bcuc
British Columbia
Utilities Commission

**Marija Tresoglavic**
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July 10, 2020

Sent via email/eFile

**BCH TRANSMISSION SERVICE MARKET REFERENCE-PRICED RATES EXHIBIT A-12**

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

**Re: British Columbia Hydro and Power Authority – Transmission Service Market Reference-Priced Rates Application – Project 1599053 – Panel Information Request No. 1**

Dear Mr. James:

Further to the above-noted application, enclosed please find Panel Information Request No. 1. In accordance with the regulatory timetable, please file your responses no later than Friday, July 17, 2020.

Sincerely,

*Original signed by:*

Marija Tresoglavic
Acting Commission Secretary

/jo
Enclosure

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

**PANEL INFORMATION REQUEST NO. 1 TO BC HYDRO**
**Incremental Energy Rate Pilot**

**1.0 Reference: INCREMENTAL ENERGY RATE PROPOSAL**
**Exhibit B-1, Application, Section 5.5, pp. 72–80, Exhibit B-11, IR Series 3.0; Catalyst Paper Request to Reduce RS 1893 Baselines, Exhibit B-1**
**Economic Justification and Ratepayer Impacts**

In response to British Columbia Utilities Commission (BCUC) information request (IR) 3.3.3, British Columbia Hydro and Power Authority (BC Hydro) stated:

> BC Hydro is unable to update expected RS 1893 energy sales and expected net revenue for each energy charge adder as provided in Table 13 on page 79 of the Application based on the challenges highlighted in the Demand Dilemma Report.
>
> The COVID-19 pandemic is new to us, and there is insufficient data to analyze how the challenges highlighted in the Demand Dilemma Report may impact ratepayer economics of RS 1893.

Further in response to BCUC IR 3.3.3.1, BC Hydro stated:

> The information provided in Table 13 on page 79 of the Application remains BC Hydro's most current estimate of expected net revenue each year under RS 1893, based on the original assumptions provided. The information is still valid as we haven't updated the model and the load estimates are still reasonable.
>
> BC Hydro has not updated forward-looking data inputs in the model for the Pilot based on the load and operational challenges resulting from COVID-19 as highlighted in the Demand Dilemma Report.
>
> Although BC Hydro has seen a short-term decline in industrial demand due to the COVID-19 pandemic, BC Hydro still considers that certain industrial customers may remain able to increase load under RS 1893 over the pilot period. Additionally, because we are still in the midst of the pandemic and the resulting consequences, any attempt to forecast the impacts on BC Hydro's operations will be an uncertain exercise and will not add value at this time. As such, BC Hydro considers that the original assumptions regarding incremental customer load remain reasonable.

On May 21, 2020, Catalyst Paper Corporation (Catalyst), filed an application with the BCUC to request significant reduction to the Rate Schedule (RS) 1893 baselines[1]. In its application Catalyst states:

> COVID-19 has had a dramatic impact on the global demand for the paper grades

[1] https://www.bcuc.com/Documents/Proceedings/2020/DOC_58203_B-1-Catalyst-RS1893-BaselineAdjustmentRequest.pdf

Catalyst Paper produces at its sites at Crofton, Port Alberni and Powell River. This has resulted in extensive production curtailments at these sites and an accompanying reduction in load as evidenced by the reduced purchases from BC Hydro in the April 2020 period……

……We believe that an interim request will provide enough time to realize market opportunities and limit any *potential* negative impact to other rate payers while we collect data to evaluate the net impact of the reduced baselines to inform any longer-term changes.

1.1 Based on Catalyst's application to reduce baselines, please provide the updated expected incremental RS 1893 energy sales and expected net revenue under each energy charge adder as provided in Table 13 on page 79 of BC Hydro's Transmission Service Market Reference-Priced Rates application (Application).

1.2 Please elaborate and explain what the potential positive (favourable) or negative (unfavorable) impacts on other BC Hydro ratepayers could be due to the change in RS 1893 baselines requested by Catalyst. To the extent possible, please quantify.

1.3 Please discuss the longer-term impacts of the reduced baselines requested by Catalyst due to COVID-19 on the performance of the Incremental Energy Rate (IER) Pilot and other BC Hydro ratepayers.

1.4 Please confirm or discuss whether BC Hydro has had any discussions with or has received notice from other customers registered to take service under RS 1893 to reduce baselines due to COVID-19.

1.4.1 If yes, please provide details of the same and discuss its impact on the IER pilot.

**2.0 Reference: INCREMENTAL ENERGY RATE PROPOSAL**
**Exhibit B-1, pp. 74–77; Exhibit B-11, BCUC IR 3.4.2 and 3.4.3**
**Ratepayer impacts and reporting requirements**

On pages 74 to 75 of the Application, BC Hydro states:

> BC Hydro's financial modeling is designed to estimate forecast incremental energy volumes and net revenue for the Incremental Energy Rate Pilot. The model incorporates forward-looking data inputs for the three-year period of fiscal 2020 to fiscal 2022. The results are sensitive to BC Hydro's forecast of system marginal values, forecast Mid-C market prices, assumed customer-specific incremental consumption and energy charge adder pricing.

Table 9 on page 77 of the Application shows the expected incremental load net revenue using the BC Hydro proposed $7/MWh adder in non-freshet months to equal $1.32 million per year, with expected incremental load of 266 GWh per year.

In response to BCUC IR 3.4.2, BC Hydro provided an updated table to incorporate its estimate of annual implementation costs for each year of the IER Pilot as follows:

| 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 |

In response to BCUC IR 3.4.2, BC Hydro submitted that it has insufficient data and information to prepare a customer-specific forecast of load shifting and natural growth impacts. BC Hydro explained that an assessment of load-shifting is applied on a retrospective basis using actual customer data, which will be included in a future evaluation.

In response to BCUC IR 3.4.3, BC Hydro provided the actual RS 1893 energy sales volumes and revenues for thirteen RS 1893 participant customer sites for the period January 1, 2020 to March 31, 2020 and seventeen RS 1893 participant customer sites for the period April 1, 2020 to April 30, 2020. The Energy Charge Adder was $7/MWh during each of these four months.

**RS 1893 Energy Sales for Billing Periods of January - April 2020**

| Billing Month | Total Billed RS 1893 Energy (kWh) | Total RS 1893 Energy Charges ($) | Total Energy Charge Adder Revenue ($) | Total RS 1893 Energy Charges ($) |
|---|---|---|---|---|
| Jan-20 | 25,048,562 | $ 749,327 | $ 175,340 | $ 924,667 |
| Feb-20 | 14,280,455 | $ 320,168 | $ 99,963 | $ 420,131 |
| Mar-20 | 11,108,105 | $ 362,808 | $ 77,757 | $ 440,565 |
| Apr-20 | 40,316,464 | $ 1,046,083 | $ 282,215 | $ 1,328,298 |
| | **90,753,586** | **$ 2,478,386** | **$ 635,275** | **$ 3,113,661** |

In response to BCUC IR 3.4.3 to explain the table above, BC Hydro stated:

> Total RS 1893 energy sales for the first four months of the Pilot were 90.7 GWh. BC Hydro considers that it would be premature to make an assessment of projected annual customer RS 1893 energy sales using only four months of data and given prospective COVID-19 impacts which have not yet been quantified.
>
> Further, the determination of expected net incremental revenue would require BC Hydro to perform an after-the-fact analysis to determine the system condition deemed to apply to RS 1893 energy sales for each day of this initial period. BC Hydro has not completed this analysis and considers that it would be premature to make an assessment of projected annual ratepayer impact using only four months of data.

2.1 Please confirm that the last column of the Table provided in response to BCUC IR 3.4.3 titled "Total RS 1893 Energy Charges ($)" ($3.11 million) is the sum of columns "Total RS 1893 Energy Charge ($)" and "Total Energy Charge Adder Revenue ($)".

BC Hydro's financial model for the RS 1893 expected incremental net revenue, excluding implementation costs, load shifting, and natural growth impacts, is estimated to be $1.32 million per year based on incremental energy sales of 266 GWh per year. BC Hydro's total RS 1893 energy charges revenue from January 1, 2020 to April 30, 2020, including the Total Energy Charge Adder Revenue, is $3.11 million, based on 90.7 GWh in total billed RS 1893 energy.

2.2 Other than the time period, please confirm, or otherwise explain, that the difference between BC Hydro's financial modelling of the RS 1893 expected incremental net revenue and the total energy charges revenue is the lack of analysis for system marginal values.

2.2.1 If confirmed, please prorate the system marginal values analysis within BC Hydro's financial model for the RS 1893 expected incremental net revenue to enable a comparable assessment between BC Hydro's year-to-date results versus its estimate of

$1.32 million per year.

2.3 Please provide the underlying total RS 1893 energy charges revenue per year in BC Hydro's financial model to arrive at the $1.32 million per year RS 1893 expected incremental net revenue. Please provide a working excel spreadsheet to show the breakdown.

2.3.1 If the underlying model is not available, please explain in detail why it is not available.

2.4 With respect to assessment and reporting, please update the implementation cost line item in the table provided in response to BCUC IR 3.4.2 if the BCUC determines that annual reporting of the IER pilot is required.

2.4.1 In similar format, please revise the table if the BCUC determines that an interim report (e.g. after two years) to assess the IER pilot is required.

2.4.2 If the BCUC requires BC Hydro to file interim reporting on the IER pilot, please propose a filing timeline and content of such reporting.