

1 Q. **Reference: BKL-NLH-026(m)**

2 With respect to your response to BKL-NLH-026(m), if not previously answered, which, if any,
3 Canadian utilities have sold power to provincial customers at a rate equal to or based on the
4 price that could have been realized from sales of surplus power outside the province in the
5 period from January 1, 2020, to May 15, 2023.

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8 A. Of the Canadian utilities analyzed, both BC Hydro¹ and Manitoba Hydro² use the market price of
9 energy as the basis of their Surplus Energy Rate design. These rates are described in greater
10 detail in part a) of response to BKL-NLH-026 of this proceeding. Comparisons and more
11 information on the exact rates charged where available can be found in response to
12 BKL-NLH-079 of this proceeding.

13 **Manitoba Hydro**

14 The Surplus Energy Program (“SEP”) energy charge offered by Manitoba Hydro is described as
15 follows:

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- 17 • The energy charge is determined on a weekly basis for three time-of-use periods (Peak,
18 Shoulder, Off peak) based on the cost of providing energy, which may include the cost of
19 purchasing power, generating energy, and transmission losses. The charge may also
20 consider factors such as seasonality, demand and supply in the MISO³ market, and market
21 volatility or unforeseen supply costs, and adjust adders as needed to balance actual energy
costs and revenues from SEP energy.

¹ The British Columbia Hydro and Power Authority (“BC Hydro”).

² The Manitoba Hydro-Electric Board (“Manitoba Hydro”).

³ Midcontinent Independent System Operator (“MISO”).

1 As described in Manitoba Hydro's SEP Terms and Conditions:

2 If SEP energy displaces extra-provincial sales, the Energy Charge shall be such as
3 to collect the revenue that would have been received from the foregone energy
4 sales from the week to which the Energy Charge applies.⁴

5 **BC Hydro**

6 The Surplus Energy Rates offered by BC Hydro that use market prices are described as follows:

- 7 ● Rate Schedule 1253 Distribution Service and Rate Schedule 1853 Transmission Service which
8 are based on the Intercontinental Exchange Inc. ("ICE") in the ICE Day Ahead Power Price
9 Report + a Monthly Minimum Charge.
- 10 ● Rate Schedule 1892 Freshet Energy and Rate Schedule 1893 Incremental Energy which are
11 based on the greater of ICE Mid-Columbia ("Mid-C") Peak or Mid-C Off-Peak weighted
12 average index price, as published by the ICE in the ICE Day Ahead Power Price Report,
13 applicable to the hour on each day of the billing period; and \$0/kWh; plus an adder charge.

14 Each of these rates are based off of the ICE, which would indicate that the basis of the rate is to
15 replace displaced energy sales to outside markets. This is further supported in Order
16 No. G-104-20, which approved the Freshet Rate, in which BC Hydro states that:

17 [t]he Freshet Rate was also responsive to the 2013 Industrial Electricity Policy
18 Review (IEPR) task force recommendations to develop innovative rate options
19 for industrial customers and to **recover what BC Hydro would otherwise obtain**
20 **on the export market** [emphasis added], but with potential economic benefits
21 to BC.⁵

22 No evidence was found to suggest that the Surplus Energy Rates provided by either NB Power⁶
23 or Hydro-Québec are based on extra provincial market prices, as explained below.

⁴ 2023/24 & 2024/25 General Rate Application," The Manitoba Hydro-Electric Board, December 21, 2022, app. 8.16.
<https://www.hydro.mb.ca/docs/regulatory_affairs/pdf/electric/gra_2023_2025/08-16_surplus_energy.pdf>

⁵ *Utilities Commission Act*, RSBC 1996, c 473, Order No. G-104-20, British Columbia Utilities Commission, May 1, 2020.

⁶ New Brunswick Power Corporation ("NB Power").

1 **NB Power**

2 The NB Power surplus rates are:

- 3 • On-peak price = incremental cost during on-peak hours + 0.9¢/kWh.
4 • Off-peak price = incremental cost during off-peak hours + 0.3¢/kWh.

5 The incremental cost is defined by NB Power as the “incremental generation or purchased
6 power cost after supplying in-province firm load and other firm supply commitments,”⁷ and
7 therefore the rates are not based on market prices.

8 **Hydro-Québec**

9 The price for the “Additional Option” rates provided by Hydro-Québec, (i.e., the rates for energy
10 that would have otherwise been sold in outside markets), covers both power and energy, varies
11 month to month and reflects Hydro-Québec’s marginal supply cost. During the winter period the
12 marginal supply cost is determined by the following formula:⁸

$$\frac{\text{HAP} \times \text{CEE}_h + (\text{H}_h - \text{HAP}) \times \text{CEP}}{\text{H}_h}$$

13 where:

14 HAP = the number of hours for which Hydro-Québec plans to make short-term purchases on
15 the markets during the winter period.

16 CEE_h = Hydro-Québec's avoided energy cost for the winter period.

17 CEP = the average cost of heritage pool electricity in effect.

18 H_h = the total number of hours in the winter period.

⁷ Énergie NB Power, “N. Rate Schedules and Rate Application Guidelines,”
<<https://www.nbpower.com/en/accounts-billing/understanding-your-bill/rate-schedules-and-policies/n-rate-schedules-and-rate-application-guidelines/>>.

⁸ “2023 Electricity Rates – Effective April 1, 2023,” Hydro-Québec, April 1, 2023, p. 122.
<<https://www.hydroquebec.com/data/documents-donnees/pdf/electricity-rates.pdf>>

- 1 During the summer period, the average cost of heritage pool electricity in effect.
- 2 These costs do not reflect revenue that Hydro-Québec would have received if the surplus energy
- 3 were sold outside of the province.