Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

OEB COST ALLOCATION REVIEW

Division of Demand-Related Costs:

Bulk v Primary v Secondary – Implementation Update

April 25th, 2005

John Vrantsidis

Why Issue Important

Staff Discussion Paper proposed voltage adjustment (primary vs secondary) when allocating demand-related costs

- intent: those who demonstrably use less of distribution system should be allocated less

Some stakeholders have commented proceeding with this breakout should be a key objective of the forthcoming studies

Engineering Questions

- Assets could be built for one purpose (e.g. subtransmission), but use changes over time (e.g. to primary)
- Some assets could have dual purposes
- Some stakeholders believe distribution systems can operate on integrated basis

Data Availability Questions

- Present USoA does **not** track costs on voltage- differentiated basis

- Therefore some type of estimates required if this concept to be implemented in forthcoming filings

“Bulk” Distribution

Phase 2 Workshop proposed “functional” approach towards defining:

– that is, should look at how assets used

Also suggested more useful to use terminology “bulk power”

“Functional” approach to “Bulk”?

Functional approach tries to identify situations were the distribution system delivers power in bulk

Any complete definition must answer:

i) All Large Users? (if so, why)

ii) All Embedded LDCs? (counter examples mentioned)

iii) Any others (larger GS customers?) – who and why

But NO agreement emerged in Working Group when attempted to define

Voltage-Based Approach to “Bulk”?

- To try introducing greater certainty to definition, working group has returned to examining a voltage-based approach
- many on working group agree such an approach can promote cost causality
- but some believe may lead to unfair results in certain situations

Concluding Questions re “Bulk”?

Q1) Is it practical to implement the concept at this time?

Q2) Should a common definition be adopted, or should each LDC use its own expert judgement?

Q3) Would a functional or voltage-based approach be most useful as a common default?

Q4) Should LDCs be allowed flexibility to adopt an alternative approach? Can circumstances be defined where an alternative approach would better suit the utility’s circumstances?

Definition “Secondary”

- Agreement voltage-based definition satisfactory

  - 750 V will be boundary

Definition “Primary”

- Previous discussions proposed definition of primary to be treated as residual after secondary and subtransmission are defined
- Will be further discussed in the Working Group

Modeling Issues: Key Definitions

Draft model has tentatively incorporated bulk vs primary vs secondary subdivision

(see handout I4)

- Model will reflect final decision

Modeling Issues: Level of Guidance

Working Group currently creating high-level template

- some LDCs have also requested detailed guidance on how to implement any breakout or estimates required

Stakeholder Comments:

Advisory Team has discussed issue at length and following will share their views:

Tuesday April 25th

- Jane Scott (Ottawa Hydro)
- Wayne Clark (AMPCO)

Thursday April 27th

- Bob Mason (representing a number of LDCs)
- Bill Harper (VECC)