

Q. IC - CA 3 Price Signals

(a) In Mr. Bowman's view, would any RSP credit as a result of decreased system loads constitute an inappropriate price signal?

A.

No. In Mr. Bowman's view, rates that vary significantly from costs constitute an inappropriate price signal. Rates for ICs under the current RSP would be significantly reduced, and would not reflect changes in cost of service (see Section 2.3 of Bowman pre-filed evidence), meaning they would send an inappropriate price signal and would be unfair. This would be true whether there was a significant credit or debit arising from a large decrease or increase in system load. Such unintended consequences of the RSP design were raised as an issue by Hydro at the 2006 GRA. The Parties acknowledged the design flaws when they agreed to review the RSP following the 2006 GRA.