

# **Industrial Electricity Policy Review Task Force BC Hydro Consultation Summary**

## **Introduction**

The task force issued a Draft Consultation Summary (Summary) on May 1, 2013. The task force elected not to include BC Hydro's input in the Summary given its unique position relative to other stakeholders and the comprehensiveness of its submissions. The task force subsequently determined that it would be prudent to issue a separate summary for BC Hydro to ensure transparency and the accuracy.

## **Economic Development, Environmental Policy and Regulatory Approach**

BC Hydro applied conservation, environmental and economic development perspectives on a topic-by-topic basis. It also provided an overview of its current regulatory environment under the authority of the British Columbia Utilities Commission (Commission). BC Hydro did not provide general comments on its contribution to achieving provincial economic or environmental policy objectives, nor did it comment on the impacts (if any) of the interaction between the provisions of the *Utilities Commission Act (UCA)* and the *Clean Energy Act (CE Act)*.

## **Contribution Policy (Generation and Transmission)**

BC Hydro indicated there were three issues to consider when reviewing current contribution policy: 1) allocation of costs between new and existing customers; 2) methodology to determine what a new customer contributes; and 3) the payment/security mechanism. Its comments focused on number one because it deemed numbers two and three to be technical matters best left to a future Commission process.

BC Hydro indicated that the basis for treating "large" loads differently, as set out in TS 6, was endorsed by the Heritage Contract framework, and is therefore beyond the task force's mandate and should not be up for debate. BC Hydro acknowledged that the 'absolute' 150 MV.A threshold may not be appropriate, but that some kind of threshold should be in place. BC Hydro suggested the legislative framework regarding TS 6 be altered sufficiently such that the Commission can 1) establish a new threshold or framework to delineate smaller customers from very large one; and 2) make changes to the tariff respecting the allocation of costs between new and existing ratepayers. BC Hydro further suggested it would be constructive for the task force to advise Government on what principles should guide the review.

## **Retail Access**

BC Hydro indicated that it is possible that a properly designed Retail Access Program (RAP) may contribute to the Province's economic and conservation goals, but may not support GHG reduction goals depending on how emissions from non-utility electricity are addressed. BC Hydro indicated that a revised RAP must be based on sound and clearly articulated policy principles, as well as adopt a "no harm" approach to other ratepayers. BC Hydro's view was that the additional costs to participating customers associated with maintaining a "no harm" approach will diminish the incentive for industrial customers to pursue retail access.

Regardless of any recommendations the task force might make regarding retail access in the future, BC Hydro urged the task force to recommend that Government cancel the current Retail Access Program without replacement. In regard to any potential future retail access program, the task force should recommend an evidentiary process with the broader participation of all affected customer classes to consider the development of a brand new program, informed by one or more Provincial policy objectives.

## **Transmission Service Rate and Conservation**

BC Hydro indicated that the Transmission Service Rate (TSR) is generally functioning as intended. BC Hydro suggested that the perceived ineffectiveness of the rate (most customers at ~90 percent of customer baseline load (CBL)) is a function of overly generous initial CBLs, successful demand side measures investment and the economic downturn reducing Tier 2 purchases.

BC Hydro indicated that the main rate design features (revenue neutrality, bill neutrality, economic signal from 90/10 split, etc.) are tightly linked and would be difficult to change in isolation from each other. Altering any one increases the risk of over or under recovery as well as cost-shifting to the other two rate classes. BC Hydro is confident that the recent changes introduced through TS 74 will maintain the integrity of the TSR over the long term. Accordingly, BC Hydro does not favour altering the TSR at this point, but recognizes the underlying rate design issues related to revenue and bill neutrality will need to be addressed at some point. BC Hydro suggests that a Commission proceeding is the most appropriate venue to hold this debate when the time comes.

In the meantime, BC Hydro suggests that the Task Force should recommend to the Government, if necessary, the Commission be instructed to undertake a narrow and focused review of the TSR to accomplish specific objectives that the Government may select based on the task force's advice.

## **End Use Rates**

BC Hydro indicated there are two types of end use rates: those that subscribe to UCA and established rate-making principles; and, those that do not. The former are justifiable provided they receive Commission approval (such as E-Plus in the 1980s). The latter are the purview of the Province and should be transparently implemented by statute or regulation.

## **Postage Stamp Rates**

BC Hydro supports postage stamp rates and sees no compelling reason to change them.

BC Hydro indicated that Government has not formally articulated its support for postage stamp rates in policy or legislation. It indicated that such a formal expression may help clarify future regulatory decision-making.

## **Other Comments**

### *Task Force Mandate*

BC Hydro reiterated that the task force is being asked to consider what changes to transmission voltage rates, or the regulatory framework within which these rates are established, could be made to advance the public policy objectives of conservation, economic development and environmental policy, and to the extent that one policy is pre-eminent, what are the implications/trade-offs vs other objectives.

BC Hydro believes the Review is not the appropriate forum to consider detailed rate-design issues that would be more properly addressed through Commission-led processes.

### *BC Hydro Load/Resource Balance and Projected Surplus*

BC Hydro will complete its updated Load/Resource Balance (LRB) for the Integrated Resource Plan (IRP) to due to Government in early August 2013. BC Hydro indicates that while it is reasonable to assume there will be an energy surplus in the near term, there is still a great deal of uncertainty associated with its projections. This limits what conclusions the task force can draw.

BC Hydro believes that the task force should only make recommendations to government that emphasize the relationship between conservation, economic development, and current environmental policy in respect of the issues it is exploring. Those recommendations should emphasize how government might wish to think about the relationships under various load/resource balances.

*Linkages between Economic Conditions, High-Level Government Policy and Electricity Rates*

BC Hydro indicates it would be useful for the task force to link BC Hydro's LRB, customer price responsiveness, industrial market conditions and general economic conditions in the context of industrial electricity rates. This analysis, in conjunction with the IRP, could inform Government of what high-level policy options are available as well as how they could be structured to provide the Commission with sufficient guidance to implement them.