

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
TRANSMISSION SERVICE MARKET REFERENCE-PRICED RATES APPLICATION
MoveUP INFORMATION REQUEST NO. 1 TO BC HYDRO

1.0 Determination of incremental use

Comment:

It is very difficult to determine if any specific demand for electricity truly is incremental. Use of electricity during the freshet period may simply be a shift from demand that would otherwise have taken place at other times. The gain to the utility with the freshet sale would then be offset by the financial loss due to the reduction of demand at other times. Similarly, use of electricity under the incremental rate may replace or diminish purchases that would otherwise have taken place at the standard tariff, with the overall effect being a reduction in revenues the utility receives for that supply.

Request:

1.1 Please provide BC Hydro's response to this comment and explain how BC Hydro will ensure that the demand that is served by the Freshet Rate and the Incremental Energy Rate is, in each case, truly incremental.

1.1.1 What resources will BC Hydro require in order to achieve this?

2.0 Availability of Freshet Rate to Other Rate Classes

Reference: APPENDIX A to Order G-17-16, BC Hydro 2015 Rate Design, page 12 of 15:

Commission discussion

There appears to be agreement between CEC and BC Hydro to begin the process of discussing the potential for extending a freshet rate to general service customers at some future date. The Panel is supportive of these discussions being initiated in the shorter term as requested by CEC.

However, the Panel understands that it is unlikely a freshet rate solution will be achieved in the short term as desired by CEC. We accept that it is not simply a matter of applying the same rate to commercial customers as will be applied in the industrial customer pilot due the differences in rate schedules. In addition, the fact that medium and large general service customer rates are currently under review adds additional challenges in determining a freshet rate for this customer class.

And reference: BC Hydro 2020-21 Revenue Requirements, Transcript Vol. 7, from page 1027 line 1:

MS. FRASER: A BC Hydro has not proposed it for any other class of customer. Mr. O'Riley was correct, we have not really had a lot of interest from our commercial customers. Probably in the last few weeks we've had one commercial customer ask us about that rate. The Freshet rate depends on the ability of the facility to have flexibility. So I guess it's not as easy for some of the smaller industries as it is for the larger ones.

....

MS. FRASER: A And as I said, if we have interest, we will explore it. With the industrial customers, we have regular meetings with the Association of Major Power Customers, and so we have a lot of dialogue with them. They are a lot more vocal in terms of approaching BC Hydro with bringing up issues or barriers.

And commercial customers, I mean, we do have a lot of contact with them. It's just their interest seems to be more on the energy efficiency programs as opposed to rate design. But like I said, we have had one recently that has come forward and we will explore it.

MR. QUAIL: Q Yes. And back in the BC Hydro 2015 Rate Design, when the freshet pilot emerged, I suggest that -- and this was recorded in the reasons for the order in that matter, that CEC did advocate expansion of the freshet rate pilot at that time. Hydro noted some complications because general rates were being redesigned in other ways at that time, but this is an issue that CEC did raise back at that time but I gather has not been pursued further?

MS. FRASER: A Correct. But again, we're definitely open if it's brought up and we are open to doing -- or proposing a pilot for that.

Request:

- 2.1 Please confirm the accuracy of this testimony.
- 2.2 What if any initiatives is BC Hydro contemplating to explore the possibility of offering the Freshet Rate or some variant on this rate to other rate classes?

3.0 "Permanent" Freshet Rate – Risk of Change of Economic Justification

Reference Exhibit B-1 page 2:

The proposed Freshet Rate and Incremental Energy Rate Pilot have been designed to:

....

(c) Minimize risk to all ratepayers by not requiring BC Hydro to undertake system reinforcements and not requiring BC Hydro to provide service if the electrical system is constrained for technical reasons such as forced or planned outages of its transmission or generation system. For greater certainty, BC Hydro does not propose to interrupt these non-firm services for economic reasons; . . .

3.1 What if any mechanism is preserved in the proposed Freshet Rate to enable BC Hydro to suspend its operation in the event that market conditions make its continuation materially disadvantageous to non-participating customers?

And reference Exhibit B-1 page 5:

Evaluation results for the Freshet Rate pilot show that there have been ratepayer and participant benefits. The amended Freshet Rate is expected to continue to provide benefits to participants and ratepayers if Mid-Columbia (Mid-C) market prices and BC Hydro's marginal cost of energy are similar to the conditions experienced over the four-year pilot period; . . .

....

(a) Freshet Rate energy pricing is based on the Mid-C market price, which is expected to be generally reflective of BC Hydro's marginal cost of energy. As a result, load served under the Freshet Rate is expected to continue to recover its marginal cost of energy;

3.2 Does BC Hydro consider that emerging policy and market conditions triggered by climate change, including electrification and the replacement of fossil fuel use with clean electricity, significantly complicate forecasting electricity demand and prices, both domestically and extra-provincially, over the coming decade? Please explain in detail.

3.3 What is BC Hydro's intended response in the event that "Mid-C market prices and BC Hydro's marginal cost of energy" cease to be "similar to the conditions experienced over the four-year pilot period" or "generally reflective of BC Hydro's marginal cost of energy", to the extent that continued availability of the Freshet Rate becomes disadvantageous to non-participating customers for a material period of time?

3.3.1 What regulatory or other processes does BC Hydro contemplate in order to respond to such a circumstance?

4.0 Rate Design Evolution

4.1 Is BC Hydro looking at a more comprehensive re-examination of how its rates are structured under current and emerging conditions, rather than confine itself to small-scale, *ad hoc* innovations like these rates?

4.2 Is BC Hydro open to considering more comprehensive strategies to ensure recovery of fixed costs independently of recovery of energy costs, to facilitate selection by customers of rate structures more closely suited to their needs without shifting the burden of fixed cost recovery to other customers?