Brookfield
Condominium Services

June 11, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Re: Rate Design for Electricity Distributors
Board File No: EB-2012-0410

Dear Ms. Walli,

The Board released a Draft Report of the Board on Rate Design for Electricity Distributors on April 3, 2014. We thank the Board for their extension to offer our written comments.

Brookfield Condominium Services Ltd. (Brookfield) is the largest condominium property management company in Ontario, managing almost 70,000 condominium units, mainly in the Greater Toronto Area.

General Comments on the Policy of Moving to a Fixed Rate Design:

Firstly, we see a general misalignment between the impact of revenue-decoupling and the OEB's renewed performance-based regulatory framework that is to have greater focus on delivering value. Analysis contained in the Draft Report[1] of EB-2012-0410 shows the consumer trend of decreasing residential average usage – we agree that this is a good result. From a performance-based perspective then, it is counter intuitive to use that analysis to conclude that utility revenue needs to be decoupled from consumption. Said another way, an understandable perception of revenue-decoupling is that the people of Ontario have done such a good job at reducing their consumption that it is leading to a revenue issue for the utilities.

Brookfield understands that the current price mechanism is not in line with the realities of the distribution system where cost drivers are the number of customers and consumer peak demand. However, it is not obvious that any of proposals focus on delivering value to the consumer other than from an educational perspective. The proposals seem to deliver primarily on cost recovery and providing revenue stability for the distributors, and it is not clear that any proposal would motivate distributors on improving productivity.

[1] Page 4 http://www.ontarioenergyboard.ca/oeb/_Documents/EB-2012-0410/EB-2012-0410%20Draft%20Report%20of%20the%20Board_Rate%20Design.pdf

Secondly, we see misalignment between the OEB's renewed framework and the stated objectives to determine which rate design in most appropriate. Specifically:

1. We strongly disagree with the conclusion in the Draft Report that the current mechanism provides the consumer "with a signal that by reducing energy usage, they may reduce the cost of distribution". Our client base consumers interpret the provided signal that by reducing energy usage, they simply reduce their costs. Moving to a fixed rate design may provide stability to the consumers' bills, but it will make bills much less predictable on the basis that their usage will have less of an impact on their bills;

2. We believe that adding to the fixed portion of distribution decreases accountability for consumption, and thus provides consumers with <u>fewer</u> tools for managing their costs; and

3. The change to a fixed distribution offers a disincentive to convert the condominium to suite metering from bulk metering. Thus, a fixed distribution rate encourages the situation where no clear mechanism exists to provide signals to the consumer regarding their energy usage and energy usage patterns.

Lastly, although this is generally applicable for > 50 kW for condominium customers, we see misalignment between revenue-decoupling and the LTEP need to facilitate micro-generation. Today, if a condominium employs micro-generation, they see a reduction in consumption and they see a reduction in the peak demand used to assess their distribution charge. If there was only a fixed distribution charge, the condominium would see only a reduction in the commodity and transmission bill lines, weakening the business case for micro-generation.

<u>Comments on Proposal #1 – Single Monthly Charge for the Rate Class:</u>

Brookfield notes that distributors saw this option providing better focus for consumers on what they can control – the amount and timing of the commodity. While this is true, the commodity accounts for only about 50% of the suite bill for a condominium. Moving to a single monthly charge for the entire residential rate class would remove the ability for the consumer to influence the delivery, which makes up 40% of an average condominium suite electricity bill[2]. Thus, we agree with the conclusion stated in the May 16, 2014 meeting summary with consumer groups that this proposal provides <u>fewer</u> tools to manage a consumer's bill.

Brookfield understands that people are used to paying a fixed rate for comparable fixed asset/variable service industries such as cable and home telephone. However, those cases are competitive in nature, and our clients believe they can exercise a choice in those industries that they cannot exercise when it comes to accessing the distribution system. Thus, the implementation needs to be much more sensitive to consumer perception of value.

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[2] Consumption in individually metered suites unknown, so this considers bulk metered buildings, and assumes 50% of consumption is assumed to be in the suite.

All of the above said, it is reasonable that access to the distribution system is in the best interest of the public, and is a benefit we should all pay for fairly, not equally. The EDA and the CLD appear to see Proposal #1 as the only viable alternative. Thus, Brookfield suggests this proposal is workable dependent upon how it is implemented. The recommendation to determine the single monthly charge based on total class revenue divided by the number of customers is completely unacceptable to Brookfield, and we agree with the distributors that suggested[3] multi-residential consumers require their own sub-class. 90% of the suites in Brookfield's portfolio[4] consume less than 700 kWh per month, which is significantly less than the average Ontario household consumption of 800 kWh per month. We feel the implementation method proposed unjustly penalizes the condominium sector and any other consumer that has done the right thing and has managed to consume less electricity than the average Ontario household.

As an alternative, we suggest implementing Proposal #1 in the following manner:

a) A multi-residential sub-class is created to address the acceptability and fairness issues of Proposal #1. The calculation of the multi-residential fixed rate sub-class must reflect the lower costs to serve the multi-residential segment that was suggested in EB-2010-0142. (For clarity, the current fixed portion of distribution a condominium unit pays today would be lowered for the new sub-class); and
b) The single monthly charge is determined based upon only 75% of the new sub-class revenue divided by the number of the new sub-class consumers.

This alternative:

a) Provides simplicity for consumers and simplicity of implementation for distributors;
b) Achieves the desired decoupling of revenue from consumption;
c) Supports distributor planning by stabilizing revenue;
d) Does not penalize previous consumer conservation efforts, or act as a detriment to future conservation efforts;
e) Provides an incentive (or at least does not act as a detriment) to convert bulk-metered buildings to individually metered buildings; and
f) Provides an incentive for distributors to improve productivity and deliver value by not providing cost recovery to the same level they have today.

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[3] Meeting Summary – May 12, 2014 with Advisory Committee of Regulatory and Finance Councils, EDA and May 15, 2014 with CLD.

[4] Consumption in individually metered suites unknown, so this considers bulk metered buildings, and assumes 50% of consumption is assumed to be in the suite.

Comments on Proposal #2 – Fixed Monthly Charge Based on Size of Electrical Connection:

Brookfield respects the EDA and CLD views that this is not a workable proposal based upon the need for a data-gathering exercise and their opinion that it will be the most administratively intensive proposal.

From a condominium perspective, the electrical service to each suite will be identical in each building, so the data gathering exercise becomes less intensive than in a residential sub-division, for example.

Comments on Proposal #3 – Fixed Monthly Charge Based on Use During Peak Hours:

Brookfield recognizes the value of this proposal from a CDM perspective. However, we respect the views of the EDA, CLD, and consumer groups that indicate this is not a workable proposal based upon the need for reclassification and movement of customers – condominiums are more much more transient than single family homes.

Additionally, some consumers in a condominium are suite metered (which means they are billed on TOU), while other customers are unit sub-metered (which means they are typically billed on 2-tiered RPP or HOEP). Thus, this will create consumer inconsistencies within the same distributor area.

In closing, we again thank you for the opportunity to provide our written comments – this is an important issue that we forecast could have a $1,500,000 per year negative impact to our clients. Should you have any questions, or wish to have us participate as part of consumer groups in the future, do not hesitate to contact me.

Yours truly,

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