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October 3, 2019

Mr. Fred James
Chief Regulatory Officer
Regulatory & Rates Group
British Columbia Hydro and Power Authority
16th Floor – 333 Dunsmuir Street
Vancouver, BC V6B 5R3
By Email: bchydroregulatorygroup@bchydro.com

Dear Sir:

Re: British Columbia Hydro and Power Authority, Application to Amend Net Metering Service, BCUC Project No. 1599004
B.C. Sustainable Energy Association Information Request No. 2

Attached please find BCSEA's Information Request No.2 to BC Hydro. A version in Word format will be provided separately. If you have any questions, please do not hesitate to contact me.

Yours truly,

William J. Andrews

Barrister & Solicitor

Encl.

REQUESTOR NAME: **BC Sustainable Energy Association**
INFORMATION REQUEST ROUND NO: 2
TO: **BC Hydro and Power Authority**
DATE: **October 3, 2019**
PROJECT NO: **1599004**
APPLICATION NAME: **BC Hydro Application to Amend Net Metering Service under Rate Schedule 1289**

A. Proposed Ban on New Intentional Oversized Generation

23.0 Topic: Rationale for Ban on New Intentional Oversized Generation Reference: Exhibit B-5, BC Hydro Response to BCSEA IR 1.1.2; Exhibit B-3, BC Hydro Response to BCUC 1.5.3

In the first round of information requests, BCSEA asked whether, in the event the Commission approves a new Energy Price based on the value of annual net excess generation to BC Hydro, there needs to be a ban on new intentional oversized generation. The questions assumed that the 100 kW maximum generator size and the Interconnection Approval requirement remain in place.

BCSEA understands BC Hydro's response to be that new intentional oversized generation should be banned for two reasons. First, BC Hydro's requested update to the Energy Price does not actually reflect the full value to BC Hydro of annual Surplus Energy because it doesn't include BC Hydro's export energy delivery costs. Second, even if the Energy Price reflected the full value to BC Hydro, a ban on new intentional oversized generation is necessary to meet BC Hydro's Objective 1 to maintain Net Metering as a load offset program.

23.1 Is that an accurate description of BC Hydro's reasons for its proposed ban on new intentional oversized generation?

23.2 If BC Hydro has any additional reasons for the proposed ban on intentional oversized generation please state them.

23.3 Would BC Hydro agree that while it says in the Application and in some of the IR responses that its proposed Mid-C market-based Energy Price would reflect the value of Surplus Energy to BC Hydro, BC Hydro's more nuanced position is that its proposed Energy Price would only reduce, but not eliminate, cost-shifting regarding Surplus Energy Payments?

23.4 Would BC Hydro agree that in principle the proposed methodology for establishing the Energy Price could be adjusted so that it fully reflects the value of Surplus Energy to BC Hydro?

23.5 Please identify any factors in addition to energy delivery costs that are not included in BC Hydro's proposed market-based Energy Price and that would cause the Energy Price not to fully reflect the value of Surplus Energy to BC Hydro.

23.6 Please provide an appropriate methodology for determining an Energy Price that reflects the actual full value of Surplus Energy to BC Hydro such that Surplus Energy Payments would not involve any cost-shifting

between participating and non-participating customers. Exclude any cost-shifting associated with costs of meeting demand or costs of providing energy.

23.7 Please provide an example of an Energy Price determined by this methodology using the most recent year for which data is available or reasonable forecasted estimates.

23.8 For clarity, please compare the size of the Energy Price for a given year determined by (a) BC Hydro's proposed methodology and (b) a methodology that yields an Energy Price reflecting the full value of Annual Surplus Energy to BC Hydro.

24.0 Topic: Energy Price, Costs of Delivery to Mid-C Market
Reference: BC Hydro, Freshet Rate Pilot Final Evaluation Report, December 2018

BC Hydro's Freshet Rate Pilot, Rate Schedule 1892, includes a CAD$3.00/MWh proxy for BC Hydro's costs of delivering energy to the market in order to protect non-participating ratepayers from risk. The objectives of the rate are described in BC Hydro's Freshet Rate Pilot Final Evaluation Report, December 2018, as follows:

> "1.1 Pilot Objectives
> The Freshet Rate was proposed to assist in the management of a seasonal energy surplus during the freshet period of May through July by encouraging industrial customers to use more electricity. BC Hydro's system energy surplus arises during freshet from high system inflows combined with an increase in must-take generation from Independent Power Producers and low domestic loads. The Freshet Rate helps to mitigate this unique system condition by providing BC Hydro with options to:
>
> - Increase the ability to import market electricity during low-priced periods;
> - Reduce the volume of surplus energy forced to export markets; and/or
> - Reduce spill risk at BC Hydro facilities.
>
> The Freshet Rate was also responsive to the 2013 Industrial Electricity Policy Review (IEPR) task force recommendations to develop innovative rate options for industrial customers and to recover what BC Hydro would otherwise obtain on the export market, but with potential economic benefits to BC."

In the same report, BC Hydro explains the wheeling charges in the Freshet Rate as follows:

> "3.1.2 Wheeling Charges
> BC Hydro's wheeling rate under RS 1892 is C$3.00/MWh. FortisBC Inc.'s standby rate is C$4.00/MWh (as shown in Schedule 37 for Large Commercial Standby Service). Under BC Hydro's Open Access Transmission Tariff, the wheeling rate for non-firm point-to-point

transmission service is C$8.05 per MW of reserved capacity per hour. Under Bonneville Power Administration's Open Access Transmission Tariff, the wheeling rate for non-firm point-to-point transmission service is US$5.16/MWh.

In the 2015 RDA, BC Hydro stated that the wheeling rate is intended to act as a cost-recovery mechanism (i.e., margin adder) and to protect non-participant ratepayers from risk. For greater certainty, the wheeling rate charged under RS 1892 does not represent a physical wheeling service. Retail access for load customers is not available in BC Hydro's service territory. The wheeling rate of C$3/MWh on net RS 1892 energy volumes was set to reflect approximately 50 per cent of the 2015 BPA wheeling fee in $CAD.

On most days during the Pilot, BC Hydro was typically in an export position. Accordingly, the wheeling rate under RS 1892 provided a margin to BC Hydro equal to the difference between the wheeling rate collected under RS 1892 and the wheeling rate that would have been paid for a market energy sale. It also ensured there was a notional contribution from participants towards the cost of transmission during times of market import. BC Hydro collected $1.44 million in total wheeling rate revenue for the Pilot under RS 1892 (includes rate rider, excludes taxes). BC Hydro considers that the wheeling rate has worked as intended. It functions as both a contribution to BC Hydro's fixed costs and as an adder for margin and risk." [footnotes removed]

24.1 In BC Hydro's view, is the "wheeling charge" in the Freshet Rate a suitable model for incorporating the costs of delivering energy to the market in the Energy Price in the Net Metering Program? If so, why? If not, why not?

24.2 Please confirm, or otherwise explain, that the quotes in the preamble from the Freshet Rate Pilot Final Evaluation Report, December 2018, are accurate.

25.0 Topic: Purpose of Net Metering Program
Reference: Exhibit B-5, BC Hydro Response to BCSEA IR 1.1.2; Exhibit B-3, BC Hydro Response to BCUC 1.5.3

BC Hydro maintains that one rationale for the proposed ban on intentional oversized generation is that the Net Metering Program was intended to be, and was approved as, a load offset program. The following questions are aimed at what should be the purpose of the Net Metering Program going forward, as distinct from what was the purpose of the Program in the past.

25.1 Assuming for the sake of discussion that (a) the Net Metering Program is at the present a load offset program, (b) all cost-shifting factors except those related to Surplus Energy Payments are not being addressed in the current proceeding, (c) the Commission approves an Energy Price that reflects the full value of Surplus Energy to BC Hydro, and (d) all the maximum generator size and system impact constraints remain in place, please state all the reasons why BC Hydro says the Net Metering

Program should not be changed so that its purpose is no longer limited to load offset and instead includes intentional sales of Annual Surplus Energy to BC Hydro priced at the full value to BC Hydro.

25.2 Would BC Hydro agree that there is strong interest among certain BC Hydro customers in a net metering program in which they would be allowed to intentionally size their generation facility to create annual Surplus Energy for sale to BC Hydro at an Energy Price that reflects the full value to BC Hydro and hence to other ratepayers?

26.0 Topic: Cost-shifting
Reference: Exhibit B-3, BC Hydro Response to BCUC 1.5.1; Exhibit B-5, BC Hydro Response to BCSEA 1.1.2

BCUC IR 1.5.1 asked BC Hydro to elaborate on how cost-shifting from NM customers to other non-participants occurs based on BC Hydro's rate design and cost of service for each of the customer classes eligible for the NM program. BC Hydro's response begins with the following two statements:

> "Cost-shifting occurs when BC Hydro's cost of service is not fully recovered from customers in the Program, which results in non-participating customers bearing any unrecovered costs.
>
> The amendments proposed in the Application are intended to address cost-shifting that occurs between participating and non-participating customers with regards to Surplus Energy Payments."

After explaining its view of how Surplus Energy Payments currently involve cost-shifting, BC Hydro describes two additional types of (putative) cost-shifting that are not addressed through the proposed amendments in the Application:

> "Net Metering Customers Still Require Energy on Demand..., and
>
> Net Metering Customers Accumulate a Generation Account Balance to Reduce Subsequent Bill(s)..."

BC Hydro maintains that even if the Energy Price reflected the full value of Surplus Energy to BC Hydro the proposed ban on intentional Oversized Generation would be justified by Objective 1 to maintain the program as a load offset program.

26.1 Does BC Hydro accept that (putative) Energy Demand cost-shifting and Generation Account Balance cost-shifting are not reasons for maintaining Net Metering as a load offset program?

26.2 Does BC Hydro accept that (putative) Energy Demand cost-shifting and Generation Account Balance cost-shifting are not reasons for the proposed ban on Oversized Generation?