

1 PUB-CA-006 **On page 30 Elenchus notes that there is an incentive for customers to**
2 **undertake investments that result in uneconomic bypass when the**
3 **electric utility’s rate design recovers a portion of its fixed costs through**
4 **variable capacity and energy charges. Could rate design changes**
5 **mitigate some of the risk of stranded assets?**
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7 RESPONSE: Yes. For example, the Ontario Energy Board (“OEB”) has required the
8 electric distribution utilities that it regulates to transition to fully fixed rates
9 for the recovery of distribution costs, which are essentially the fixed costs
10 of being connected to the grid. As a result, customers that self-generate have
11 reduced bills reflecting only their reduced electricity use (lower power
12 costs), but do not shift a portion of their causal distribution costs to other
13 customers. Stranded distribution costs for residential customers are avoided
14 except in cases where a customer disconnects from the grid. Disconnection
15 remains uneconomic for most customers. It may be noted, however, that the
16 OEB has not taken action to address the issue for larger volume customer
17 classes despite initiating a process to review the rate design for commercial
18 and industrial customers.
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20 Some utilities in other jurisdictions have sought to reduce the problem by
21 increasing the proportion of their distribution costs recovered by the fixed
22 charge.