

Submission from the Commercial Energy Consumers Association of British Columbia to the IEPR Task Force

Evolution of British Columbia's Industrial Electricity Policy

There is very little description of the industrial market and its development over the period of time as well as its energy consumption. Graphic time series would provide some perspective.

The dominance of Pulp and Paper and its impacts as well as the roles of some of the other industries in the province would be helpful.

Proper analysis of the net effects of various industry contributions would be essential to understanding appropriate policy.

Historical Perspectives is one element of understanding where policy should go. Another would be the future context, which is not dealt with.

The importance of economic recessions and the world market context is relevant.

There is little discussion of the planning side for industry which we have experience over the years with much hype turning into great plans and then busted visions would be instructive, including understanding money spent chasing ephemeral realities.

The limitations of government industrial policy to accomplish objectives would be helpful as would an understanding of dysfunctional policy versus successful policy to provide some way of learning as opposed to just recording what has happened. How should policy be evaluated and tested for quality.

There is little discussion or quantification of productivity and yet we know that this is a critical engine for providing wealth and quality of life potential.

BCUC Stepped Rate Report

The TSR is a poor rate design and there are many better ways to deal with the industries and firms than using this rate design.

The list of issues recorded is too narrow and the potential solutions are inadequate for informing policy development and discussion.

There is no quantitative discussion of the cost of supply versus the selling price for industry and the numerous implications.

The effectiveness of various rates, terms and conditions and programs for increasing efficiency, and productivity are not examined to provide a basis for understanding what works best and what does not and why.

Transmission Service and Economic Development

The whole question of economic development is given scant treatment as it has been dealt with in current and past policy.

Understanding the issues in economic development and the issues involved in job creation and job retention are poorly developed so it will hamper any kind of quality in the policy development.

The connection of jobs to transmission is not really developed and is certainly not put into a quantitative context.

The brief discussion around the effects of embedded cost rates and the relationship to jobs is a very limited discussion and a poor basis for developing policy.

The Clean Energy Act is itself a poor example of good industrial electricity policy and understanding good policy from poor policy is very important if one wishes to develop good policy.

End Use Rates

The authors of these papers should be careful when using language such as subsidizing industry, as these papers may become public the government will need to be cautious with regard to international trade issues and particularly US lobby groups who collect this kind of information for trade disputes.

End use rates put in place at times of surplus power are not discussed for their efficacy and for their potentially dysfunctional after effects. As we have a considerable surplus in BC knowing what may be useful policies is likely important. End use rates in response to these conditions is not established as valuable. It is much more valuable to design the electric system to avoid significant surpluses.

BC has significant planning issues with respect to the natural gas industry in the province. These issues can affect other industries significantly and a variety of electrical policy tools should be

examined to deal with the situation. There is definitely a need for policy evaluation including understanding the potential roles of end use rates. Any discussion of industrial electricity policy failing to robustly deal with this industry and the associated electrical policy issues will be deficient.

Uses of electrical policy, including industrial policy, for achieving environmental goals has many pitfalls and policy discussions without a means of evaluating the merits of policy are of poor quality.

Generation Contribution Policy

The generation contribution policy as with all the contribution policies have significant effects and the policy results are important a failure to have a quantitative understanding of the issues leads to a weakness in developing and discussing policy.

The policy discussion linking decisions to focus on conservation and efficiency to the existence of surpluses or not in the system provide examples of poorly developed policy from the past. Understanding these problems and how to avoid poor policy is an important subject for industrial electric policy.

Suggesting the unavoidability of cost increases as a consequence of new loads represents a serious problem with respect to the historical realities of conservation and efficiency. Providing this context quantitatively can be valuable as would the understanding of the potentials for the future. Failure to develop policy within these contexts will provide weak policy advice.

The discussion of thresholds for specific policy is deficient in quantitatively assessing design relative to objectives.

The tradeoffs between objectives in policy making is critical and is generally extremely poorly done and this area is one where it has a poor record.

The full cost of service discussion and the marginal cost discussion are very narrow and lacking in robust treatment. As a basis for informing future policy makers the discussion is quite weak.

Postage Stamp Rates

The discussion with respect to large general service customers subsidizing residential customers is somewhat inaccurate. It is for the most part the small general service customers and the medium general service customers who are subsidizing the residential customers. The subsidy represents unfair, unjust and discriminatory rate setting among a number of other problems.

The discussion of the drivers of rate increases for customers is quite superficial and is inadequate as a basis for informing policy development.

Postage stamp rates have their strengths and weaknesses. They have served to provide a sense of fairness and they can result in inefficient allocation of resources in the economy. So they need to be accompanied by complementary policies, which bolster the ability to achieve a reasonable degree of efficiency in resource allocation and investment.

Regulatory Approach to BC Hydro

The legislative and regulatory framework for governance of BC Hydro is indeed a balance between government interests, ratepayer interests and stakeholder interests. The energy issues in the province are so significant that they inevitably draw in the political concerns of all interest groups. The various interactions between government and BC Hydro involve a multiplicity of issues and a number of tradeoffs.

The complexity of the issues and relationships have been evolved over time and are unlikely from a policy perspective to involve simple questions and or answers.

A useful approach to discussing and developing policy for the governance of BC Hydro would be to start with developing and defining the objectives and purposes to be achieved through the legislative and regulatory framework and making some analysis of the performance of the framework in achieving these objectives and purposes.

Retail Access

The access to market electricity discussion needs to have as a backdrop some discussion of the limitations of the electric system to deliver market energy at various times. The use of access to market electricity is an extremely valuable resource for minimizing costs for BC Hydro ratepayers. The overall resource planning for BC Hydro and the role of market electricity is a necessary part of understanding the framework for dealing with concepts like retail access.

The management of the risks and costs related to open retail access would need considerable detail and definition as well as rules to create a beneficial role for such access.

A policy approach to this discussion isolating a particular segment for possible benefits is a problematic way to develop policy development in this area.

Transmission Contribution Policy

It can always be problematic to make policy to achieve particular ends for some and not for others. This is particularly problematic when the projects are essentially cost-prohibitive or cost ineffective for reasons of a lack of demand and high costs. The potential for these projects to be done for other objectives is best handled by understanding whether or not the other objectives are best served or most cost-effectively served in this way. This requires much better quantitative analysis and tradeoff analysis than is usually the case.

Understanding the parameters for effective policy, particularly in such cases, would be particularly helpful to ensuring quality policy development and informed discussions of the policy area.

Cost matters. Someone must pay the costs and ineffective policy can develop into significant drags on the productivity of the overall economy. Of course there are many interests and stakeholders involved and establishing fair, equitable and just policy can be a challenge. Inadequate policy information and development can lead to a patchwork of policy without firm foundations. Much more is needed in this area to properly inform the policy process.

Respectfully Submitted

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