



AQR file no. 19-185
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July 3, 2020

British Columbia Utilities Commission
Suite 410, 900 Howe Street
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Attention: Commission Secretary

filed online

Dear Mr. Wruck:

**Re: Project No. 1599053
British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
Transmission Service Market Reference-Priced Rates Application
Incremental Energy Rate Pilot**

This is the final written argument on the Incremental Energy Pilot Rate submitted on behalf of MoveUP, the Movement of United Professionals, the union of BC Hydro's "inside" workforce.

We reiterate and continue to rely upon the general arguments and characterizations set out in our April 7, 2020 final argument on the Freshet Rate concerning the context of these proceedings, the economic condition of BC Hydro and its ratepayers, Hydro's continuing and worsening energy surplus, and the preferred strategy for designing BC Hydro rates in the emerging situation. In particular, our client calls for a different approach to electric utility rate design, better structured to provide a platform for delivering more diverse service and pricing options while ensuring that fixed utility costs are recovered equitably.

We recommend that the Commission and BC Hydro examine a different approach, more akin to that applied to natural gas distribution utilities, where customers would be charged for system costs, and the commodity cost of their delivered energy would be priced on a flow-through basis. Customers would be free to select from a palette of energy supply and pricing options without shifting energy acquisition cost risks onto Hydro and other ratepayers. IPPs would be entitled to market their energy directly to customers across the BC Hydro system, without the market risks or system costs being transferred onto Hydro and other ratepayers.

Communities would be free to develop local generation options on the basis that BC Hydro would recover the cost of providing the underlying utility services needed to facilitate them but would not bear the risk of energy supply or cost associated with these local decisions. Low-income households would be provided relief from escalating system cost. We submit that, in general terms, this scenario describes an approach to electricity rate design that works much better than grafting miscellaneous specialized rates onto the rate structures that we have inherited from a simpler energy world.

In that regard, we rely upon paragraphs 9 through 17 of our April 7 2020 argument and will not reproduce them here.

The Incremental Energy Rate Pilot (IER)

Like the Freshet Rate, the IER serves a useful purpose for the benefit of both participating and non-participating ratepayers, helping mitigate the substantial losses Hydro and customers suffer from the persistent glut of intermittent high-cost, take-or-pay, low value IPP electricity. While it discounts the energy from established utility rates, it will recover more revenue from a portion of the glutted supply than its regional market price would bring.

In our information requests, we raised the issue whether the COVID-19 pandemic and resultant economic crisis makes this an inappropriate moment to pilot a rate of this nature – would it make better sense to postpone it until whatever version of “normal” eventually emerges?¹ At this point, when and how the economy will recover are unknowable and a significant portion of the pilot’s operation may occur in a state of economic depression, which may undermine its ongoing usefulness as an experimental or pilot offering.

The fact that BC Hydro has already implemented the rate and that a number of customers have been using it since the beginning of the year is not, in itself, an adequate justification to maintain it: BC Hydro knowingly assumed a measure of risk in proceeding with implementation in advance of Commission approval (and this should not be taken as a criticism).

However, aside from its possibly diminished value as an experimental, “piloted” rate, MoveUP is persuaded by BC Hydro’s argument at page 5 that the “pandemic has resulted in a drop in electricity demand, and correspondingly, this is expected to increase BC Hydro’s annual energy surplus”. There is an even greater burden of surplus electricity and therefore all the more benefit, at least for now, in having an additional tool to sop some of it up, as one might put it.

However, like the Freshet Rate, the IER suffers from an *ad hoc*, patched-together character that relies on complex rules and procedures to avoid inappropriate load-shifting that may be particularly disproportionate to these relatively small-scale offerings. The measures

¹ Exhibit B-12, MoveUP IR 3.1.1. and 3.1.2, discussed in BC Hydro Final Argument at page 5.

described in pages 10 and 11 of BC Hydro's Argument demonstrate the contortions needed to minimize load-shifting through the determination of customer-specific monthly baselines.

The Commission and BC Hydro will face many similar rate design dilemmas as new applications of electric energy, bringing new logistical demands, continue to arise. Efficient pricing for residential charging of electric vehicles is an obvious example. Incorporating complex "fixes" into the current monolithic rate structures is an inelegant and ultimately inadequate approach.

Recommended Disposition

That being said, MoveUP supports the approval of the IER Pilot as applied for by BC Hydro. We submit that the timing and process for its evaluation is sensible and that this rate will give at least a small measure of relief to ratepayers, and hopefully provide some useful information for future rate design purposes.

We reiterate the recommendation in the union's Freshet Rate argument that the Commission direct BC Hydro "to undertake a comprehensive review of its rate structures to determine how its rates can provide all customers the opportunity to take advantage of low cost supply when available, and more generally that offer customers rate options that better align with the varying cost of supply on a seasonal and daily basis, while ensuring fixed costs are recovered in a fair and equitable manner." We submit that this needs to be addressed as a top priority.

All of which is respectfully submitted.

Yours very truly,

ALLEVATO QUAIL & ROY

A handwritten signature in blue ink, appearing to read "Jim Quail", written in a cursive style.

per **Jim Quail**
Barrister & Solicitor