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May 27, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
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Dear Ms. Walli:

**Re: Rate Design for Electricity Commercial and Industrial Customers
Board File No. EB-2015-0043**

The Independent Electricity System Operator (“IESO”) appreciates Ontario Energy Board (“Board” or “OEB”) staff’s invitation to comment on the *Rate Design for Commercial and Industrial Customers: Aligning the Interests of Customers and Distributors* Discussion Paper.¹ The IESO understands that Board staff will use comments from interested parties on this Discussion Paper to analyze a smaller set of rate design options before developing a Board policy.² The IESO is also aware that the Board has announced a generic policy review on how commercial and industrial customers should be billed when they have a behind-the-meter (“BTM”) Load Displacement Generator (“LDG”).³ Although details on scope, objectives, and timelines for the latter have not been announced, the issues and opportunities that may be addressed in each of these initiatives overlap and should not be considered in isolation.

The IESO recognizes that the electricity sector is in the midst of changes that will introduce new risks and opportunities for how the grid is managed reliably, market services are designed and implemented, and utility business models are designed and funded. This initiative allows the Board to consider how a rate design for the bill component representing distributor’s revenue⁴ should help position distributors for when they act more as a service platform offering services

¹ http://www.ontarioenergyboard.ca/oeb/ Documents/EB-2015-0043/Staff_Discussion_Paper_RDCI_20160331.pdf and Board Staff Letter and Invitation to Comment to all Licenced Distributors and Other Interested Parties, March 31, 2016 http://www.ontarioenergyboard.ca/oeb/ Documents/EB-2015-0043/Staff_Discussion_Paper_cvrltr_RateDesign_20160331.pdf

² Board Staff Letter and Invitation to Comment to all Licenced Distributors and Other Interested Parties, March 31, 2016 http://www.ontarioenergyboard.ca/oeb/ Documents/EB-2015-0043/Staff_Discussion_Paper_cvrltr_RateDesign_20160331.pdf

³ http://www.ontarioenergyboard.ca/oeb/ Documents/Documents/OEBltr_Gross_Load_Billing_Tx_20160329.pdf

⁴ Board Staff Discussion Paper, page 3: The scope of this initiative excludes how the commodity, transmission, and other services are billed to customers.

such as balancing, power quality, storage, and redistributing power from users connected to their systems in the future⁵.

IESO Comments

At this time, the IESO does not have views on the potential rate design options described in the Discussion Paper and believes any comments are more appropriately left to distributors and other interested groups to contemplate. With that in mind, the IESO's comments focus on the objectives and principles that should be maintained in any rate design option considered for adoption by the Board:

- The IESO agrees that any rate design should embody cost-causality principles and should provide clear links between the costs to build and maintain a reliable and cost-effective electricity system, how customers use the system and how they pay for it. Meeting this objective will help ensure future system investments focus on long-term cost containment while customers across all classes understand and value utility services, and are charged for use of existing and new infrastructure in a fair and equitable manner.
- The IESO agrees that rates should avoid creating any subsidies or rate credits that could unduly advantage or disadvantage customers across or between rate classes, or which could create inaccurate signals that may distort incentives to make investment decisions related to conservation and demand management, distributed energy resources, or for participation in other programs.
- The IESO believes that, with the availability of relevant price signals, customers across all rate classes should have the ability to manage energy use and costs. The IESO supports the objective that any rate design should ensure customers are equipped to make informed decisions about energy use, whether that is through investment decisions, conservation efforts, or participation in market-based programs and initiatives.
- The IESO encourages the Board to ensure that any rate design adopted minimizes barriers that could impede adoption of technologies or participation in market-based programs and initiatives that benefit system reliability and customer's ability to manage energy use and costs. Conversely, the Board should also ensure that any rate design adopted also does not falsely promote certain investments or participation in programs which could unduly advantage certain participants or classes of customers.

⁵ Board Staff Letter to all Rate Regulated Distributors and Interested Parties, May 28, 2015
http://www.ontarioenergyboard.ca/oeb/Documents/EB-2015-0043/ltr_Rate_Design_EB-2015-0043_20150528.pdf

- The IESO supports the objective to help ensure distributors have access to adequate and stable revenues. This will encourage distributors to make cost-effective investment decisions, support technology adoption, conservation and facilitate investment planning to ensure reliable service. Rates should encourage and support distributors to make least-cost investment decisions when addressing identified system needs (whether that be “wires” or “non-wires” investments to support growth, to alleviate system constraints, or to allow investment deferrals).

Once again, the IESO appreciates the opportunity to comment and the Board's consideration of its comments.

Yours truly,



Nancy Marconi
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cc: Laurie Reid, Senior Advisor, Regulations & Liaison, OEB
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