



**ORDER NUMBER**  
**G-256-20**

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

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

**BEFORE:**

T. A. Loski, Panel Chair  
A. K. Fung, QC, Commissioner  
E. B. Lockhart, Commissioner

on October 14, 2020

**ORDER**

**WHEREAS:**

- A. On October 31, 2019, the British Columbia Hydro and Power Authority (BC Hydro) filed an application with the British Columbia Utilities Commission (BCUC) seeking approval of an amended Freshet Rate (Rate Schedule 1892) and approval of a new optional rate, the Incremental Energy Rate (IER, Rate Schedule 1893), pursuant to sections 58 to 60 of the *Utilities Commission Act* (Application);
- B. The IER is offered on a non-firm, interruptible and year-round basis for electricity usage above normal firm transmission service baseline amounts and is available as a pilot commencing January 1, 2020 until March 31, 2024;
- C. By Order G-300-19 dated November 26, 2019, the BCUC approved the IER effective January 1, 2020, on an interim and non-refundable basis as requested by BC Hydro, until further BCUC order;
- D. By Order G-327-19 dated December 12, 2019, the BCUC established a regulatory timetable for the review of the Application;
- E. By letter dated March 2, 2020 (Exhibit A-5) and Order G-49-20 dated March 12, 2020, the BCUC bifurcated the review process of the Application to first address the Freshet Rate component, with further process on the balance of the Application to be determined;
- F. By Order G-104-20 dated May 1, 2020, the BCUC approved Freshet Rate Schedule 1892 on a permanent basis;
- G. By Orders G-111-20 and G-136-20, the BCUC amended the regulatory timetable for the review of the IER component of the Application, which included one round of information requests (IR) and written final arguments;

- H. By July 6, 2020, the BCUC received final arguments from BC Hydro and interveners on the IER component of the Application;
- I. By Order G-179-20 dated July 7, 2020, the BCUC amended the regulatory timetable for one round of Panel IRs, intervener final arguments on the response to Panel IRs and BC Hydro reply argument;
- J. By July 31, 2020, the BCUC received supplemental final arguments from interveners and BC Hydro's reply argument; and
- K. The BCUC has reviewed the evidence and arguments, and considers that approval of the proposed rates contained in the IER component of the Application is warranted.

**NOW THEREFORE** pursuant to sections 59 to 61 of the *Utilities Commission Act*, the BCUC orders as follows:

1. Rate Schedule 1893 is approved as a pilot program effective from January 1, 2020 to March 31, 2024.
2. BC Hydro is directed to file with the BCUC an evaluation report on Rate Schedule 1893 by September 15, 2023, for the period from January 1, 2020 to December 31, 2022. BC Hydro is directed to provide information about its system marginal values as part of the evaluation report to the BCUC.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 14<sup>th</sup> day of October 2020.

BY ORDER

*Original signed by:*

T. A. Loski  
Commissioner

Attachment

## **British Columbia Hydro and Power Authority**

### **Transmission Service Market Reference-Priced Rates Application Part 2 – Incremental Energy Rate Pilot**

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#### **Reasons for Decision**

October 14, 2020

Before:

T. A. Loski, Panel Chair  
A. K. Fung, QC, Commissioner  
E. B. Lockhart, Commissioner

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## Executive Summary

**The British Columbia Utilities Commission (BCUC) approves the British Columbia Hydro and Power Authority (BC Hydro) Incremental Energy Rate (IER) pilot, Rate Schedule (RS) 1893, as a pilot program effective from January 1, 2020 to March 31, 2024.**

On October 31, 2019, BC Hydro filed an application with the BCUC, seeking approval of the IER on a pilot basis for 51 months, effective January 1, 2020 and ending on March 31, 2024 (Application). Customers taking transmission service under RS 1823 or 1828 are eligible for the IER. The IER is referenced to Mid-Columbia (Mid-C) market prices, with a price floor of \$0/MWh, plus an energy charge adder. BC Hydro proposes an energy charge adder of \$3/MWh in freshet months (May to July) and \$7/MWh in non-freshet months (August to April).

The BCUC established a written hearing process for the review of the Application. Six registered interveners participated in this proceeding and the BCUC also received two interested party requests.

The IER is a proposed new optional rate offered as a 51-month pilot available on a non-firm, interruptible basis, to RS 1823 and RS 1828 transmission service customers and provides year-round access to Mid-C market-reference priced energy for incremental electricity consumption relative to pre-determined monthly baselines for energy and demand. These baselines are determined on a customer account-specific basis using historical annual energy consumption under RS 1823 or 1828.

In the Freshet Rate Final Evaluation Report dated December 17, 2018, BC Hydro recommended that the Freshet Rate design concept be expanded to the entire year. This recommendation stemmed from customer feedback, as well as the participant and non-participant ratepayer benefits that resulted from the Freshet Rate pilot as demonstrated by BC Hydro. The proposed IER pilot is an optional rate complementary to the Freshet Rate. A transmission service customer that elects to enroll in an optional, non-firm interruptible service must choose either the Freshet Rate or the IER, but not both, during the same billing year.

Based on the proposed rates in the IER pilot, including the energy charge adder, BC Hydro estimates annual volumes totaling 266 GWh to generate incremental load net revenue to be \$1.32 million, benefitting all ratepayers. The Panel is further persuaded that the proposed energy charge adder set at \$7/MWh for non-freshet months strikes an appropriate balance of ensuring benefit is generated from the IER, while sending a reasonable price signal to IER customers. The Panel is persuaded that BC Hydro has mitigated the risks related to load shifting and natural load growth by having deterrence measures in the tariff with certain special conditions.

**The Panel directs BC Hydro to file with the BCUC an evaluation report on the IER by September 15, 2023, for the period from January 1, 2020 to December 31, 2022.** The Panel considers that receiving this information by September 15, 2023, will provide sufficient time for the BCUC to evaluate the IER pilot prior to its expiration on March 31, 2024 should BC Hydro wish to extend the pilot or seek BCUC approval of the IER as a permanent rate. The Panel accepts BC Hydro's proposed evaluation and reporting items as outlined in the Application. Further, **BC Hydro is directed to provide information about its system marginal values as part of the evaluation report to the BCUC.**

## 1.0 Introduction

On October 31, 2019, the British Columbia Hydro and Power Authority (BC Hydro) filed an application with the British Columbia Utilities Commission (BCUC) seeking approval of an amended Freshet Rate (Rate Schedule 1892) and approval of a new optional rate, the Incremental Energy Rate (IER, Rate Schedule 1893), pursuant to sections 58 to 60 of the *Utilities Commission Act* (UCA) (Application).

The BCUC bifurcated the review process of the Application to first address the Freshet Rate component. The BCUC by Order G-104-20 dated May 1, 2020, approved the Freshet Rate on a permanent basis. This Order, G-256-20 and accompanying reasons for decision, address the IER component of the Application. This is the second and final order of this proceeding.

### 1.1 Approval Sought

BC Hydro seeks approval of the IER on a pilot basis for 51 months, effective January 1, 2020 and ending on March 31, 2024, as contained in Appendix C of the Application.<sup>1</sup> Customers taking service under Rate Schedule (RS) 1823 or 1828 are eligible for the IER.<sup>2</sup> The IER is referenced to Mid-Columbia (Mid-C) market prices, with a price floor of \$0/MWh, plus an energy charge adder. BC Hydro proposes an energy charge adder of \$3/MWh in freshet months (May to July) and \$7/MWh in non-freshet months (August to April).<sup>3</sup>

BC Hydro requested that the IER be approved effective January 1, 2020 on an interim and non-refundable basis until further BCUC order. The BCUC approved that request by Order G-300-19 dated November 26, 2019.

BC Hydro proposes to prepare an evaluation of the IER pilot by December 13, 2023 after the results for the initial period (January 1, 2020 to March 31, 2020) and three complete fiscal years (i.e. fiscal 2021, fiscal 2022 and fiscal 2023) are available.<sup>4</sup>

### 1.2 Regulatory Process and Participants

The BCUC established a written hearing process for the review of the Application. After one round of information requests (IR), the BCUC bifurcated the review process to first address the Freshet Rate component, which it approved on a permanent basis. The BCUC then amended the regulatory timetable to review the IER component, which included one additional round of BCUC and intervener IRs, written final arguments, Panel IRs, and supplemental arguments.

Six registered interveners participated in this proceeding:

- Movement of United Professionals (MoveUP);
- BC Sustainable Energy Association (BCSEA);
- Association of Major Power Customers of BC (AMPC);

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<sup>1</sup> Exhibit B-1, p. 11.

<sup>2</sup> *Ibid.*, p. 58.

<sup>3</sup> *Ibid.*, pp. 60, 63.

<sup>4</sup> *Ibid.*, p. 8.

- British Columbia Old Age Pensioners' Organization et al. (BCOAPO);
- Commercial Energy Consumers Association of British Columbia (the CEC); and
- Clean Energy Association of B.C. (CEABC).

The BCUC also received two interested party requests in this proceeding.

### 1.3 Decision Framework

Section 2.0 of these reasons for decision describes the proposed IER pilot and provides BC Hydro's justification for the new rate. Section 3.0 addresses the issues arising regarding the IER. Section 4.0 sets out the Panel's determinations on BC Hydro's approval sought in relation to the IER.

## 2.0 Description of and Need for Incremental Energy Rate Pilot

### 2.1 Background

The IER is a proposed new optional rate offered as a 51-month pilot that started on January 1, 2020 and ends on March 31, 2024. The IER is available on a non-firm, interruptible basis, to RS 1823 and RS 1828 transmission service customers and provides year-round access to Mid-C market-reference priced energy for incremental electricity consumption relative to pre-determined monthly baselines for energy and demand. These baselines are determined on a customer account-specific basis using historical annual energy consumption under RS 1823 or 1828.<sup>5</sup>

In the Freshet Rate Final Evaluation Report dated December 17, 2018 (2018 Evaluation Report), BC Hydro recommended that the Freshet Rate design concept be expanded to the entire year. This recommendation stemmed from customer feedback, as well as the participant and non-participant ratepayer benefits that resulted from the Freshet Rate pilot as demonstrated by BC Hydro.<sup>6</sup> BC Hydro states the following reasons for why the IER should be offered to transmission customers on a pilot basis:<sup>7</sup>

- The IER is responsive to the 2013 Industrial Electricity Policy Review task force recommendations for BC Hydro to develop innovative rate options for industrial customers;
- Transmission service customers have requested flexible rate options that better match their unique operating needs and requirements;
- Unlike other rate classes, a rate schedule for the provision of non-firm, interruptible electricity that is available to all RS 1823 and RS 1828 transmission customers is not available on a year-round basis;
- Having both the IER and the Freshet Rate available will provide transmission service customers with choice during the proposed pilot period, while allowing BC Hydro to observe customer preferences and behaviours; and

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<sup>5</sup> Exhibit B-1, p. 58.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid., pp. 6–8.

- The experience of both BC Hydro and RS 1823 customers through the Freshet Rate pilot demonstrates that market reference-priced rate designs are well understood and accepted, and can provide benefits to both participants and non-participants.

Prior to filing the Application on October 31, 2019, BC Hydro consulted with its existing transmission service customers, AMPC and the Ministry of Energy, Mines and Petroleum Resources (MEMPR), and conducted workshops in October 2018, November 2018 and September 2019.<sup>8</sup> In the Application, BC Hydro included letters of support for the IER pilot from AMPC, two customers and MEMPR.<sup>9</sup>

BC Hydro states that for the period January 1, 2020 to March 31, 2020, 13 customers had signed up to participate in the IER pilot, and that enrollment increased to 17 customers for the period beginning April 1, 2020.<sup>10</sup>

## 2.2 Description of the Incremental Energy Rate

A transmission service customer that elects to enroll in an optional, non-firm interruptible service must choose either the Freshet Rate or the IER, but not both, during the same billing year. Participants are also not allowed to switch from one rate to another during the billing year.<sup>11</sup>

The IER charge is based on the Mid-C market price, and includes a floor price of \$0/MWh and an energy charge adder on net RS 1893 energy volumes equal to:<sup>12</sup>

- \$3/MWh during the freshet monthly billing periods (May through July); and
- \$7/MWh during all other monthly billing periods (August through April).

The IER energy charge adder is designed to mitigate the forecast risk of under-recovering marginal costs from participant customers and to incorporate a reasonable margin to address uncertainties and make a contribution towards BC Hydro's fixed costs.<sup>13</sup>

In the proposed tariff for Rate Schedule 1893 in Appendix C of the Application, BC Hydro states the following for the energy charge:<sup>14</sup>

The charge applied to energy supplied under this Rate Schedule 1893 during each HLH [High Load Hours] and LLH [Low Load Hours] in the Billing Period is equal to:

1. The greater of

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<sup>8</sup> Exhibit B-1, pp. 5, 12.

<sup>9</sup> Ibid., p. 12; Appendix F.

<sup>10</sup> Exhibit B-12, CEABC IR 3.20.1.

<sup>11</sup> Exhibit B-5, BC Hydro response to BCSEA IR 1.9.1.

<sup>12</sup> Exhibit B-1, p. 63.

<sup>13</sup> Ibid., p. 74.

<sup>14</sup> Ibid., Appendix C, p. 1.

- (a) The Intercontinental Exchange (**ICE**) Mid-Columbia (**Mid-C**) Peak or Mid-C Off-Peak weighted average index price, as published by the ICE in the ICE Day Ahead Power Price Report, applicable to the hour on each day of the Billing Period;<sup>15</sup> and
  - (b) \$0/kWh; plus
2. An adder of \$3.00/MWh for the May, June and July Billing Periods, and \$7.00/MWh for all other Billing Periods.

Since the IER is optional, if Mid-C energy prices increase such that it is uneconomic for the customer to take service under the IER, the customer would still have firm service available under its own rate schedule, either RS 1823 or 1828.<sup>16</sup>

### 2.3 BC Hydro’s Ratepayer Impact Estimate and Justification for the IER

BC Hydro uses energy study models that incorporate BC Hydro’s load, market prices, inflows and weather conditions to forecast the system marginal value energy stored as water in BC Hydro’s large storage reservoirs. The forecast of system marginal value is then used in estimating the ratepayer impact of serving incremental customer load under the proposed IER pilot. BC Hydro submits that this methodology and approach are consistent with the ratepayer impact analysis described in the 2018 Evaluation Report and the evaluation report for Year 4 filed in October 2019, for the Freshet Rate.<sup>17</sup>

A key sensitivity for estimating the ratepayer impact of the IER is the pricing of the energy charge adder. To validate the model and incorporate customer feedback, customer-specific assumptions regarding incremental load potential provided to BC Hydro staff through confidential meetings and discussions were compared against prior Freshet Rate results and known plant operational capabilities.<sup>18</sup> The results of six different scenarios based on the initial modeling of ratepayer impact were provided, as reflected below.<sup>19</sup>

ENERGY CHARGE ADDER ALTERNATIVES	ADDER (\$/MWh)	Expected Incremental Load (GWh)	Expected Incremental Net Revenue (\$M)
Option 1A - Flat	<del>\$6.00</del> 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	<del>\$8.00</del> 6.00	268	\$ 1.12
Option 3B - Shaped		267	\$ 1.13

<sup>15</sup> Daily Mid-C energy prices are converted from US\$ to C\$ using the daily Bank of Canada exchange rate; Exhibit B-1, p. 63.

<sup>16</sup> Exhibit B-1, pp. 60–61.

<sup>17</sup> Ibid., p. 73.

<sup>18</sup> Ibid., pp. 74–75.

<sup>19</sup> Exhibit B-1-1, BC Hydro Errata for Table 13 on p. 79 of the Application.

Under Option 2A, which uses energy charge adders of \$7/MWh in non-freshet months and \$3/MWh in freshet months, BC Hydro estimates annual volumes totaling 266 GWh to generate incremental load net revenue to be \$1.32 million.<sup>20</sup>

Based on the above analysis, BC Hydro predicts that there is a high likelihood that the IER pilot will offer net revenue gain and positive ratepayer benefit. The IER pilot can be offered to participant customers while minimizing risks to non-participants. BC Hydro states that the IER is “a prudent and sensible expansion of the Freshet Rate.”<sup>21</sup>

### 3.0 Issues Arising

Intervenors generally support BC Hydro offering the IER on a pilot basis. However, some intervenors express concerns regarding the uncertainty respecting BC Hydro’s estimates of ratepayer impacts. In addition, intervenors have various positions of the timeline for BC Hydro to file an evaluation report and its content. In the sections that follow, the Panel addresses the four main issues that intervenors raise in the IER component of the proceeding:

1. BC Hydro’s ratepayer impact assessment – is the proposed energy charge adder at \$7/MWh in non-freshet months appropriate to meet BC Hydro’s objectives for offering the IER?
2. What are the potential impacts of load shifting, natural growth and COVID-19? Does BC Hydro have appropriate adjustment mechanisms in place, including setting the appropriate baselines, to account for these uncertainties?
3. When should BC Hydro file an evaluation of the IER pilot, and what are the reporting requirements?
4. Should BC Hydro offer a similar rate to other rate classes beyond transmission service rate customers?

#### 3.1 BC Hydro’s Ratepayer Impact Assessment and Energy Charge Adder

As noted in section 2.3 above, BC Hydro estimates a \$1.32 million annual net revenue for the IER pilot. The \$1.32 million annual net revenue is based on the proposed \$7/MWh energy adder in non-freshet months and \$3/MWh energy adder in freshet months.

BC Hydro was asked to show the breakdown to support the \$1.32 million expected annual net revenue, including the impact of estimated implementation costs, load shifting and natural load growth. In response, BC Hydro provides the table below and states that “[a]t present, BC Hydro has insufficient data and information to prepare a customer specific forecast of load shifting and natural load growth impacts.” However, it “... intends to apply the analysis methodology developed for the Freshet Rate Pilot.”<sup>22</sup>

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<sup>20</sup> Exhibit B-1, p. 77.

<sup>21</sup> *Ibid.*, p. 85.

<sup>22</sup> Exhibit B-11,

**Table 1: Adjusted Ratepayer Benefit by Year<sup>23</sup>**

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

### *Positions of Parties*

Most interveners agree with BC Hydro’s assessment that the IER pilot can provide benefits for participants and non-participants.<sup>24</sup> BCOAPO, however, submits that a better understanding of the impacts on BC Hydro’s net revenue and non-participating customers is needed before making any decision to offer the IER on a permanent basis.<sup>25</sup>

BCOAPO notes that an energy adder of \$8/MWh would decrease incremental load by 0.8% but increase incremental load net revenue by 12%.<sup>26</sup> BCOAPO states that the proposed \$7/MWh energy adder “overly relied on the views of those customers who are likely to participate in the IER and whose interests therefore lie in having lower IER prices.”<sup>27</sup> BCOAPO recommends that the energy adder during the non-freshet period should be set at \$8/MWh, which is the value that BC Hydro initially proposed in its stakeholder consultations.<sup>28</sup> On the other hand, AMPC submits that the \$7/MWh will over-collect from participating customers, as BC Hydro’s analysis shows a much higher probability of positive net revenue scenarios than negative scenarios.<sup>29</sup>

In reply, BC Hydro submits that it conducted a robust analysis of different energy charge adders and consulted with stakeholders. The energy charge adder is not designed to solely protect ratepayers but designed to hold ratepayers harmless and making the IER attractive enough to eligible customers to encourage participation. The proposed \$7/MWh in non-freshet months is low enough to encourage customer participation and drive additional incremental load and high enough to mitigate ratepayer risks in most scenarios.<sup>30</sup>

### *Panel Discussion*

The Panel considers that the energy charge adder is an effective mechanism to provide benefits to participants and non-participants. However, increasing the energy charge adder may reduce the attractiveness of the Freshet Rate, thereby reducing the anticipated benefits to all ratepayers. The Panel notes there was

<sup>23</sup> Exhibit B-11, BCUC IR 3.4.2.

<sup>24</sup> AMPC Final Argument dated July 6, 2020, pp. 3-4; BCSEA Final Argument dated July 6, 2020, p. 4; CEABC Final Argument dated July 6, 2020, p. 8, CEC Final Argument dated July 6, 2020, p. 3.

<sup>25</sup> BCOAPO Final Argument dated July 6, 2020, p. 7.

<sup>26</sup> Exhibit B-12, BC Hydro response to BCOAPO IR 3.60.1; BCOAPO Final Argument dated July 6, 2020, pp. 19–20.

<sup>27</sup> BCOAPO Final Argument dated July 6, 2020, p. 19.

<sup>28</sup> Ibid., p. 20.

<sup>29</sup> AMPC Final Argument dated July 6, 2020, p. 4.

<sup>30</sup> BC Hydro Reply Argument dated July 30, 2020, p. 4.

considerable customer support for the energy charge adder set at \$7/MWh in non-freshet months, and significant resistance to increase the charge. The Panel is persuaded that the proposed energy charge adder set at \$7/MWh for non-freshet months strikes an appropriate balance of ensuring benefit is generated from the IER, while sending a reasonable price signal to IER customers. The Panel notes that the IER is a pilot, and a robust evaluation of the results, including the appropriateness of the adder, will be part of the required evaluation report, as discussed in section 3.3.

### 3.2 IER Customer Baseline and Load Shifting (Including COVID-19)

The IER is offered on a non-firm, interruptible and year-round basis for electricity usage above normal firm transmission service baseline amounts for energy and demand. The baselines are determined on a customer account-specific basis using historical energy consumption.<sup>31</sup>

BC Hydro explains that load shifting occurs 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. Load shifting also includes energy that BC Hydro considers the customer would have purchased anyway in the absence of the IER.<sup>32</sup>

BC Hydro has implemented baseline adjustment mechanisms should the customer baselines no longer represent their normal electricity usage. These adjustments will be based on the principles and criteria set out in Tariff Supplement No. 74, which considers the magnitude, complexity and materiality of the electricity usage changes.<sup>33</sup> In the proposed IER pilot rate schedule, BC Hydro includes the following conditions:<sup>34</sup>

- Special conditions 7, 8 and 9 are to ensure that BC Hydro and the customer agree that the IER baselines are representative of the customer's normal electricity usage, including any changes for natural load growth; and
- Special condition 3 includes the customer providing notice to BC Hydro by March 1 of each year, an estimate of the amount of incremental energy it expects to take under the IER, and an operational and production plan for the purposes of participating in the IER pilot.

BC Hydro considers that applying the above IER special conditions to each customer's circumstances will "minimize load shifting impacts by ensuring that each customer's RS 1893 baselines are set and adjusted appropriately for the forthcoming Billing Year."<sup>35</sup>

With respect to the effects of the pandemic and the resulting consequences, BC Hydro notes that while some customers may be unable to increase energy use in the short term, due to COVID-19 impacts, other customers that enrolled in the IER pilot prior to the pandemic have affirmed their capability to meet their forecast

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<sup>31</sup> Exhibit B-1, pp. 6, 56.

<sup>32</sup> Exhibit B-11, BC Hydro response to BCUC IR 3.2.4.

<sup>33</sup> Exhibit B-1, p. 68.

<sup>34</sup> Exhibit B-11, BC Hydro response to BCUC 3.2.3 and 3.2.4.

<sup>35</sup> Ibid., BC Hydro response to BCUC IR 3.2.4.

incremental load.<sup>36</sup> Further, BC Hydro submits that it is premature to analyze expected net incremental revenue with only four months of data at the time of the proceeding. Such analysis would require BC Hydro to perform an after-the-fact analysis between daily IER sales and the system conditions.

In response to the Panel IRs related to the Catalyst Paper Corporation's application to reduce its baselines, dated May 21, 2020, BC Hydro confirms that no other customers have provided notice to BC Hydro to request a reduction to their baselines due to COVID-19.<sup>37</sup>

### *Positions of Parties*

BCOAPO submits that the net revenue loss risk through load shifting and natural growth should be recognized and accounted for in the IER pricing. The evaluation at the end of the IER pilot should review whether the usage of RS 1823 energy has changed (i.e. declined) over the pilot period relative to what it was prior to the pilot, despite the conditions set out by BC Hydro.<sup>38</sup>

With respect to COVID-19 impacts, interveners submit that the IER pilot should continue to operate because the pandemic may increase electricity surplus and electricity demand may have fallen during the pandemic.<sup>39</sup> The IER pilot may be beneficial to encourage electricity consumption in BC. Further, BCOAPO notes that customers who were impacted by COVID-19 would have little to no information available to establish the "normal usage" for their baselines and suggests to exclude from the consumption history the period during which the pandemic persists.<sup>40</sup>

In response to BCOAPO's concerns regarding load shifting and natural load growth, BC Hydro submits that special conditions 8 and 9 already enable BC Hydro and the customer to assess and adjust the customer's baseline and monthly reference demands. These adjustments could include the impact of the COVID-19 pandemic on the customer's actual electricity usage should this occur.<sup>41</sup>

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<sup>36</sup> Exhibit B-11, BC Hydro response to BCUC IR 3.3.1.

<sup>37</sup> Exhibit B-13, BC Hydro response to BCUC Panel IR 1.1.4.

<sup>38</sup> BCOAPO Final Argument dated July 6, 2020, p. 13.

<sup>39</sup> MoveUP Final Argument dated July 3, 2020, p. 2; CEC Final Argument dated July 6, 2020, p. 7; AMPC Final Argument dated July 6, 2020, p. 3; AMPC Supplemental Argument dated July 24, 2020, p. 2; BCESA Final Argument dated July 6, 2020, p. 5.

<sup>40</sup> BCOAPO Final Argument dated July 6, 2020, pp. 9–10.

<sup>41</sup> BC Hydro Reply Argument dated July 30, 2020, pp. 2–3.

### *Panel Discussion*

The Panel shares the concern over the potential for negative impacts due to load shifting and natural growth. However, the Panel is persuaded that BC Hydro has mitigated the risks related to load shifting and natural growth by having deterrence measures in the tariff with special conditions 7, 8 and 9. The Panel accepts that the customer baseline adjustment mechanisms mitigate these risks. The Panel considers that BC Hydro has gained experience through the Freshet Rate pilot which should allow BC Hydro to manage load shifting under the IER. The Panel notes that an evaluation report at the end of the pilot period will include an analysis of any impacts due to load shifting and natural growth. The Panel discusses the proposed form and content of the evaluation report in the next section.

### **3.3 Reporting and Pilot Evaluation for the IER Pilot**

In the Application, BC Hydro outlines its proposal to evaluate the IER pilot with a list of 13 reporting items including the actual impact of load shifting. BC Hydro states that it “anticipates that the evaluation report will help guide whether any changes to the Incremental Energy Rate Pilot will need to be made and whether it should be made a permanent rate.”<sup>42</sup>

BC Hydro proposes not to file annual reports and views that annual reporting is resource intensive and has low regulatory efficiency. BC Hydro estimates that each evaluation report would cost \$30,000.<sup>43</sup> BC Hydro proposes a filing date of December 13, 2023 for the evaluation report, which is the earliest that BC Hydro can file such a report that covers the IER performance results from January 1, 2020 to March 31, 2021 and three complete fiscal years for 2021, 2022, and 2023 ending March 31, 2023.<sup>44</sup>

### *Position of Parties*

Most interveners agree with BC Hydro’s proposal to file an evaluation report on December 13, 2023 and its proposed contents.<sup>45</sup> While the CEC agrees with BC Hydro that annual reporting is not necessary, the CEC suggests that, in light of current uncertainties, an interim report filed after two years to identify the risks and benefits at a high level could be useful.<sup>46</sup>

In terms of content, BCOAPO submits that the BCUC should direct BC Hydro to address the following in the IER evaluation report:<sup>47</sup>

- The interaction between RS 1823 (BC Hydro’s default rate for firm electricity service supplied to transmission customers) and the IER non-firm, interruptible service;

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<sup>42</sup> Exhibit B-1, pp. 84–85.

<sup>43</sup> Exhibit B-13, BC Hydro response to BCUC Panel IR 1.2.4.

<sup>44</sup> Exhibit B-4, BC Hydro response to BCUC IR 1.28.0 series; Exhibit B-11, BC Hydro response to BCUC IR 3.5.0 series.

<sup>45</sup> MoveUP Final Argument dated July 3, 2020, p. 3; AMPC Final Argument dated July 6, 2020, p. 4; BCSEA Final Argument dated July 6, 2020 p. 6; CEABC Final Argument dated July 6, 2020, p. 8.

<sup>46</sup> CEC Final Argument dated July 6, 2020, pp. 1, 8.

<sup>47</sup> BCOAPO Final Argument dated July 6, 2020, pp. 20–21.

- The appropriateness of using the methodology set out in Appendix D of the Application to assess load shifting and natural load growth under the IER because that methodology was originally used to assess the Freshet Rate; and
- A non-confidential way to show the relationship between the system marginal values and Mid-C prices.

In reply, regarding the reporting timeline, BC Hydro submits that it does not support the CEC's recommendation because "[a]n interim report after two years will not provide sufficient information to fully analyze the impact of RS 1893. In addition, it may not allow for adequate time to have passed following the COVID-19 pandemic to fully understand its impacts on customer operations."<sup>48</sup>

Regarding BCOAPO's proposals, BC Hydro provides the following response:<sup>49</sup>

1. BC Hydro will examine whether each participating customer's RS 1823 energy usage has changed as part of the load shifting analysis.
2. As for BCOAPO's second request, BC Hydro views that explaining whether the load shifting methodology used for the RS 1892 Freshet Energy Rate is appropriate to be used for the IER is not necessary. Load shifting is not limited to shifting load from freshet months to non-freshet months, because it also includes energy that a customer would have purchased in the absence of service under the IER. BC Hydro has already committed to examining load shifting in its evaluation of the IER.
3. Regarding BCOAPO's third request, BC Hydro reiterates that providing information about the system marginal value of BC Hydro resources in a public manner could compromise energy trade. However, BC Hydro will assess the sufficiency of the \$7/MWh energy charge adder over the course of the pilot.

### *Panel Discussion and Determination*

The Panel considers that an evaluation report is necessary to effectively consider whether the IER pilot has been successful. The Panel is persuaded that an interim report on an annual basis, or after two years, will not provide sufficient information to fully analyze the impact of Rate Schedule 1893, and it may not allow for sufficient time to have passed following the COVID-19 pandemic. The Panel agrees that there is a need for an evaluation report on the IER pilot. However, the Panel is concerned that a report filed in mid-December 2023, as proposed by BC Hydro, may not allow sufficient time to review the IER results in advance of the expiration of the pilot on March 31, 2024. The Panel notes that the pilot period commenced January 2020, which means that as of December 31, 2022, the pilot will have been in place for three full years. The Panel considers that three years of results will be sufficient for a comprehensive review of the pilot. Accordingly, **the Panel directs BC Hydro to file an evaluation report on Rate Schedule 1893 by September 15, 2023, based on January 1, 2020 to December 31, 2022 results.** The Panel considers that receiving this information by September 15, 2023, will provide sufficient time for the BCUC to evaluate the IER pilot prior to its expiration on March 31, 2024 should BC Hydro wish to extend the pilot or seek BCUC approval of the IER as a permanent rate.

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<sup>48</sup> BC Hydro Reply Argument dated July 30, 2020, p. 10.

<sup>49</sup> *Ibid.*, pp. 8–9.

The Panel accepts BC Hydro's proposed evaluation and reporting items as outlined in section 5.7 of the Application. The Panel agrees that evaluation reporting should provide guidance as to whether any changes to the IER are warranted, and whether the IER pilot should be extended or made a permanent rate. With respect to BCOAPO's recommendations regarding the evaluation report content, the Panel expects that BC Hydro will explain, in detail, the methodology it will adopt to assess load shifting and natural load growth in the IER pilot evaluation. As part of this assessment, BC Hydro must include an analysis to examine whether the usage of each participating customer's firm electricity service has changed, and if so, to what degree, as a result of the IER non-firm service over the reporting period.

With respect to providing information about the system marginal value of BC Hydro's resources, the Panel agrees with BC Hydro that revealing such information publicly may compromise energy trade. However, the concern stems from whether the IER energy charge adders are appropriate to ensure that a net benefit will be generated from the IER. If BC Hydro has any concerns regarding the confidentiality of this information, it can file the information with the BCUC on a confidential basis, if needed. Thus, **the Panel directs BC Hydro to provide information about its system marginal values as part of the evaluation report to the BCUC.**

### 3.4 Extending IER Pilot Beyond Transmission Service Rate Customers

Customers who are taking service under RS 1823 or RS 1828, but not concurrently taking service under the Freshet Rate, are eligible to enroll in the IER pilot.<sup>50</sup> The CEC views that the IER can be considered discriminatory because it is not offered to any other ratepayer group that might also benefit from that service. The CEC submits that BC Hydro is preferentially developing services that serve to benefit one rate class without giving similar opportunities for other rate classes. The CEC submits that the BCUC should direct BC Hydro to develop a similar IER pilot for commercial customers in a timely manner and recommends a timeframe for this pilot to commence in two years.<sup>51</sup>

BC Hydro replies that it is open to exploring similar pilots or tariffs for commercial customers. However, BC Hydro notes that to date, there has been limited interest in such a rate for commercial customers. BC Hydro maintains that the IER is not unduly discriminatory or unduly preferential within the meaning of section 59 of the UCA. BC Hydro states that the "service provided to eligible transmission service customers and [the] service provided to commercial customers are not under substantially similar circumstances and conditions."<sup>52</sup>

#### *Panel Discussion and Determination*

The Panel acknowledges BC Hydro's submission that to date there has been limited interest in such a rate from commercial customers. The Panel notes that BC Hydro is open to exploring similar pilots or tariffs for commercial customers. The Panel encourages BC Hydro to consult with commercial customers or any parties representing commercial customers on the feasibility and impact of extending the pilot to such customers as part of its consultation activities in preparation for its next rate design application.

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<sup>50</sup> Exhibit B-1, p. 63.

<sup>51</sup> CEC Final Argument dated July 6, 2020, pp. 9–10.

<sup>52</sup> BC Hydro Reply Argument dated July 30, 2020, pp. 11–12.

**The Panel finds that the proposed IER pilot is not unduly discriminatory or unduly preferential within the meaning of section 59 of the UCA.** Section 59 (4) (c) states that the BCUC is the sole judge as to whether a service is offered or provided under substantially similar circumstances and conditions. As the Panel pointed out in the Freshet Rate decision, the Freshet Rate is only available to Transmission Service rate customers, which do not include commercial customers that are taking Distribution Service. Similarly, the IER pilot is only available as an optional service to Transmission Service rate customers, which do not include commercial customers taking Distribution service. Accordingly, the Panel does not consider that service provided to Transmission customers and service provided to Distribution customers are under substantially similar circumstances and conditions, which would warrant extending a similar IER pilot to commercial customers.

#### **4.0 Determinations on Approvals Sought**

**For the reasons set out above, the Panel approves the IER, Rate Schedule 1893, as a pilot program effective from January 1, 2020 to March 31, 2024. BC Hydro is directed to file with the BCUC an evaluation report on the IER by September 15, 2023, for the period from January 1, 2020 to December 31, 2022.**