

5 STEPPED RATE DESIGN AND ACCESS PRINCIPLES PROCESS

As was emphasized above, multiple forms of the stepped rate design can be successfully implemented. Some designs offer more flexibility for customers, while others provide simplicity and certainty but require complicated access rules. E3 concludes in its report that no single rate design emerges as the obvious best choice. The choice among the designs ultimately requires a ranking by stakeholders of the relative importance of the stepped rate objectives, including, in particular, the objectives in the Energy Plan.

5.1 *BC Hydro Rate Design Workshop*

BC Hydro has engaged in considerable public consultation over the course of developing the stepped rate portion of this proposal. This consultation included a workshop on Stepped Rates and Access Principles held on March 5, 2003, to which over 300 transmission-voltage customers, independent power producers and other interested parties were invited. The goals of the workshop were to: present a number of rate design choices that meet the goals and objectives of the Energy Plan; identify some key implementation issues; and solicit input from customers and other interested parties to assist BC Hydro to frame its proposal on stepped rates and access principles. A copy of the March 5, 2003 workshop presentation titled "BC Hydro Information Session and Workshop on Stepped Rates and Access Principles" is found at Tab B of this volume, and a copy of the workshop summary titled "Summary of BC Hydro's March 5 Workshop on Stepped Rates & Access Principles" is found at Tab C.

BC Hydro has also engaged in on-going consultation with affected customers and other stakeholders. Copies of written comments on stepped rates that BC Hydro received from stakeholders after the workshop are found at Tab D.

5.2 *Further Process*

As discussed above, this proposal suggests clear boundaries for acceptable designs, and focuses on the design elements within those boundaries. There is substantial work yet to be done, and much of it involves trade-offs where there is no "right" answer.

BC Hydro agrees with the Commission that "not all issues raised by the Terms of Reference may need to be considered in the public hearing phase for the Inquiry." In fact, BC Hydro believes that the limited conclusions it has reached based on the E3 report are ones that would benefit from discussion with all of its stakeholders. The initial consultative workshop was well-attended and generally constructive. A continuation of that process so that all stakeholders fully understand the analysis of E3 will permit everyone to either accept or reject the general preference that BC Hydro has expressed for the shopping credit approach.

BC Hydro proposes to hold one or more additional workshops on this issue through May and June 2003 so as to be able to report back to the Commission at the July 7, 2003 workshop. This would be in addition to the Commission-sponsored workshop focusing on the Heritage Contract planned for May 13, 2003.

BC Hydro is firmly of the view that unless differences between stakeholders become completely entrenched, consultative processes are better suited to dealing with the complexities of the stepped rate design than formal hearing processes.

Accordingly, if high-level consensus exists among stakeholders by early July 2003, BC Hydro would intend to continue the consultation process and, to ensure that this process remains consistent with the Commission's need to file its October 17 report to government, BC Hydro would submit a second report to the Commission no later than September 15, describing the state of the new rate's development at that time.

If at any time it were to become clear that a written hearing or other process would advance development or all or some part of the new rate, the Commission could direct such a process. In the event of such a hearing, BC Hydro would then include its final report relating to the stepped rate proposal as part of its final argument in its August 2003 submission and intervenors could comment on the report, as necessary, in their written submissions.