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May 22, 2020

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Attention: Marija Tresoglavic, Acting Commission Secretary

Dear Sirs/Mesdames:

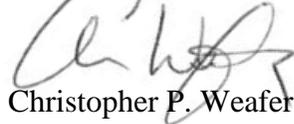
**Re: British Columbia Hydro and Power Authority (BC Hydro) Transmission Service
Market Reference-Priced Rates Application ~ Project No. 1599053**

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: BC Hydro and Power Authority
cc: Registered Interveners

**COMMERCIAL ENERGY CONSUMERS
ASSOCIATION OF BRITISH COLUMBIA**

FINAL SUBMISSIONS

**British Columbia Hydro and Power Authority (BC Hydro) Transmission Service Market
Reference-Priced Rates Application
Project No. 1599053**

July 6, 2020

Commercial Energy Consumers Association of British Columbia

**British Columbia Hydro and Power Authority (BC Hydro) Transmission Service Market
Reference-Priced Rates Application
Project No. 1599053**

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**COMMERCIAL ENERGY CONSUMERS ASSOCIATION
OF BRITISH COLUMBIA**

FINAL SUBMISSIONS

**British Columbia Hydro and Power Authority (BC Hydro) Transmission Service Market
Reference-Priced Rates Application
Project No. 1599053**

1. The Commercial Energy Consumers Association of BC represents the interests of ratepayers consuming energy under commercial tariffs in applications before the BC Utilities Commission (“**BCUC**” or “**Commission**”).
2. British Columbia Hydro and Power Authority (“**BC Hydro**”) applies for Commission approval to run a four-year pilot of an Incremental Energy Rate (“**IER**”), which is an optional non-firm, interruptible service available to eligible transmission service customers.
3. BCUC Order G-300-19 approved the IER on an interim and non-refundable basis commencing January 1, 2020 until March 31, 2024.¹
4. The CEC has participated in the proceeding and provides the following comments for the Commission’s review and consideration.

I. SUMMARY POSITION

5. The CEC recommends that the Commission approve the IER pilot.
6. The CEC recommends that, in light of the current uncertainties the Commission request a short 2-year interim report verifying that directionally the Pilot is achieving benefits for non-participating customers as well as participants.
7. The CEC recommends that the Commission recommend to BC Hydro that it institute a similar Pilot Project for Commercial ratepayers as soon as possible.

II. SUBMISSIONS

A. INTRODUCTION

8. The IER is 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.

¹ Commission Order G-104-20

9. While energy pricing under the IER pilot is referenced to Mid-C market prices, it also includes a price floor of \$0/MWh and an energy charge adder of \$3.00/MWh in freshet months and \$7.00/MWh in non-freshet months on net energy sales.²
10. BC Hydro is not required to undertake system reinforcements to serve load under this rate schedule. RS 1893 load is not included in BC Hydro's load forecast. BC Hydro has the right to interrupt RS 1893 service for transmission and generation system constraints.³
11. Service under the IER is available on a year-round basis and is provided to the extent that BC Hydro has sufficient energy and capacity available.
12. A transmission service customer can choose to take service under either the Freshet Energy Rate or the IER but not both during the same Billing Year, with the exception of the period ending March 31, 2020. Participants are not allowed to switch from one rate to another during the same Billing Year.⁴

B. JUSTIFICATION

13. BC Hydro offers the proposed IER because transmission service customers have requested flexible rate options that better match their individual operating capabilities and electricity service requirements.
14. BC Hydro offers three main rationales for making the proposal. These include:
 - a) Customers have identified the annual availability of non-firm service with market-referenced pricing and monthly settlement as a key objective during the consultation process. The Incremental Energy Rate Pilot is also responsive to the 2013 Industrial Electricity Policy Review (“**IEPR**”) taskforce recommendations to develop innovative rate options for industrial customers
 - b) BC Hydro has experience with the use of market-referenced energy pricing to facilitate the use of incremental electricity, when available, and the determination and adjustment of electricity baselines to separate firm and non-firm service. BC Hydro has demonstrated that such market reference-priced rate designs are well understood and accepted by customers and can provide benefits to both participants and non-participants; and
 - c) BC Hydro expects that daily ICE Index Mid-C pricing, plus an appropriate adder, will generally reflect BC Hydro's short-run marginal cost of energy and therefore be economically efficient. When market energy prices are low, customers will have the opportunity to respond by increasing electricity usage. When market

² Exhibit B-1, page 60

³ Exhibit B-1, page 60

⁴ Exhibit B5, BCSEA 1.9.1

energy prices are high, customers can respond by reducing electricity usage to baseline levels.⁵

15. In general, the CEC is in favour of developing non-firm, optional rates that can increase non-firm load for BC Hydro without incurring additional infrastructure costs.
16. The CEC agrees with BC Hydro that such rates can provide benefits for participants and non-participants alike and should be encouraged.
17. The CEC notes that BC Hydro has been in a position of surplus for some time and is expecting to continue to be so in the future. Additionally, the COVID-19 pandemic has resulted in a nearly 10 per cent drop in electricity demand, and could decrease by up to 12 per cent by April 2021.⁶
18. The CEC submits that it is valuable for BC Hydro to utilize its surpluses locally where possible, and particularly when it can benefit all ratepayers.
19. In the CEC's view there may well be increasing surpluses in the next while due to the pandemic and it is useful to introduce the rate in order at this time to make the best use of potential future surpluses.
20. BC Hydro states that RS 1893 is justified on an economic basis, and potential social benefits did not inform the pilot design nor are they required for its approval by the BCUC.⁷
21. The CEC submits that it is also reasonable to consider that there may be additional knock-on economic and societal benefits for the Province in ensuring greater opportunities for businesses to maximize their productivity as the economy struggles to recover in the wake of Covid-19. In the CEC's view, extending these to commercial customers could be additionally advantageous.
22. The CEC submits there is more than adequate justification for proceeding with the pilot.

C. ENERGY CHARGE

23. As stated above, the energy charge in the Incremental Energy Rate, like the Freshet Energy Rate, is referenced to daily ICE Mid-C market prices in High Load Hours (“**HLH**”) and Low Load Hours (“**LLH**”), with a floor of \$0/MWh and an energy charge adder of \$3/MWh in freshet months and \$7/MWh in non-freshet months.⁸

⁵ Exhibit B-1, page 59

⁶ Exhibit B-12, MoveUp 3.1.1(a)

⁷ Exhibit B-12, CEC 3.19.3.1

⁸ BC Hydro Final Argument page 8

24. Accounting for seasonal storage and wheeling⁹, BC Hydro considers that these adders and energy pricing will, on an annual basis, be sufficient on an expected basis to recover its marginal cost of energy and make a contribution to fixed costs to minimize risk to non-participants.¹⁰
25. The CEC agrees that the floor of \$0/MWh is acceptable and should be the same as that in the Freshet rate.
26. BC Hydro provides an overview of the rationale behind the \$7 charge in its Final Argument at pages 8-9.
27. BC Hydro is proposing to proceed with Option 2A because it reflects AMPC’s proposal and customer feedback.¹¹

Table 13 Summary of Expected Net Revenue by Adder Option

ENERGY CHARGE ADDER ALTERNATIVES	ADDER (\$/MWh)	Expected Incremental Load (GWh)	Expected Incremental Net Revenue (\$M)
Option 1A - Flat	\$6.00 8.00	264	\$ 1.47
Option 1B - Shaped		263	\$ 1.45
Option 2A - Flat	\$ 7.00	266	\$ 1.32
Option 2B - Shaped		265	\$ 1.29
Option 3A - Flat	\$8.00 6.00	268	\$ 1.12
Option 3B - Shaped		267	\$ 1.13

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28. The CEC notes that the \$7/MWh results in lower Expected Incremental Net Revenue than the \$8/MWh Adder option. This amounts to about \$150,000.¹³
29. In the CEC’s view it may have been preferable to establish the adder at \$8/MWh as there is only a very minor change in load of less than 1% (2GWh) but a greater than 10% change in revenues. The CEC submits that the value of the increase to non-participants may have exceeded that of the cost to participants.
30. Nevertheless, the CEC finds it acceptable to establish the Adder at \$7/MWh because the rate is a pilot, and the intent of the rate is not necessarily to maximize the benefit to all ratepayers, but to instead provide a suitable rate for the participants that also contributes cost benefits to the other rate classes.

⁹ Exhibit B-1, page 60

¹⁰ Exhibit B-1, page 63

¹¹ Exhibit B-12, CEABC 3.15.7

¹² Exhibit B-1-1, Erratum replacement page 79 Table 13

¹³ Exhibit B-1-1, Erratum replacement page 79 Table 13

31. The CEC submits that it would be appropriate for the Commission to evaluate the balance of the sensitivity in ratepayer benefits and reductions to participant benefits at the Final Review of the pilot.
32. The CEC submits that BC Hydro has demonstrated that there can be benefits to non-ratepayers as discussed below in these submissions and that the \$7/MWh adder is acceptable at this time.

D. RISKS TO PARTICIPATING RATEPAYERS

33. The IER pilot is optional.
34. Should Mid-C energy prices increase such that it would be economic for customers to take service under the IER pilot, they may choose not to participate. Such customers will still have firm service available to them at stable prices under RS 1823 or RS 1828 within the limits of the Contract Demand in their Electricity Supply Agreement.¹⁴
35. As pricing to the Mid-C market is a fundamental aspect of the IER, participating customer exposure to market price risk is unavoidable¹⁵, however the risk is minimized because the service is optional.
36. The CEC submits that there are significant potential benefits to participating ratepayers and the risk is acceptable.

E. RISKS TO NON-PARTICIPATING RATEPAYERS

37. As noted above in these submissions, BC Hydro does not add the service load to its load forecast in a planning view, and will therefore not incur transmission or generation related costs as a result of the implementation.¹⁶
38. It is possible that the revenue from the IER may exceed costs calculated on a fully-allocated basis. However, BC Hydro did not price either the Freshet or the IER on the expectation of recovering such costs. Rather, the rates were priced on the expectation that revenue from the rates would exceed the marginal cost in most years, thereby providing benefits to all ratepayers.¹⁷
39. BC Hydro recognizes that market and BC Hydro operating conditions may vary substantially from month to month and from year to year. BC Hydro assessed ratepayer impacts over a range of scenarios and expects them to be positive over the pilot period.

¹⁴ Exhibit B-1, pages 59-60

¹⁵ Exhibit B-5, CEC 1.3.1

¹⁶ Exhibit B-5, CEC 1.4.1

¹⁷ Exhibit B-5, CEC 1.2.3

- 40. BC Hydro expects that average annual energy sales, including the adder, will be \$1.3 million before load shifting and implementation costs.¹⁸
- 41. Modeling demonstrates that over a range of conditions positive revenue from service offered under the IER is expected. For instance, over the 46 weather sequences, 40 have a positive ratepayer impact.¹⁹

RESULTS (all values on a per year basis):

Expected Incremental Load Net Revenue	1315	\$kCAD
10th Percentile Net Revenue	-257	\$kCAD
50th Percentile Net Revenue	1308	\$kCAD
90th Percentile Net Revenue	2881	\$kCAD

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- 42. The CEC notes that it is only under the 10th percentile of net revenue scenario in which there would be negative revenue.
- 43. When taking implementation costs into account, the expected energy sales revenue drops to as low as \$1.1 million.

Component	Year 1 (F2021)	Year 2 (F2022)	Year 3 (F2023)	Year 4 (F2024)
RS 1893 Expected Incremental Net Revenue	\$ 1,320,000	\$ 1,320,000	\$ 1,320,000	\$ 1,320,000
Less Estimated Implementation Costs	\$ 186,000	\$ 15,000	\$ 15,000	\$ 65,000
Less Load Shifting Impact				
Less Natural Load Growth Impact				
Less Other (please specify)				
Adjusted Ratepayer Benefit	\$1,134,000	\$1,305,000	\$1,305,000	\$1,255,000

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- 44. BC Hydro is not able to assess the impact of load shifting²² but argues that various conditions built into the IER should minimize load shifting risk.

¹⁸ BC Hydro Final Argument page 14

¹⁹ BC Hydro Final Argument page 15

²⁰ BC Hydro Final Argument page 15

²¹ BC Hydro Final Argument page 16

²² BC Hydro Final Argument page 16

45. As pointed out in its Final Argument

“BC Hydro acknowledges that load shifting can impact customer participation and thus the forecast of incremental load net revenue. A load shift is deemed to occur when the customer changes the timing of electricity consumption to buy more during one month and less in another month, for no net change in annual energy consumption, including circumstances when the customer might be deemed to have purchased the energy anyway (i.e., in the absence of service under the Incremental Energy Rate). As explained in BC Hydro’s response to BCUC IR 3.2.4, certain special conditions built into the Incremental Energy Rate should help to minimize load shifting risk during the Pilot.”²³

46. Overall the CEC submits that it is appropriate that BC Hydro run a pilot program that will provide further information regarding the risk of load shifting and the likely impact on non-participating ratepayers.

F. TERM

47. BC Hydro proposes a term of 51 months, such that the pilot concludes in March 31, 2024.²⁴ The CEC submits that the term is sufficiently long to provide an acceptable review without unduly exposing either participants or non-participants risk.

48. However, as noted below under Reporting, the CEC recommends that a short interim report be developed to ensure there is no undue risk accumulating.

G. POSTPONED OR SUSPENDED

49. The CEC agrees with BC Hydro that the pilot should not be postponed due to the COVID-19 pandemic and accepts BC Hydro’s argument as established in its Final Argument at pages 5-6.

50. As noted earlier in these submissions, the CEC is of the view that there may be even greater surpluses than anticipated under normal circumstances due to the pandemic. If these surpluses can be utilized beneficially within the province instead of being sold on the market this should be encouraged.

51. Further, the CEC also notes that there could be economic benefits to the province in stimulating economic recovery with the opportunity for business to use electricity more cost-effectively.

52. Finally, the CEC notes that customers are already enrolled.

53. While it is not appropriate to approve a pilot on the basis that customers are already enrolled in the pilot prior to Commission approval, the CEC submits that to the extent

²³ BC Hydro Final Argument at page 16

²⁴ Exhibit B-1, page 59

that the Commission is prepared to approve the pilot it will avoid creating difficulty for those already preparing for the pilot.

54. The CEC recommends that the pilot proceed as scheduled.

H. REPORTING

55. BC Hydro does not support a requirement to file annual IER evaluation reports because it imposes an additional regulatory burden and ‘costs that must be recovered from all ratepayers’.²⁵
56. The CEC agrees that annual reporting is not necessary and may not provide especially useful information due to the significance of the range of the conditions that may be experienced.²⁶
57. The CEC submits that a small interim report filed after two years to identify, at a high level, the risks and benefits that have been experienced could be useful and developed to a degree which is not onerous nor expensive.
58. The CEC notes that although BC Hydro and customers have experience with the use of market-referenced energy pricing to facilitate the use of incremental energy and capacity, a year-round, non-firm, interruptible service with market-referenced energy pricing for incremental energy usage will be new to both BC Hydro and transmission service customers.²⁷
59. Additionally, the CEC notes the load shifting risk identified above and further that the resulting consequences of the COVID-19 pandemic are unknown. Any attempt to forecast the impacts on BC Hydro’s operations will be an uncertain exercise. Whatever BC Hydro’s expectations might be at this time, the outcome will be highly uncertain.
60. The CEC submits that given such uncertainty it would be worthwhile for the Commission to examine the direction of the pilot results rather than to risk a negative impact occurring for four years prior to review.

I. COMMERCIAL RATEPAYERS

61. In the Freshet Rate component of this proceeding, the CEC encouraged the Commission to develop a four-year pilot for a freshet rate for commercial customers within the next two years. The CEC submits that it would be appropriate for the Commission to direct BC Hydro to develop a similar IER pilot for Commercial customers as well.
62. BC Hydro argued that

²⁵ BC Hydro Final Argument page 18

²⁶ Exhibit B-12, MoveUp 3.1.1 (e)

²⁷ BC Hydro Final Argument page 3

‘...BC Hydro opposes the BCUC imposing, at this time, a deadline for a new rate proposal or proposals. BC Hydro’s view is that the appropriate approach to exploring changes to existing rates and optional residential and commercial rates is through the process outlined in the Government’s Comprehensive Review Report. In that process, BC Hydro is conducting preliminary analysis on a number of optional rate designs as part of the Phase 2 Review. Based on feedback from the Phase 2 Review, with further analysis, and engagement with stakeholders and customers as part of a BCUC rate design application process, BC Hydro will determine which optional rates to pursue”.²⁸

63. The CEC submits that it is appropriate for the Commission to provide direction to BC Hydro to ensure that the rates being developed are fair, and are developed in a timely manner. The CEC submits that BC Hydro’s proposed process does not provide comfort that an appropriate optional rate will be offered on a timely basis.
64. The CEC also submitted that the rate could be considered as discriminatory in that it is not offered to any other ratepayer group to whom it might benefit.
65. The CEC noted that the rate confers a substantial benefit on a small number of participating customers, and a much smaller benefit on the ratepayer population at large.²⁹
66. In its reply argument BC Hydro argues that:

“Discrimination in rates is typically identified if a rate or service extended to a person is not also extended to other persons under substantially similar circumstances and conditions for service of the same description. The service provided to general service (commercial) customers is not the same as the service provided to RS 1823 and RS 1828 transmission service customers, which is why these customers are in different classes of service.”³⁰
67. The CEC submits that it is equally inequitable to preferentially develop services that serve to benefit one rate class without undertaking to develop similar opportunities for other rate classes, particularly when the rate classes are subsidizing other rate classes.
68. The CEC recommends that the Commission assign little weight to BC Hydro’s arguments with respect to its view of how discrimination is determined and find the rates to be unfair and discriminatory in not being offered to Commercial ratepayers.

²⁸ BC Hydro Final Argument page 11

²⁹ CEC Final Argument, page 5

³⁰ BC Hydro Final Argument page 12

69. The CEC recommends that the Commission direct BC Hydro to commence developing a similar rate for Commercial customers at this time, with piloting to commence in two years.

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