

Draft

BC Hydro Rate Design Workshop

SUMMARY

2014-SEPTEMBER-18

8:45 AM TO 11:30 A.M.

Bull Houser & Tupper Offices
Vancouver

TYPE OF MEETING	Topic Specific 1:1 Meeting – Association of Major Power Consumers of British Columbia (AMPC): Transmission Service Rates
FACILITATOR	Gordon Doyle, Regulatory Manager: Regulatory and Rates, BC Hydro (BCH)
PARTICIPANTS	Executive Director of AMPC; Bull Houser & Tupper; Canfor; Catalyst; ERCO Worldwide; West Fraser; Mining Association of BC; Teck; Skookumchuk; Tolko, Canexus, Pinnacle; InterGroup Consultants Ltd.
BC HYDRO ATTENDEES	Gordon Doyle, Kathy Lee, Greg Simmons, Craig Godsoe, Justin Miedema
AGENDA	<ol style="list-style-type: none"> 1. Rate Schedule (RS) 1823 Potential Areas of Review 2. Options for Industrial Customers to manage their electricity bills 3. Next Steps

MEETING MINUTES	
ABBREVIATIONS	<p>AMPC.....Association of Major Power Consumers of British Columbia BCH BC Hydro BCUC.....British Columbia Utilities Commission CBLsCustomer Baselines</p> <p>IEPR.....Industrial Electricity Policy Review LRMC.....Long-Run Marginal Cost MWh.....Megawatt hour R/C.....Revenue to Cost RDA.....Rate Design Application RS.....Rate Schedule SCGTs....Simple Cycle Gas Turbines TSR.....Transmission Service Rates TOU.....Time of Use rate UCA.....Utilities Commission Act VAR.....Voltage-Ampere-Reactive WECC.....Western Electricity Coordinating Council</p>
1. Welcome and Introductions	
<p>Gordon Doyle outlined that the purpose of the presentation was to provide AMPC an opportunity to comment on the items BC Hydro has identified for the 22 October 2014 TSR workshop.</p>	
2. Presentation: RS 1823 – Potential Areas of Review	
<p>Greg Simmons described the potential areas of review for RS 1823: (1) looking at the definition of revenue neutrality (the transmission service class has a unique revenue neutral definition – it is designed to be revenue neutral for individual customers assuming they consume their entire CBL load); (2) options for the application of general rate increases as the current pricing principles expire after F2016; (3) the 90/10 Tier 1/Tier 2 split, although this would require a government initiated section 5 UCA inquire process given section 3 of Direction No.7, which requires the BCUC to set RS 1823 consistent with the Heritage Contract Inquiry Report and Recommendations #8 to #15; and (4) definition of billing demand (Slides 3-10).</p>	
FEEDBACK	RESPONSE
<p>1. Despite loads being under forecast levels, AMPC does not believe there is a revenue shortfall from the transmission service class as evidenced by the R/C ratios for the Transmission service class being above 1.</p>	
<p>2. The current pricing principle from Direction No. 6 is fair in that it applies rate increases to each tier equally and is easily understood.</p>	<p>Continuing with the current pricing principles from Direction No. 6 expire after F2016 is consistent with the approach taken in the 2013 Residential Inclining Block rate re-pricing application, and would not in BC Hydro's view require a further Direction to the BCUC because Tier 2 will be within the energy LRMC range of \$85/MWh to \$100/MWh.</p>

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3.	AMPC has no interest in reviewing the 90/10 split.	BCH notes that this is consistent with most of the submissions to the IEPR task force and with RDA stakeholder engagement feed-back to date.
4.	How is the 30 minute period that sets the demand charge calculated? Is it just the top and bottom of hours or any consecutive 30 minutes?	Demand is calculated on a 30 minute basis – for each hour, the 30 minute intervals are measured from the top of the hour to the bottom of the hour, and then from the bottom of the hour to the top of the hour. Each 30-minute interval is comprised of six 5-minute intervals. For each 5 minute interval KW consumed is measured. The average is taken for each 5-minute interval, and then the average of the six 5-minute intervals is then taken.
5.	Power factor – is there value to BC Hydro if customer's push VARs ¹ on to the BCH system?	There may be some instances where BC Hydro VAR support from a customer may have value to BC Hydro. However, the value would depend on the magnitude and location of VAR support, and the avoidance of any planned and related capital expenditures. To date, BC Hydro has not compensated a customer for VAR support.
6.	Has BC Hydro changed its power factor requirements from 90% to 95%?	On January 21, 1991, the BCUC approved a Standard Form Electricity Supply Agreement which prescribed a minimum power factor of 95%.
3. Flexible Options: Retail Access		
Justin Miedema provided BC Hydro's reasons for its plan not to develop a new retail access program. The BCUC is prohibited from requiring BCH to submit a retail access program as a result of section 14 of Direction No. 7.		
FEEDBACK		RESPONSE
1.	Generally agree that a retail access program would be difficult to develop that would be both attractive to participants and protect non-participants.	
2.	At this time AMPC believes there are better options than retail access to be exploring such as interruptible products.	
4. Flexible Options: Freshet Rate		
Kathy Lee described the impacts to BC Hydro's system during the freshet period as well as Mid-C market conditions during the freshet time period.		
FEEDBACK		RESPONSE
1.	What time period is BCH looking at for the Freshet Rate?	BCH believes the May – July time period is the appropriate period for the freshet rate because this is when BC Hydro has the greatest surplus in energy. The timing of the freshet in B.C. is a little later than the freshet in the U.S. Pacific Northwest.
2.	A floating market price is an option AMPC is interested in as it would allow its members to hedge.	BC Hydro will include floating market pricing in the development of options for a Freshet rate.

¹ Note to readers: VAR is a unit in which reactive power is expressed in an alternating current electrical power system. Reactive power is utilized to control voltage on the transmission network. Reactive power is provided by generators, synchronous condensers and capacitors.

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3.	Participation in the Freshet rate should not impact demand charges or CBLs.	Agreed; the freshet rate would be "as available" (interruptible).
4.	The easiest way to increase loads is the turn down of generation. Maintenance shifts could be difficult due to external labour coordination amongst mills.	
5.	Does BCH envision the Freshet rate being a new rate schedule?	Yes. BCH had a turbine 'turn-down' rate (RS 1844) in the 1990s.
6.	BCH should continue to develop the details on the Freshet rate.	BC Hydro will continue to develop the terms and conditions of the Freshet rate and will engage with stakeholders including AMPC.

5. *Flexible Options: Load Curtailment*

Kathy Lee described the objectives of a load curtailment program, what resource characteristics would influence pricing, as well as **providing some high level information on other jurisdictions' load curtailment programs**. **Gord Doyle** spoke to the use of RS 1852 as an option for dealing with regional constraints.

	FEEDBACK	RESPONSE
	AMPC noted that it has members participating in Manitoba Hydro's load curtailment program and other utility programs, which generally offer a 'menu' of load curtailment options with different pricing and requirements.	BCH is reviewing Manitoba Hydro's, Hydro Quebec's and other load curtailment programs with an emphasis on jurisdictions that are winter peaking.
	Would BCH consider aggregating 4 hour load curtailment contracts to meet the 16 hour requirement?	BCH is considering aggregating loads. However, this would reduce the price paid to each party.
	Could the same company have multiple contracts entered into at different times?	BCH will consider this as it designs the load curtailment program.
	Load curtailment can provide benefits that SCGTs cannot, including shorter lead times, and the ability to terminate contracts without having stranded investments if capacity is no longer needed.	BC Hydro will consider these aspects as it develops its pricing.
	If load curtailment required less than 10 minute response would it count for non-spinning reserve? Could BC Hydro apply to WECC to have the product to qualify as a non-spinning reserve?	BCH will look into this.
	Are the constrained areas outlined in RS 1852? If not how does customer know if they are eligible?	RS 1852 does not specify areas that are transmission constrained in the tariff itself. A customer would need to make a request for service under RS 1852 and BCH would determine if a customer was eligible for service under RS 1852.

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6. Flexible Options: TOU	
Gord Doyle reviewed feedback to date that there is little interest from industrial customers in TOU given the complexity and low differentials.	
FEEDBACK	RESPONSE
1. AMPC believes that at this time BC Hydro's efforts are better spent developing a load curtailment product than making changes to the current TOU rate (RS 1825).	
7. Next Steps	
Gord Doyle expressed that BC Hydro would appreciate AMPC's feedback on the proposed scope for the Transmission Services Rates workshop and that further feedback can be provided following the workshop.	