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July 6, 2020

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC, V6Z 2N3
Attn: Marija Tresoglavic, Acting Commission Secretary
By web posting

Dear Madam:

Re: BC Hydro Transmission Service Market Reference-Priced Rates Application
B.C. Sustainable Energy Association Final Argument, Incremental Energy Rate Pilot

I am writing to enclose the intervener BCSEA's final argument in this proceeding pursuant to Order G-136-20. Please do not hesitate to contact me if there are any questions.

Yours truly,

William J. Andrews



Barrister & Solicitor

Encl.

BRITISH COLUMBIA UTILITIES COMMISSION

British Columbia Hydro and Power Authority (BC Hydro) Transmission Service Market Reference-Priced Rates Application

BCUC Project No. n/a

Final Argument of BC Sustainable Energy Association

July 6, 2020

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Part 1. INTRODUCTION

A. Final argument of BCSEA

1. This is the final argument of the intervener B.C. Sustainable Energy Association (BCSEA) regarding the Incremental Energy Rate Pilot (RS 1893) within the Commission’s proceeding regarding BC Hydro’s Transmission Service Market Reference-Priced Rates Application. This final argument responds to BC Hydro’s June 29, 2020 Counsel’s Written Submission.¹
2. The Incremental Energy Rate Pilot addressed in this argument is the second part of the two parts of the Application. Part 1 of the Application was BC Hydro’s request for approval of the Transmission Service Freshet Rate (RS 1892) on a permanent basis. The Commission approved RS1892 on a permanent basis by Decision and Order G-103-20, dated May 1, 2020.² BCSEA supported approval of RS 1892 on a permanent basis.³

B. BCSEA’s interests in the proceeding

3. BCSEA represents individuals and organizations in BC who care about energy sustainability and climate change mitigation, and who want the energy they purchase and use to be sustainably produced and transported. Members of BCSEA are ratepayers of BC Hydro. BCSEA’s interests in this proceeding are as a non-profit public interest energy policy organization, and as a representative of its members’ interests as ratepayers.⁴

¹ https://www.bcuc.com/Documents/Arguments/2020/DOC_58515_2020-06-29-BCH-Final-Argument.pdf.

² https://www.bcuc.com/Documents/Other/2020/DOC_57975_2019-05-01-G-104-20-BCH-TSMRPR-Freshet-Rate-FinalOrder-Part1.pdf.

³ https://www.bcuc.com/Documents/Arguments/2020/DOC_57738_2020-04-06-BCSEA-Final-Argument.pdf.

⁴ Exhibit C2-1.

4. BCSEA has participated in most if not all of the Commission's proceedings regarding BC Hydro's rate design applications, going back to the 2008 Transmission Service Re-Pricing Application. BCSEA was an active intervener in the proceeding regarding BC Hydro's 2015 Rate Design Application, and BCSEA has participated in BC Hydro's subsequent workshops regarding rate design options.⁵

C. The proposed IER Pilot

5. The Incremental Energy Rate Pilot is best understood in the context of the Freshet Energy Rate, which BC Hydro describes as follows:

"The Freshet Energy Rate is an optional rate for non-firm, interruptible service, offered to transmission service customers taking service under Rate Schedule 1823 - Transmission Service - Stepped Rate (**Rate Schedule 1823**) or Rate Schedule 1828 - Transmission Service – Biomass Energy Program (**Rate Schedule 1828**) for their electricity usage above their baseline amounts in the applicable rate schedule. The service is available during the freshet period (May, June and July) of each year and is provided to the extent that BC Hydro has sufficient energy and capacity available. By Order No. G-104-20, the BCUC approved the Freshet Energy Rate on a permanent basis."⁶

6. BC Hydro describes the Incremental Energy Rate Pilot as follows:

"Similarly, the Incremental Energy Rate is also an optional rate for non-firm, interruptible service available to eligible transmission service customers for electricity usage above their Rate Schedule 1823 or Rate Schedule 1828 baseline amounts. Service under the Incremental Energy Rate is available on a year-round basis and is provided to the extent that BC Hydro has sufficient energy and capacity available. The Incremental Energy Rate is proposed to be offered on a pilot basis for approximately four years. Pursuant to BCUC Order No. G-300-19, the BCUC approved the Incremental Energy Rate effective January 1, 2020 on an interim and non-refundable basis. A transmission service customer can choose to take service under either the Freshet Energy Rate or the Incremental Energy Rate. For the current fiscal year (April 1, 2020 to March 31, 2021), there are 17 customer sites enrolled for service under the Incremental Energy Rate."⁷

7. The Incremental Energy Rate has market-referenced pricing for incremental energy consumption above customer-specific monthly baselines for high-load hours and low-load hours, settled monthly. Both the Incremental Energy Rate and the Freshet Rate have an energy price floor of \$0/MWh.

⁵ *Ibid.*

⁶ BC Hydro Final Argument, para.2.

⁷ BC Hydro Final Argument, para.3, footnotes omitted.

8. The Incremental Energy Rate differs from the Freshet Energy Rate in that:
- a. the Incremental Energy Rate is available year-round, whereas the Freshet Energy Rate is available only from May to July;
 - b. the energy charge adder for the Incremental Energy Rate is \$7/MWh for the non-freshet months and \$3/MWh for May to July, whereas for the Freshet Energy Rate the energy charge adder is simply \$3/MWh for May to July, and
 - c. the Incremental Energy Rate uses monthly baselines with monthly settlement, whereas the Freshet Energy Rate uses seasonal baselines with seasonal settlement.⁸

Part 2. ARGUMENT

9. BCSEA supports Commission approval of the proposed Incremental Energy Rate Pilot (RS 1893).

10. BCSEA agrees with BC Hydro that the Incremental Energy Rate Pilot is reasonably expected to:

“Provide opportunities for transmission service customers to operate their idle and/or flexible production capacity that in the absence of the Incremental Energy Rate would be underutilized; and

Encourage incremental domestic energy use, which provides economic benefits to all BC Hydro ratepayers.”⁹

11. BCSEA supports the 51 month period of the Incremental Energy Rate Pilot (from January 1, 2020 to March 31, 2024). This period will allow BC Hydro and participating Transmission Service customers to gain experience with the optional Rate over a variety of economic and operating conditions. This period will enable BC Hydro to provide an evaluation report based on four full fiscal years of operation of the Pilot.

12. BCSEA supports the two basic purposes of the Incremental Energy Rate Pilot, which are to inform a decision on “whether the Incremental Energy Rate should be offered beyond the Pilot and, if so, on what terms,” and “whether BC Hydro should continue to offer multiple

⁸ Exhibit B-1, pdf p.10.

⁹ BC Hydro Final Argument, para.4.

optional non-firm rates for Rate Schedule 1823 and Rate Schedule 1828 Customers, or move to a single non-firm service.”¹⁰

13. In BCSEA’s view, the evidence supports BC Hydro’s argument that the Incremental Energy Rate Pilot “manages risk to all ratepayers by not requiring BC Hydro to undertake any system reinforcements, by using available energy and capacity from BC Hydro’s system, and by covering on an expected basis, BC Hydro’s marginal cost of energy while making some contribution to fixed costs.”¹¹

14. BCSEA agrees that the Incremental Energy Rate Pilot “limits BC Hydro’s risk exposure to the fixed duration of the Pilot, should it not perform as expected.”¹²

15. BCSEA agrees with BC Hydro that the Incremental Energy Rate Pilot should not be discontinued due to the COVID-19 pandemic.

- a. The Pilot is designed to evaluate the Incremental Energy Rate under different economic conditions, and the economic impact of the pandemic is certainly an unique economic situation.
- b. The Incremental Energy Rate Pilot is intended to boost BC Hydro’s incremental energy sales while it has surplus energy on a planning basis. This is particularly important as electricity demand has fallen during the first half-year of the pandemic.
- c. The pandemic economic situation will not diminish the functionality of the energy charge adder (\$3/MWh during the freshet months and \$7/MWh in non-freshet months), which is designed to recover the marginal cost of energy and contribute to fixed costs.
- d. Some customers will be able to utilize the Incremental Energy Rate despite the pandemic, even though others may not.
- e. Some customers who are initially unable to increase their incremental load due to the pandemic economic situation may be able to do later in the 51 months of the Pilot.
- f. The Incremental Energy Rate has provisions for adjusting participating customers’ electricity baselines to ensure the baselines continue to represent normal expected electricity usage absent the Pilot.

¹⁰ BC Hydro Final Argument, para.8.

¹¹ *Ibid.*

¹² *Ibid.*

16. BCSEA does not object to \$7/MWh as the energy charge adder for non-freshet months. While other figures could be chosen, \$7/MWh is reasonable.
17. BCSEA is satisfied that the proposed customer-specific monthly baselines and monthly settlement will be representative of the operations of each unique customer and its expected future electricity consumption.¹³
18. BCSEA is satisfied with BC Hydro's explanations of how it will manage the risk of load shifting by customers from RS 1823 or RS 1880 to RS 1893 through customer-specific monitoring and analysis of energy usage.¹⁴ The processes for addressing load shifting are the same as those for the Freshet Rate (RS 1892), which were approved in Decision and Order G-103-20.
19. The evidence indicates that the Incremental Energy Rate is attracting participants: 17 participating sites in F2021. BC Hydro says that the total energy sales under the Incremental Energy Rate for the first four months of F2021 were 90.7 GWh, producing \$3.1 million in revenue.¹⁵
20. In BCSEA's view, BC Hydro's evidence supports its expectation that the Incremental Energy Rate Pilot will have a favourable rate impact to all ratepayers over the Pilot period, i.e., that forecast revenue is sufficient to recover BC Hydro's forecast marginal cost of energy for providing the service.¹⁶
21. BCSEA supports BC Hydro's proposal that it file an evaluation report in December 2023. An earlier evaluation report would not be based on as much data. An alternative would be a December 2024 filing date, which would coincide with the December 2024 filing date for BC Hydro's evaluation of the Freshet Rate directed in Order G-104-20.

Part 3. Conclusion

22. BCSEA supports Commission approval of BC Hydro's proposed Incremental Energy Rate Pilot.

All the above is respectfully submitted.

July 6, 2020

¹³ BC Hydro Final Argument, para.17.

¹⁴ Exhibit B-1, Appendix D, pp. 30-36; Exhibit B-11, BCUC IR 3.2.4.

¹⁵ Exhibit B-11, BCUC IR 3.4.3, cited in BC Hydro Final Argument, para.18.

¹⁶ BC Hydro Final Argument, para.20.

A handwritten signature in black ink, appearing to be 'WJ Andrews', written over a horizontal line.

William J. Andrews, Barrister & Solicitor