

Reform of the BC Utilities Commission

BACKGROUND

The legislation that governs the BC Utilities Commission (BCUC), and by extension influences utilities including BC Hydro and FortisBC, is based on an outdated 20th century model of centrally producing and delivering energy. The regulatory compact established throughout North America in the early 1900s was designed to encourage more efficient jurisdictional monopolies, in exchange for a mechanism to ensure that utilities acted “in the public interest” — defined at the time as providing service that was safe, reliable and affordable.

While these goals remain relevant today, regulations based purely on a cost recovery model ignore the changes that have taken place in the energy system during the last 100 years, including the need to decarbonize all sectors of the economy, the clear benefits of distributed and self-governed energy systems for rural and indigenous communities, and the disproportionate impacts of high energy costs on low-income households.

Given appropriate enabling legislation, the BCUC could be playing a leading role in enabling an equitable transition of BC’s energy system to be low-carbon and highly energy efficient. In order to affect this transition, the BCUC must be empowered to send a clear message to utilities that their demand forecasting, resource planning, rate-setting and demand-side management programs be aligned with a plan to meet legislated climate targets and achieve a just transition to a clean energy economy.

A review of the *Utilities Commission Act* (UCA) is badly needed, particularly in light of changes recommended by the BCUC itself as part of the conclusions of the recent *Indigenous Utilities Inquiry*, which would allow Indigenous communities greater autonomy and self-sufficiency over their energy systems. As a result, this legislation needs to be revised in any case, in order to be consistent with BC’s *Declaration on the Rights of Indigenous Peoples Act*, and the spirit of reconciliation. If the UCA is to be revised, the opportunity should be taken to modernize and improve other objectives of the Act as well.

Incorporating values of climate action and energy security, as well as meeting electrification and market transformation goals, will require a change from the status quo established in the current UCA. As long as utilities are regulated purely on a cost-of-service basis, there will be no meaningful signal for them to plan for a low-carbon, electrified future, nor to invest in emissions-reducing technologies, nor to protect their most vulnerable customers from the impacts of energy poverty or unexpected hardship. Without this signal, it will become increasingly difficult for BC to meet its legislated climate targets, implement the CleanBC plan, or make meaningful progress on reducing the prevalence of energy poverty.

In the United States, utility regulators including those in Washington and California are now explicitly incorporating climate objectives into their mandates and are helping to drive the transition away from fossil fuels.^{1,2} Regulators must also be empowered to ensure that no

¹ <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/washington-state-proposes-legislation-to-phase-out-natural-gas-utility-service-61819435>

² <https://www.utilitydive.com/news/cpuc-launches-rulemaking-transition-natural-gas/570653/>

groups are left behind or unduly disadvantaged in this transition. In particular, in order to ensure that low-income households have equitable access to basic energy services and highly efficient heating technologies, the BCUC must be allowed to approve income-qualified rates and/or services. The number of customers who would qualify for such initiatives are small compared to the total number of ratepayers, keeping the overall impact on rates relatively modest. Both Washington and California have provisions in their regulatory scheme that allow for exactly this approach to rate-making.^{3,4}

Many of the original objectives that spurred the regulation of utilities in the early 20th century have not changed – providing safe, reliable and affordable energy to ratepayers, without *undue* discrimination, is still a worth goal of an energy regulator or utilities commission. However, the energy system is evolving, and a more modern and innovative approach is needed to ensure regulators have the tools to keep up with technological changes, environmental threats, and societal goals.

BC needs a new set of regulatory principles for the 21st century. Fortunately, leading jurisdictions like Washington and California have shown the way and provide an excellent blueprint for regulatory reform.

³ <https://app.leg.wa.gov/RCW/default.aspx?cite=80.28.068>

⁴ <https://www.cpuc.ca.gov/lowincomerates/#fera>