ but also recognizing that maintaining perfect match between contracted 3rd party sales and generation in excess of the SSO may be impractical, BCOAPO submits that provisions as set out in the Wholesale Wheeling Tariff (RS 106) for recognizing and compensating nominal positive imbalances (i.e., excess deliveries to the FBC system) but not compensating material imbalances is appropriate. In BCOAPO's view the alternative would be to provide no compensation at all.

The Stage II Application notes that FortisBC is obligated to serve the plant load above the SSO at all times (under the same conditions as it would for any customer) and will also serve load below the SSO if the customer generation is insufficient. Such service will be at the rates under which the customer would normally take service. However, the Application is unclear as to what happens if the level of available self-generation exceeds the SSO but is less than the sum of the SSO plus the customer's committed 3rd party sales. In such instances, is FortisBC expected to make up the difference and, if so, what rate will it charge? From BCOAPO's perspective, FortisBC should not be accountable for making up such differences. If it is, then applying the charges similar to those under RS 106 would be an appropriate starting point. However, the charges should be higher than those in RS 106 to re-enforce the need/expectation self-

²⁹ Exhibit B-1, page 22. See also Exhibit B-9, BCOAPO 8.1

³⁰ Exhibit B-12, ICG 9.1

generation customers meet their self-supply obligations and contractual 3rd party commitments with their own generation.

PROPOSED USES OF SELF-GENERATION

The SGP notes that the treatment of self-generation will vary depending upon the use to which the output will be put relative to the plant load of the associated industrial facility³¹. FortisBC has identified three distinct scenarios that its SGP must address noting that while a self-generating customer can change its intent and move from one scenario to another, it can only be in one scenario at a time:

- i. Customers that sell self-generation to third parties that is not in excess of load (which may be simultaneously taking power from FortisBC) (Scenario 1);
- ii. Customers that use self-generation to off-set load but are not selling any self-generation to third parties (Scenario 2); and
- iii. 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).³²

Self-generation customers operating under any of the three scenarios are eligible to contract for FortisBC's Stand-By Service (RS 37) which is strictly for the continued operation of Customer facilities at times when the Customer-owned generation is unavailable and intended to provide the Customer with a firm supply of electric power and energy when the Customer's generating facilities are not in operation or are operating at less than full rated capability³³.

It is self-generation customers potentially operating under Scenario 1 that gave rise to Section 2.5 in the New PPA³⁴ and concerns about the risks to other FortisBC ratepayers³⁵. In an attempt to address these issues, FortisBC proposes to introduce a mechanism known as the Self-Supply Obligation (SSO) which will define the threshold amount of load that a customer must generate for self-supply prior to using any self-

³¹ Exhibit B-2, BCUC 1.1, Attachment 1.1, page 4

³² Exhibit B-1, page 3

³³ Currently only RS 31 customers are eligible for Stand-By Service. However FortisBC has acknowledged that prior to fully implementing its proposed SGP, it will be necessary to gain Commission approval of an applicable Primary Stand-by rate.

³⁴ It should be noted that Section 2.5 of the New PPA is designed to address the risk to BC Hydro's rate payers arising from self-generation customers of FortisBC selling power to third parties while purchasing power from FortisBC. See Exhibit B-7, BC Hydro 2.5

³⁵ Stage I Decision, page 26

generation for sale to a third party³⁶. Appendix A to the proposed SGP sets out FortisBC's proposed Self-Supply Obligation Guidelines.

Self-Supply Obligation Guidelines

The SSO as determined by FortisBC's Self-Supply Obligation Guidelines actually serves two purposes:

- First, it is meant to mitigate the risk to other ratepayers that may arise from self-generators making third party sales while purchasing power from FortisBC arising from the difference between the regulated rates and the contract price or market price. This "risk" was identified and discussed by the Commission in its Stage I Decision³⁷. The Commission stated "the Panel supports a policy that allows self-generation customers to export incremental self-generation to a third party subject to certain safeguards. However, the Panel does not support a policy that would allow a self-generating customer to elect, on a short term opportunistic basis, whether any incremental self-generation will be deemed to serve the customer's load or deemed to be exported".
- Second, it is meant to share the net benefits arising of self-generation. The sharing of such benefits was also discussed in the Commission's Stage I Decision³⁸ where it stated "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".

In order to address the first purpose (i.e., mitigation of risk to other ratepayers) the Self-Supply Obligation Guidelines set out a process whereby a preliminary value – referred to as the Annual Generation Used to Serve Load - is determined. This value is then multiplied by a maximum of 50% in recognition of the sharing of the benefits of self-generation levels to establish the SSO³⁹.

The Self-Supply Obligation Guidelines also sets out various requirements⁴⁰ with respect to:

³⁶ Exhibit B-1, page 19 and Exhibit B-2, BCUC 1.1, Attachment 1.1, page 4

³⁷ Stage I Decision, pages 24-28

³⁸ Stage I Decision, pages 29-31

³⁹ FBC Final Submission, Attachment 1 (Updated SSOG Guidelines), page 3. See also Exhibit B-11, CEC 5.1; Exhibit B-12, ICG 5.6 and Exhibit B-6, BCUC 4.1.2

⁴⁰ Exhibit B-6, BCUC 33.1 and 33.2

- Notification required prior to taking service pursuant to a Commission-approved SSO and termination of service pursuant to an SSO⁴¹;
- The maximum number of months that can pass between a customer receiving an approval and the customer taking service pursuant to the approved SSO⁴²;
- The maximum time that can elapse without the customer utilizing its SSO⁴³; and
- A minimum commitment period for service pursuant to an SSO⁴⁴.

The SSO defines the amount of power that the self-generation customer must purchase for FortisBC (i.e., Obligation to Purchase) as the SGP states⁴⁵:

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

For an Existing Customer with Existing Generation, the Self-Supply Obligation Guidelines state⁴⁶ that the SSO will be determined using the representative year most recently completed at time ‘where a representative year is one based on historical data under NOL operation and must reflect normal levels of current generation and load’.

For both an Existing Customer with New Self-Generation Facilities and a New Customer with New Self-Generation Facilities the determination of the Annual Generation Used to Serve Load will be made “with reference to the nameplate capacity of all connected generating facilities and adjusted by a reasonable capacity factor”. However, any SSO so determined will be reviewed by FBC on an ongoing basis for 36 months and may be

⁴¹ FBC Final Submission, Attachment 1 (Updated SSOG Guidelines), Sections 11, 12.1, 12.2 and 12.3

⁴² FBC Final Submission, Attachment 1 (Updated SSOG Guidelines), Sections 6 and 8

⁴³ FBC Final Submission, Attachment 1 (Updated SSOG Guidelines), Section 10

⁴⁴ FBC Final Submission, Attachment 1 (Updated SSOG Guidelines), Section 11

⁴⁵ FBC Final Submission, Attachment 1 (Updated SSOG Guidelines), page 2

⁴⁶ FBC Final Submission, Attachment 1 (Updated SSOG Guidelines), page 3

adjusted upwards should actual annual generation exceed the current Annual Generation that was determined and initially agreed to⁴⁷.

Submissions

The submissions set out in this section address the use of the SSO for the first purpose set out above (i.e., to mitigate the risk to other ratepayers that may arise from self-generators making third party sales while purchasing power from FortisBC).

Submissions regarding the adjustment applied to recognize “net benefits” are provided in the following section.

BCOAPO notes that in its Stage I Decision the Commission indicated that it “supports a policy that allows customers to export self-generated electricity, as long as the risk to other ratepayers due to differences between the regulated rates and the contract price or market price is mitigated”⁴⁸. Furthermore, based on certain previous Commission Decisions, this would include the sale of “below load” power⁴⁹. The Stage I Decision also provided certain directions as to how such “mitigation” should be achieved.

BCOAPO notes that in its Final Submission FortisBC indicated that, in light of the New PPA Decision, further clarification from the BCUC as to whether sale of below load power to third parties by self-generators is permissible (with adequate mitigation) would be helpful⁵⁰. BCOAPO agrees that, given the various decisions that have been issued by the Commission such clarification would be useful.

Apart from this, the issues before the BCUC now are whether FortisBC’s proposal meets the Commission’s expectations and adequately mitigates the risks to other ratepayers.

BCOAPO submits that FortisBC’s approach to mitigating the risk to other ratepayers is consistent with the BCUC’s Stage I Decision⁵¹:

“the Panel supports a GBL construct to mitigate the risk to other ratepayers that demarks the amount of electricity that the customer must generate for self-supply prior to using any self-generation for export.”

⁴⁷ FBC Final Submission, Attachment 1 (Updated SSOG Guidelines), page 3

⁴⁸ Page 28

⁴⁹ Exhibit B-6, BCUC 1.1 & 4.1.1.2. Also Order 38-01

⁵⁰ Page 12, Issue 5

⁵¹ Page 32

BCOAPO further suggests that FortisBC's proposed Obligation to Purchase is also consistent with the BCUC's Stage I Decision⁵²:

"The Panel does not support a policy where a customer with self-generation would have discretion as to whether they use their incremental self-generation to displace load or export once the GBL is set."

As a result, BCOAPO's position is that FortisBC's approach⁵³ to determining the Annual Generation Used to Service Load for existing customers based on the representative year most recently completed is generally consistent with the Commission's expectations as set out in its Stage I Decision. However, BCOAPO agrees with FortisBC that while the establishment of the SSO as proposed does serve to mitigate the potential harm to other customers, it does introduce risk of harm relative to the status quo⁵⁴.

BCOAPO also supports the notification and other requirements as proposed in the Self-Supply Obligation Guidelines and delineated above as well as the proposed Obligation to Purchase provision. In BCOAPO's view these are all necessary elements to ensure that self-generation customers are not allowed to elect, on a short term opportunistic basis⁵⁵, whether any incremental self-generation will be deemed to serve the customer's load or deemed to be exported. That is consistent with the Commission's Stage I Decision⁵⁶.

However, contrary to the Commission's Stage I Decision⁵⁷, the Self-Supply Obligation Guidelines sets the SSO for customers currently exporting under the net-of-load restriction in the same manner as a customer with idle generation (i.e., in both case the reference point used would be the historical level of self-generation). BCOAPO does submit that in its view FortisBC has adequately explained its approach on this issue⁵⁸. Furthermore, FortisBC's approach, by focusing on historical generation, addresses the issue of risk mitigation for other rate payers on a consistent basis.

⁵² Page 45

⁵³ FBC Final Submission, Attachment 1 (Updated SSOG Guidelines), page 3

⁵⁴ Exhibit B-2, BCUC 1.3

⁵⁵ Exhibit B-12, ICG 6.1

⁵⁶ Page 25

⁵⁷ Stage I Decision, page 46 – "the Panel does not support a policy that sets the GBL for customers currently exporting under the net-of-load restriction in the same manner as a customer with idle generation"

⁵⁸ Exhibit B-6, BCUC 3.2

Unfortunately, in BCOAPO's view, the proposed approach to setting the SSO for Existing/New Customers with New Self-Generation Facilities is problematic. The Guidelines indicate that the Annual Generation Used to Serve Load as initially agreed to between it and self-generation customer will be reviewed on an ongoing basis for 36 months and may be adjusted upwards should actual generation exceed the Annual Generation agreed to⁵⁹. However, since self-generation customers can take service pursuant to an approved SSO after providing 6 months written notice⁶⁰, it is entirely conceivable that the 36 month period includes months where service was taken pursuant to the initially approved SSO. The "problem" arises in that the "Obligation to Purchase"⁶¹ means that the customer cannot self-generate more than the SSO to meet its plant load after service pursuant to an approved SSO has commenced. As a result, any upward adjustment to the Annual Generation Used to Serve Load as initially agreed is unlikely based on a review of actual generation unless the review takes into account the generation sold to 3rd parties, which would be inconsistent with the initial purpose for establishing an SSO. Subject to any clarifying comments by FortisBC, it is BCOAPO's view that this paradox is best addressed by requiring that the SSO only be set after a history (e.g. three years) of self-generation use under the Net of Load construct has been established.

In support of its proposed SGP and, in particular, its Self-Supply Obligation Guidelines FortisBC has indicated that, due to current market conditions (i.e., current market prices are lower than FortisBC's current retail rates) allowing self-generators to make "below load" sales to third parties involves very little risk for and can actually benefit ratepayers over the foreseeable future⁶². FortisBC has also expressed the view that any increase in the load forecast due to self-generation customers serving 3rd parties pursuant to an SSO will not be on a long-term basis and therefore it would likely be inappropriate to acquire a long-term resource to meet the expected load increase or base the cost to serve such load on the acquisition of such resources⁶³.

With respect to the view that the increased load (to be supplied by FortisBC) that arises as a result of a self-generation customer taking service pursuant to an SSO is not a long-term obligation, BCOAPO notes that: i) there is no formal expiry date for the SSO

⁵⁹ FortisBC Final Submission, Attachment 1 (Updated Draft SSOG), page 3

⁶⁰ FortisBC Final Submission, Attachment 1 (Updated Draft SSOG), page 5

⁶¹ Exhibit B-2, BCUC 1.1, Attachment 1.1, page 2

⁶² Exhibit B-7, BC Hydro 1.6.6 & 2.1; Exhibit B-9, BCOAPO 9.3 & 9.4; Exhibit B-6, BCUC 13.1 and Exhibit B-11, CEC 6.1

⁶³ Exhibit B-11, CEC 5.4 and Exhibit B-6, BCUC 4.1.1

once it has been determined⁶⁴, ii) Section 12.3 Self-Supply Obligation Guidelines only provides for the customer the option of terminating service pursuant to an SSO and iii) there is nothing in the SGP or the associated appendices that would allow FortisBC to, with adequate notice, terminate a self-generation customer's service pursuant to an SSO.

While we are not suggesting that such a provision should be included it is BCOAPO's submission that, in the absence of such a provision, the Commission should not view the provision of such service as creating only a short-term supply obligation for FortisBC.

Similarly, without such a provision, BCOAPO submits that the SGP must be robust enough to be applicable under all market conditions and the BCUC's assessment of whether or not the proposed SGP and associated provisions regarding the SSO sufficiently mitigate the risks to other ratepayers should be made in this context.

NET BENEFITS OF SELF-GENERATION

In its Stage I Decision the Panel stated that it "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"⁶⁵.

FortisBC's SGP is designed to share the net benefits from self-generation through the determination of the SSO and, if customers are not served using an SSO, through the determination of the Stand-By Billing Demand (SBBD)⁶⁶.

In its Application FortisBC has acknowledged that there are benefits (and costs) associated with customer self-generation. However, it notes that such benefits (and costs) are situational and that determining precisely what such benefits are is complicated, potentially contentious and unlikely to warrant the effort involved in their determination. It views its approach as simpler but practical and workable.⁶⁷

⁶⁴ FBC Final Submission, Attachment 1 (Updated SSOG Guidelines), Section 10

⁶⁵ Page 31

⁶⁶ Exhibit B-2, BCUC 1.1, Attachment 1.1, pages 3-4

⁶⁷ Exhibit B-1, page 30; Exhibit B-6, BCUC 21.1; Exhibit B-10, BCSEA 5.3 and Exhibit B-9, BCOAPO 1.1

For those customers taking service pursuant to an SSO, FortisBC proposes to share the net-benefits of self-generation by setting the SSO at a maximum of 50% of the value established for the Annual Generation Used to Serve Load⁶⁸.

For those customers not taking service pursuant to an SSO, FortisBC proposes to share the net-benefits of self-generation by reducing their SBBB in order to reflect (and share) the value of “load not served” due to the presence of self-generation. This is done by multiplying the amount of load not due to the presence of self-generation by the difference between: i) the LRMC value per kWh of load not served and ii) the average revenue foregone by not serving the load. Fifty percent of the resulting “net benefit” is then translated into a reduction in the SBBB⁶⁹.

Submissions

BCOAPO agrees with the Utility’s contention that the benefits and costs associated with a particular customer’s self-generation is likely to be situation-specific. Such benefits may also vary over time as system conditions do as well⁷⁰. In addition, BCOAPO agrees that the identification of such benefits (and costs) may be difficult and contentious. With this in mind, BCOAPO accepts that an approach that is both practical and workable is needed for identifying and sharing benefits.

The Self-Supply Obligation Guidelines suggest⁷¹ that in agreeing to an SSO the self-generation customer is agreeing that the net benefits of self-generation will be recognized in the percentage factor⁷² applied to the Annual Generation use to Serve Load as used in the determination of the SSO. However, in its response to information requests⁷³, FortisBC asserted that a self-generation customer with both a SSO and Stand-by power will be able to choose whether the net-benefits are to be recognized in the SSO or the SBBB. In BCOAPO’s view the customer should not be given that “choice”. To do so potentially increase the risks to other ratepayers as it raises additional issues such as whether self-generation customers would: i) be able to

⁶⁸ FBC Final Submission, Attachment 1 (Updated SSOG Guidelines), page 3. See also Exhibit B-6, BCUC 20.2

⁶⁹ Exhibit B-2, BCUC 1.1, Attachment 1.1, Appendix B, pages 1-2

⁷⁰ This would include not only power supply market conditions but also the loading conditions of local distribution and transmission lines.

⁷¹ FBC Final Submission, Attachment 1 (Updated Draft SSOG), page 6. See also Exhibit B-9, BCOAPO 2.2 and Exhibit B-12, ICG 5.5

⁷² See the section of BCOAPO’s Submissions that deals with Use of the SSO to Recognize Net Benefits for more discussion regarding how this factor is determined and applied.

⁷³ Exhibit B-6, BCUC 19.5

change their election over time and ii) if not, attempt to make themselves eligible for a “new choice” by cancelling and then re-contracting for RS 37 service⁷⁴.

The following submissions address FortisBC’s specific proposals for recognizing net benefits.

Use of SBBD to Recognize Net Benefits

Once installed, customer self-generation can generally be expected to be on FortisBC’s system for the long term⁷⁵. In the case of customers not served pursuant to an SSO, any resulting customer generation will first be used to offset the customer’s plant load and therefore reduce FortisBC’s future supply obligations⁷⁶.

In this context, BCOAPO agrees that a key net benefit from self-generation is the difference between: i) the avoided cost of serving the customer’s load and ii) the lost revenues due to the reduction in customer load. BCOAPO further agrees that both of these values should be calculated on levelized basis over a common term as FortisBC proposes⁷⁷.

BCOAPO also agrees that given the complexity and likely controversy associated with calculating any additional cost or benefits associated with customer self-generation, this is a reasonable basis for establishing the net benefits that will be shared between the customer with self-generation and FortisBC’s other ratepayers.

As the avoided cost, FortisBC proposes to use the LRMC value accepted as part of the Company’s most recent LTERP⁷⁸. In response to information requests, FortisBC has further described the derivation of the LRMC value it proposes to use in the calculation of net benefits and the resulting SBBD. Furthermore, since the SGP application was

⁷⁴ For example, if the LRMC values used to determine the SBBD are viewed as increasing in the future, then customers may initially choose the SSO as the means of recognizing net benefits

⁷⁵ FortisBC defines long term as the planning horizon for the LTERP process or 20 years. See Exhibit B-11, CEC 14.1

⁷⁶ Exhibit B-9, BCOAPO 15.2

⁷⁷ Exhibit B-2, BCUC 1.1, Appendix B, page 2 and Exhibit B-9, BCOAPO 14.1

⁷⁸ Exhibit B-2, BCUC 1.1, Attachment 1.1, Appendix B, page 1

filed prior to the FortisBC 2016 LTERP Application, FortisBC has also updated the avoided cost value to reflect its preferred portfolio⁷⁹.

FortisBC has provided two updated values for its avoided cost \$87 / MWh and \$75 / MWh depending on whether or not the energy supply avoided can reasonably be expected to occur over the peak hours during each month of the year within the planning horizon. BCOAPO notes that the choice between these two values can have a material effect on the determination of the SBB. Indeed, given that the levelized retail rate used in \$78/MWh⁸⁰, use of the \$75 value would mean that there would be no reduction for purposes of the SBB calculation⁸¹.

FortisBC has not provided any indication as to whether it proposes to use one of the two values for all SBB determinations (and, if so which one) or whether it proposes the choice between the two values would be made on a case by case basis. BCOAPO submits that without such clarification Appendix B (Calculation of Stand-By Billing Demand) is incomplete and cannot be approved by the BCUC.

BCOAPO further submits that without contractual assurances that FortisBC will not be required to serve this load (even under its Stand-by rate) the higher avoided cost value cannot be used in determining the benefits to be shared.

Since FortisBC's IR responses were prepared the BCUC has released its Decision regarding the Company's 2016 LTERP Application. Key determinations that are relevant to this proceeding include:

- "The Panel finds that FBC's objective of achieving electricity self-sufficiency is not in the public interest, and therefore does not accept it as a valid planning objective against which portfolio options should be evaluated"⁸².
- "The Panel finds the LTERP for the years up to 2024 is in the public interest and accepts it. Given the concerns identified, the Panel finds the recommended portfolio plan for years beyond 2024 not to be in the public interest, and rejects that portion of the plan"⁸³.

⁷⁹ Exhibit B-11, CEC 16.1

⁸⁰ Exhibit B-2, BCUC 1.1, Attachment 1.1, Appendix B, page 2

⁸¹ Exhibit B-9, BCOAPO 13.1

⁸² Page 7

⁸³ Page 19

Also, the Decision, while noting the LRMC is an input into other FortisBC proceedings⁸⁴, made no specific determination regarding the value of FortisBC's LRMC for such purposes.

BCOAPO submits that, in light of the BCUC's Decision regarding FortisBC's LTERP, it is unclear as to what should be the underlying basis for avoided cost used in the SBBD determination. In BCOAPO's view there are two options:

- Base the avoided cost on the years up to 2024 as these are the years for which there is a "plan" that has been accepted by the BCUC, or
- In view of the BCUC's rejection of self-sufficiency as a valid planning objective, base the avoided cost calculation on Portfolio A1 from the 2016 LTERP.

In any event, FortisBC may wish to comment on this issue in its Reply and, if the FortisBC proposal is to be accepted, further direction/clarification is required from the BCUC.

In addressing the issue of whether it would reset/update the SBBD each time a new/different LRMC value was established FortisBC indicated "no" and quoted the Commission's determination that "the SBBD would ideally remain unchanged over the life of the investment in self-generation"⁸⁵. An issue of concern to BCOAPO is whether self-generation customers will be able to (by terminating and then re-applying at a later date for service under RS 37) reset the SBBD values should future LRMC values change such that it would be advantageous to do so. BCOAPO submits that such resets should be prohibited and that, in the absence of new generation being installed and requiring Stand-by power, the same avoided cost and retail rate parameters should be used under such circumstances or when the customer seeks to establish a new SBDL and associated SBBD.

Use of SSO to Recognize Net Benefits

For those customers with self-generation receiving service from FortisBC pursuant to an approved SSO, the recognition of the net benefits of customer generation are recognized through the determination of the SSO value. However, in this case there is no actual calculation of net benefits, as was done in the case of the SBBD determination. Rather, according to the updated SSOG⁸⁶, such benefits are recognized by

⁸⁴ Page 22

⁸⁵ Exhibit B-9, BCOAPO 13.2

⁸⁶ FBC Final Submission, Attachment 1 (Updated SSOG Guidelines), page 3

setting the Self-Supply Obligation (SSO) for any Eligible Customer equal to the Annual Generation Used to Serve Load, as determined under the SSOG and expressed on an hourly MW multiplied by a value, as specified by the customer, of between 0% and 50%.

BCOAPO has carefully read the proposed revisions Section 5 of the updated Self-Supply Obligation Guidelines and believes that, as worded, they do not meet the intended purpose of the revisions triggered by BCUC IR 2.20.2. As worded, if the customer chooses 0% then the SSO would be zero – i.e., the result of multiplying the Annual Generation Used to Serve Load by 0%. It is BCOAPO's understanding that the intent of revision was to set 50% of the Annual Generation Used to Serve Load as the minimum value for the SSO but to allow the customer to choose a percentage reduction of less than 50%. As a result, BCOAPO submits that the appropriate wording for Section 5 is as follows:

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 a value, as specified by the customer, of between 50% and 100% in recognition of the sharing of the net-benefits of self-generation. The SSO is an hourly MW obligation. (Note: Revised wording is underlined)

Based on the same submissions as made in the previous section, BCOAPO views FortisBC's proposal to set the SSO value as a percentage of the Annual Generation Used to Serve Load as a workable and practical approach to recognizing the net benefits of self-generation. BCOAPO also notes that the proposal to use the SSO determination to recognize the benefits of self-generation is consistent with the BCUC's Stage I Decision⁸⁷:

The Panel supports a policy whereby the sharing of net benefits is reflected through the GBL.

Having said this, BCOAPO also notes that setting the SSO at less than 100% of the Annual Generation Used to Serve Load increases the risk to FortisBC ratepayers, as it increases the ability of self-generators to use power supplied by FortisBC to meet plant load while making sales to 3rd parties. As discussed above, FortisBC has sought to dismiss this increased risk by noting that in the short term increased sales to such

⁸⁷ Page 31

customers can actually provide benefit to FortisBC's other ratepayers and the SSO obligation is short-term in nature. However, per BCOAPO's earlier submissions: i) there is no expiry date for the SSO once it has been determined; ii) Section 12.3 Self-Supply Obligation Guidelines only provides for the customer the option of terminating service pursuant to an SSO and iii) there is nothing in the SGP or the associated appendices that would allow FortisBC to, with adequate notice, terminate a self-generation customer's service pursuant to an SSO or even revise the level of the SSO at some future date.

This means that FortisBC's proposed approach to benefit sharing can (under certain system/market conditions) also increase the risk to FortisBC's other ratepayers. BCOAPO submits that, under such circumstances, permitting a reduction in the self-supply obligation of up to 50% of the historical generation used to serve plant load as a means of sharing the net benefits of self-generation is inappropriate as it fails to account for the increased risks to ratepayers that are being created by such a reduction. If system and market conditions are forecast to unfold⁸⁸ such that the reduction in the customer's self-supply obligation will increase the risk to FortisBC's other ratepayers then, with adequate notice (e.g. 3 years⁸⁹) FortisBC should be permitted to increase the minimum self-supply factor from 50% to 75% in order recognize that, under such circumstances, reducing the SSO as a means of "sharing benefits" also increases the risk to other ratepayers.

Conclusion

Overall, BCOAPO supports FBC's application subject to the comments, concerns, and suggestions contained in this submission.

All of which is Respectfully Submitted,

Yours truly,
BC Public Interest Advocacy Centre

Original on file signed by:

Leigha Worth
Barrister & Solicitor
Executive Director

⁸⁸ Such changes in system conditions would be identified during FortisBC's LTERP process.

⁸⁹ Three years is suggested as this is the same notification period applicable to customer seeking to terminate service pursuant to an SSO.