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March 8, 2016

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
P.O. Box 49130
Three Bentall Centre
2900 – 595 Burrard Street
Vancouver, BC
V7X 1J5

Attention: Mr. Christopher P. Weafer

Dear Mr. Weafer:

Re: Project No. 3698864

FortisBC Energy Inc. (FEI)

2015 Price Risk Management Application (the Application)

Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1 – Scope A

On December 23, 2015, FEI filed the Application referenced above. In accordance with Exhibit A-8 setting out the Amended Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to CEC Scope A IR No. 1.

If further information is required, please contact Mike Hopkins, Senior Manager, Price Risk & Resource Planning at (604) 592-7842.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc: Commission Secretary
Registered Parties

1. Reference: Exhibit B-1, Page 1

26 • Mitigate market price volatility to support rate stability; and

27 • Capture opportunities to provide customers with more affordable rates.

1.1 Please confirm that FEI is looking to mitigate commodity price increases, which may impact customer bills, after other contracting and rate smoothing mitigation has taken place.

Response:

Confirmed. As discussed in the response to BCUC Scope A IR 1.1.2, FEI believes a comprehensive price risk management approach, which includes a variety of tools and strategies such as hedging and rate setting mechanisms, is effective in meeting the price risk management objectives.

1.2 Please provide the following characterization of the commodity cost as it would affect a residential customer bill using 90 GJ/year and a commercial customer bill using Median Consumption for Rate Class GJ/year by populating the table with appropriate current information for a customer billing period.

Residential Customer		
Item Affecting Bill	Magnitude/GJ	% of total bill
Basic	?	
Delivery	$3.5	
Midstream	$2.5	
Commodity Tax	$1.5	
Commodity Daily	$0.8	
Commodity Monthly	$1.2	
Total	$9.5	

Commercial Customer		
Item Affecting Bill	Magnitude/GJ	% of total bill
Basic	?	
Delivery	$3.5	
Midstream	$2.5	
Commodity Tax	$1.5	
Commodity Daily	$0.8	
Commodity Monthly	$1.2	
Total	$9.5	

Response:

Please refer to the tables below which have been updated with current FEI basic, delivery, storage and transport, and commodity cost recovery charges. For the purposes of this table, FEI has allocated the annual dollar amount for the commodity cost recovery charge by the proportion of daily (40%) and monthly (60%) priced supply FEI contracts for its commodity portfolio.

Residential Customer (Rate Schedule 1 Mainland)			
FEI Charges	**Rate ($/GJ)**	**Annual Dollar Amount**	**% of total bill**
FEI Basic Charge	$1.579	$142	16%
FEI Delivery charge	$4.018	$362	41%
FEI Storage and Transport charge	$0.921	$83	9%
BC Carbon Tax	$1.490	$134	15%
FEI Commodity Cost Recovery Charge	*$1.719*	*$62* [1]	*7%*
		$93 [2]	*11%*
Total per GJ	**$9.726**		
Average Annual Bill		**$875**	

Commercial Customer (Rate Schedule 3 Mainland)			
FEI Charges	**Rate ($/GJ)**	**Annual Dollar Amount**	**% of total bill**
FEI Basic Charge	$0.448	$1,590	6%
FEI Delivery charge	$2.809	$9,969	39%
FEI Storage and Transport charge	$0.775	$2,750	11%
BC Carbon Tax	$1.490	$5,287	21%
FEI Commodity Cost Recovery Charge	*$1.719*	*$2,440* [3]	*9%*
		$3,660 [4]	*14%*
Total per GJ	**$7.241**		
Average Annual Bill		**$25,698**	

Notes

[1] FEI Commodity Cost Recovery Charge X 90 GJ X 40%.

[2] FEI Commodity Cost Recovery Charge X 90 GJ X 60%.

[3] FEI Commodity Cost Recovery Charge X 3,549 GJ X 40%.

[4] FEI Commodity Cost Recovery Charge X 3,549 GJ X 60%.

- Rate Schedule 1 Mainland Residential average annual bill based on a use rate of 90 GJ.
- Rate Schedule 3 Mainland Large Commercial average annual bill based on a use rate of 3,549 GJ.
- The FEI Basic, Delivery, Storage and Transport, and Commodity Cost Recovery charges are effective January 1, 2016 and are inclusive of the applicable rate riders.

1.3 Please confirm that in today's commodity markets the average price of the commodity contracted at monthly pricing would have to increase by 100% in a given year after deferral account treatment and rate smoothing to create a 10% change in a customer bill for the year.

Response:

Not confirmed. Please refer to the two tables below which show that an approximate 57% increase in the Commodity Cost Recovery Charge of $1.719 per GJ to $2.692 per GJ would increase FEI Rate Schedule 1 residential customers' average annual bills by 10%, and an approximate 42% increase in the Commodity Cost Recovery Charge of $1.719 per GJ to $2.443 per GJ would increase FEI Rate Schedule 3 large commercial customers' average annual bills by 10%. This means that a less than $1 per GJ increase in the FEI Commodity Cost Recovery Charge would impact residential and commercial customers' total bills by 10% or more. FEI's last increase in the Commodity Cost Recovery Charge was $1.37 per GJ effective April 1, 2014.

Residential Customer (Rate Schedule 1 Mainland)						
FEI Charges	**Rate ($/GJ)**	**Annual Dollar Amount**	**$/GJ Increase**	**New Charges $/GJ (with Commodity Increase)**	**New Annual Dollar Amount**	**Charge and Burner-tip increase**
FEI Basic Charge	$1.579	$142	$0	$1.579	$142	0%
FEI Delivery charge	$4.018	$362	$0	$4.018	$362	0%
FEI Storage and Transport charge	$0.921	$83	$0	$0.921	$83	0%
Carbon Tax	$1.490	$134	$0	$1.490	$134	0%
FEI Commodity Cost Recovery Charge	*$1.719*	*$62* [1]	*$0.973*	*$2.692*	*$97* [1]	*57%*
		$93 [2]			*$145* [2]	*57%*
Total per GJ	**$9.726**			**$10.699**		
Average Annual Bill		**$875**			**$963**	**10%**

Commercial Customer (Rate Schedule 3 Mainland)						
FEI Charges	**Rate ($/GJ)**	**Annual Dollar Amount**	**$/GJ Increase**	**New Charges $/GJ (with Commodity Increase)**	**New Annual Dollar Amount**	**Charge and Burner-tip increase**
FEI Basic Charge	$0.448	$1,590	$0	$0.448	$1,590	0%
FEI Delivery charge	$2.809	$9,969	$0	$2.809	$9,969	0%
FEI Storage and Transport charge	$0.775	$2,750	$0	$0.775	$2,750	0%
Carbon Tax	$1.490	$5,287	$0	$1.490	$5,287	0%
FEI Commodity Cost Recovery Charge	*$1.719*	*$2,440* [3]	*$0.724*	*$2.443*	*$3,468* [3]	*42%*
		$3,660 [4]			*$5,202* [4]	*42%*
Total per GJ	**$7.241**			**$7.965**		
Average Annual Bill		**$25,698**			**$28,267**	**10%**

Notes

[1] FEI Commodity Cost Recovery Charge X 90 GJ X 40%.

[2] FEI Commodity Cost Recovery Charge X 90 GJ X 60%.

[3] FEI Commodity Cost Recovery Charge X 3,549 GJ X 40%.

[4] FEI Commodity Cost Recovery Charge X 3,549 GJ X 60%.

- Rate Schedule 1 Mainland Residential average annual bill based on a use rate of 90 GJ.
- Rate Schedule 3 Mainland Large Commercial average annual bill based on a use rate of 3,549 GJ.
- The FEI Basic, Delivery, Storage and Transport, and Commodity Cost Recovery charges are effective January 1, 2016 and are inclusive of the applicable rate riders.

1.4 Please confirm that the risk of bill impact is moderated by the fact that most of the other components of the bill are not affected by commodity price variability.

Response:

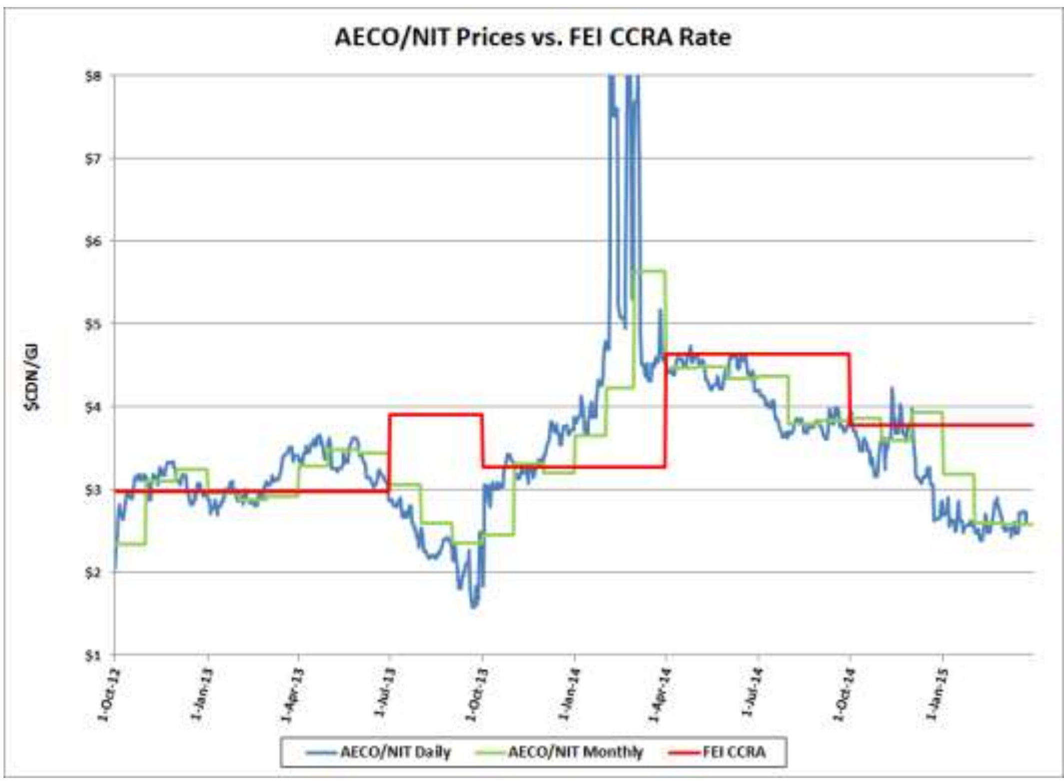
Confirmed. However, it should be noted that the commodity rate component of the total bill can fluctuate significantly depending on market price conditions and volatility. For example, while the current commodity rate effective January 1, 2016 of about $1.72/GJ is currently about 20% of the total bill (excluding carbon tax), it was 40% of the total bill when FEI's commodity rate was $4.64/GJ effective April 1, 2014. Please also refer to the response to BCUC Scope B IR 1.4.1.

1.5 Please define the % degree to which the other mechanism contribute to mitigating bill impacts.

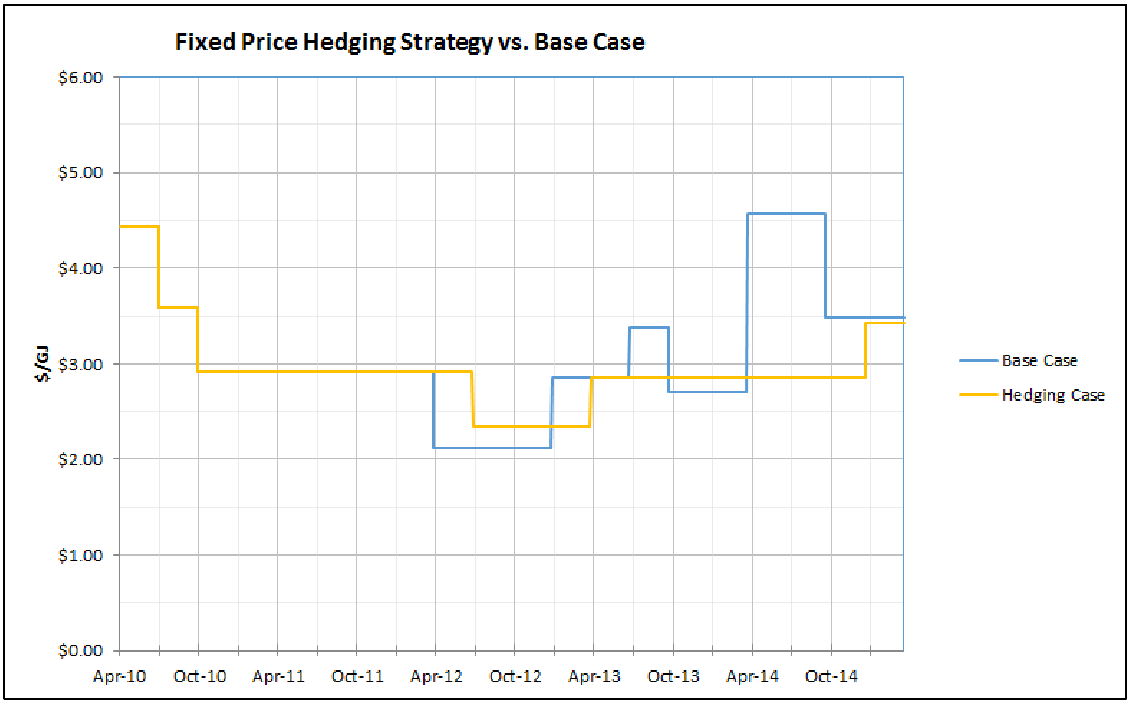
Response:

The % degree to which mechanisms other than hedging, such as supply contracting strategies and rate setting mechanisms, mitigate bill impacts depends on a number of factors such as, for example, the amount of the CCRA deferral account balance and the volatility of market prices, which change constantly. Furthermore, the effects of these mechanisms are interconnected and so it is difficult to determine their individual impacts. Therefore, it is not possible for FEI to determine the % degree with any degree of accuracy. FEI has provided a summary of the different mechanisms and tools and their ability to mitigate rate and bill volatility in the response to BCUC Scope A IR 1.1.1.

As discussed on page 14 of Appendix B of Exhibit A2-3 (workshop #2 presentation), these other mechanisms do mitigate some amount of market price volatility as shown in the figure below from that workshop.



As discussed in the Application, the proposed hedging would help further mitigate commodity rate and bill impacts. Figure 8 from page 13 of the Application and page 40 of Appendix D of Exhibit A2-3 (workshop #4 presentation) is provided below and shows an example of the potential impacts on commodity rates with and without hedging.



1.6 Could the Commission Guidelines contain a definition of opportunity for providing affordable rates and if not why not and if so what definition does FEI expect to be appropriate?

Response:

FEI is always mindful of rates paid by its ratepayers and will seek and capture appropriate opportunities to provide customers with more affordable rates as stated in the preamble. However, FEI does not believe that the Commission Guidelines should define opportunities for providing affordable rates. As stated in Commission Letter L-5-01, the Guidelines are intended to be a general guide. Also refer to the response to CEC Scope A IR 1.3.2.

2. Reference: Exhibit B-1, Pages 3, 4 and 16

> 2. Implementation of enhancements to FEI's quarterly commodity rate setting mechanism, which includes the following components:
>
>   a) Commodity rate change cap of $1.00/GJ, applicable to rate increases or decreases, provided the deferral account balance is maintained within a reasonable range:
>
>   i. Implementing a ommodity rate change cap, plus or minus $1.00/GJ, would be utilized for a maximum of two consecutive quarters provided that the rate changes subject to the cap have been in the same direction, and
>
>   ii. The cap is removed for the third consecutive quarter if the rate change is in the same direction.
>
>   b) Criteria for consideration of using a prospective period beyond the 12-month outlook to determine a new effective commodity rate. A 24-month prospective period may be used in specific situations to maintain the Commodity Cost Reconciliation Account (CCRA) deferral account balance within a reasonable range over the full duration of the 24-month period, which includes:
>
>   i. When a commodity rate change is indicated using a standard 12-month prospective period;
>
>   ii. When there is a difference of $0.75/GJ or more between the CCRA weighted average cost of gas (WACOG) for year one versus year two of the 24-month prospective period, and
>
>   iii. The direction of the commodity rate change indicated using a standard 12-month prospective period is opposite to the direction of the CCRA WACOG for year two compared to the CCRA WACOG for year one (for example, if the indicated commodity rate change was an increase, the CCRA WACOG for year two would need to be lower than the CCRA WACOG for year one).

2.1 Why did FEI initiate changes to its quarterly commodity rate setting mechanism?

<u>Response:</u>

FEI initiated changes to its quarterly commodity rate setting mechanism based on the feedback it received during the workshop process. Although the current guidelines do allow for some discretion in the amortization period using full consideration of circumstances (such as consideration of current deferral account balances and, based on forecast costs, the appropriateness of any rate proposals over a 24-month timeframe), the Commission has not supported FEI's previous requests to use the 24-month outlook for commodity rate setting. During the workshops the Commission staff noted that clarification in terms of the criteria to be used when evaluating the 24-month outlook would be helpful to the Commission.

FEI wanted to review the mechanism in the workshops to gauge the interest level in making some criteria suggestions. Although FEI believes that the current guidelines and rate setting mechanism work well, a review of the quarterly rate setting mechanism in the workshops allowed for the exploration and development of potential improvements. For example, during the workshops, stakeholders representing low income customers expressed interest in a commodity rate ceiling or rate cap given that low income customers' utility bills are a significant portion of their monthly expenses.

As a result of this feedback from stakeholders and Commission staff during the workshop process, FEI has proposed these rate setting enhancements within the Application.

2.2 Please confirm that item (i) would not be a sufficient condition for using a prospective period beyond the 12-month outlook.

Response:

Confirmed.

FEI notes that the criteria for consideration of using a prospective period beyond the 12-month outlook submitted in the Application is intended to provide clarification of one set of circumstances when a 24-month outlook may be used. All three conditions described in the scenario submitted would have to be met to support a commodity rate proposal over a 24-month timeframe. The three criteria above represent only one circumstance that would support a proposal beyond a 12-month view. Other factors may be considered to support views beyond 12- months as described in L-40-11 under the heading "Consideration of Full Circumstances".

2.2.1 If not confirmed, please explain why this condition would not simply negate the value of using a 12-month prospective outlook period at all.

Response:

Please refer to the response to CEC Scope A IR 1.2.2.

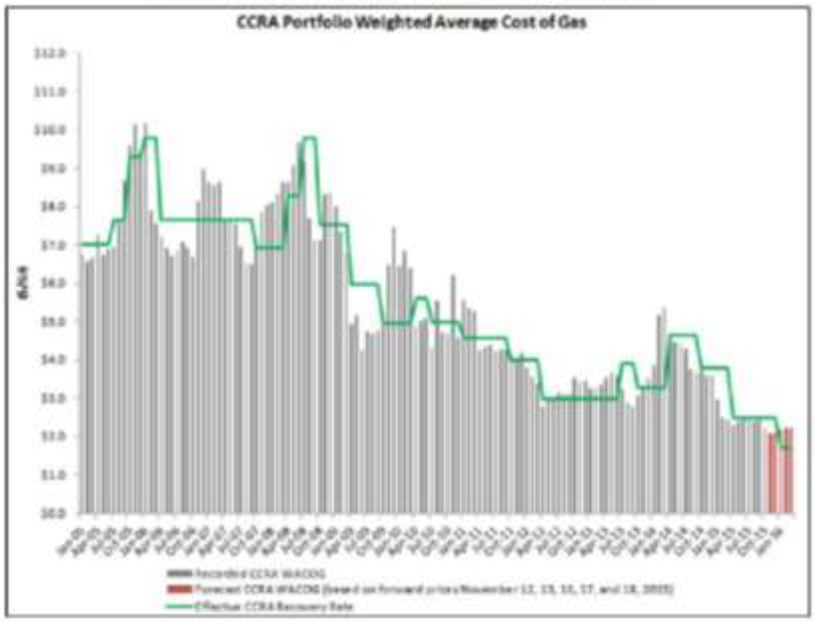
2.2.2 If confirmed, please explain why the condition is necessary considering that if a commodity rate change is not indicated under the 12-month prospective period, then there would be no requirement for an alternate outlook period.

Response:

CEC Scope A IR 1.2.2 was confirmed. FEI confirms that item (i) would not be a sufficient condition on its own for using a prospective period beyond the 12-month outlook. All three conditions would be required before using a prospective period beyond the 12-months. If condition (i) was not met, a rate change would not be required and there would be no requirement to look at a 24-month view. If condition (i) was met, (ii) would be examined and if met (iii) would be examined and if met FEI would then use a 24-month prospective period to maintain the CCRA deferral balance account within a reasonable range.

3. Reference: Exhibit B-1, Page 7

Figure 7: Historical FEI CCRA WACOG and Commodity Rate



3.1 Please confirm that the FEI experience with its weighted average cost of gas for the last several years does not show any periods in which the FEI portfolio cost of gas would have risen to a point where there would be a risk of creating a 10% bill impact for customers.

Response:

FEI has interpreted this question as showing the Commodity Rate impacts as a percentage of the total bill for customers since rates, and not the FEI portfolio cost of gas, are what customers see and pay on their bills, and are what create bill impacts for customers.

Please refer to Attachment 3.1 for the fully functioning spreadsheet which confirms that FEI Rate Schedule 1 (Residential), Rate Schedule 3 (Commercial) and Rate Schedule 5 (Industrial) customers experienced bill impacts equal to or greater than 10% in relation to increases in the FEI Commodity Cost Recovery Charge (Commodity Rate) per GJ for the following rate change dates:

- October 1, 2005
- April 1, 2008
- July 1, 2008
- July 1, 2013
- April 1, 2014

3.2 Could the Commission Guidelines contain criteria, which would define a market condition where the potential for a bill impact of greater than X% has a likelihood of occurring which exceeds a defined threshold of risk and if not why not?

Response:

FEI does not believe that the Commission Guidelines should contain criteria as suggested in the question. Not only are the Guidelines intended to be a general guide, this consideration is already implicit in the rate setting criteria relating to the deadband thresholds. Bill impacts were also a consideration in designing the proposed rate setting criteria but FEI does not see it as necessary to have a specific guideline relating to a % bill impact.

4. Reference: Exhibit B-1, Page 13

4.1 Please confirm that the back cast simulation of hedging would not have mitigated a risk of a bill impact in excess of 10%.

Response:

The back cast simulation of hedging would have mitigated a risk of bill impact in excess of 10%. As the figure shows, during the April 1, 2014 to September 1, 2014 period, the FEI base case commodity rate was $4.57/GJ while the hedging case commodity rate was $2.85/GJ for the same period. The difference in commodity rate between these two cases is $1.72/GJ. Applying this difference to the total bill components effective April 1, 2014 of about $11/GJ (excluding carbon tax of about $1.49/GJ), the percentage is about 16% (i.e. $1.72/GJ divided by $11/GJ). Including carbon tax, the percentage is about 14% (i.e. $1.72/GJ divided by $12.49/GJ). Therefore, in the hedging simulations the bill impacts were mitigated such that none were in excess of 10%.

4.2 Please provide the % degree of benefit the customer would have seen on their bill in this scenario.

Response:

In this scenario, the base case and hedging case commodity rate averaged the same for the April 2010 to March 2012 period. During the April 2012 to March 2015 period, the commodity rate average for the base case was $3.08/GJ compared to $2.78/GJ for the hedging case – a difference of $0.30/GJ. In terms of the average bill for the April 2012 to March 2015 period of $9.86/GJ (excluding carbon tax), this equates to about 3% of the average bill. However, as noted in the response to CEC Scope A IR 1.4.1, the % degree of benefit was much higher during the period of April 2014 to September 2014 when market prices and the commodity rate increased.

In addition to this financial benefit in this scenario, customers would also have benefitted from fewer rate changes and more stable rates.

4.3 Does the simulation base case include operations of the existing deferral account mechanism and rate smoothing approaches?

Response:

Yes, the base case included the current quarterly rate setting and deferral account mechanism using the standard 12-month gas cost outlook.

4.4 Please provide the estimated cost of maintaining this hedging over the simulation time period, on a basis of cost per GJ of commodity cost to which the hedge applies, to create this potential benefit.

Response:

There are no costs of maintaining this hedging over the simulation time period. The net benefits in terms of cost savings are provided in the response to CEC Scope A IR 1.4.2. There are no transaction costs for financial hedging as discussed in the response to BCUC Scope B IR 1.10.2.1.

4.5 Please define what FEI views as an appropriate tradeoff cost for bill mitigation to avoid greater than 5%, 10% and 15% bill impacts.

Response:

FEI views that an appropriate trade off cost for bill mitigation to avoid bill impacts of 5% or more (including the scenarios of 10% and 15%) would be about 3% or less. As discussed in Section 3.1.5 of the Application, FEI estimated the potential hedging costs relating to the proposed hedging strategy. In the example provided, if the proposed hedging volume of 50% of the portfolio is executed at the second hedging price target, then the potential hedging cost is about 3% based on the current total bill components of about $8.24/GJ effective January 1, 2016.

As discussed in the response to CEC Scope A IR 1.4.7, there is also the potential for hedging gains rather than costs. Section 3.1.5 provides an example of the potential hedging gains which could be in the order of about 15% of the current bill components based on 50% of the portfolio being hedged. Please also refer to the response to CEC Scope A IR 1.4.2.

4.6 Could the Commission Guidelines define criteria for appropriate risk cost tradeoffs and if not why not and if so what would FEI suggest that such criteria could be?

Response:

FEI does not believe that the Commission Guidelines should define criteria for appropriate risk cost tradeoffs. Please refer to the response to CEC Scope A IR 1.1.6.

4.7 Please confirm that it is FEI's expectation that application of hedging on top of all the existing measures for controlling and smoothing bill impacts for customers will incur additional costs for customers and because FEI does not expect to 'beat the market' these costs will be added to the cost of gas that customers would otherwise be purchasing resulting in a net cost addition.

Response:

Not confirmed. FEI understands that the application of the proposed limited hedging strategy with the existing measures could incur additional costs <u>or savings</u> for customers, depending on where market prices ultimately settle relative to the prices of the implemented hedges. However, as the proposed program is limited to capturing opportunities in a low price environment (i.e. will only be implemented if certain downside price targets are met), FEI expects that customers will on average benefit from the program in terms of rate volatility mitigation at a minimal cost or even net savings.

5. Reference: Exhibit B-1, Page 13

> FEI recognizes, as was pointed out in the workshops, that any hedging strategy will work well with perfect hindsight market knowledge. However, as FEI noted in the Review Report, stakeholder workshops and Workshop Summary Report, price risk management strategies are not being proposed to "beat the market" but rather capture opportunities to lock in prices that are favourable relative to historical market price levels. As discussed above, the proposed hedging price targets are certainly favourable relative to historical price levels. The hedging price targets are also close to FEI's WACOG of about $2.00/GJ effective January 1, 2016 as noted in Figure 7. The FEI commodity rate effective January 1, 2016 that has been approved by the Commission is $1.719/GJ. This rate, however, includes the impacts of the surplus deferral account balance of about $49 million (before tax) that has built up prior to January 1, 2016 and does not reflect FEI's underlying cost of gas. If the hedges are executed, this would help keep FEI's cost of gas close to current levels and near the lowest it has been in a decade.

5.1 Given that a positive deferral account balance will result in apparently lower commodity costs and subsequently may result in greater apparent price increases, would it make sense for the Commission guidelines to have separate criteria for managing positive and negative balances in the deferral account and might the return of a positive balance be provided through a bill rider as opposed to through the CCRA.

Response:

Riders are generally used by FEI to stream costs or revenues to specific groups of customers, and/or to amortize the costs or revenues over time periods which are different than those upon which the related rate component is based. In this case, since there is no separate group of customers under consideration and the amortization period is the same as that of the commodity base rate, and since customers do not see riders separately on their bills, FEI does not see any value in adding a rider to the existing rate structure. FEI also sees no advantage to treating positive and negative CCRA deferral balances separately.

5.2 Please define an opportunity to provide more affordable rates if FEI does not expect to lock in low prices which will beat future market prices with a net benefit for customer.

Response:

As discussed in Section 3.1.1 of the Application, the current price environment provides FEI with the opportunity to help meet the price risk management objective of capturing favourable prices to provide customers with more affordable rates relative to where they have been in the past. A medium-term hedging strategy that includes locking in up to half of the commodity supply portfolio with fixed price purchases or swaps, if pre-defined price targets are reached, would help keep FEI's commodity rate at low and favourable levels relative to historical values (though not necessarily relative to future market prices). FEI's hedging strategy could result in some hedging costs. However, it is possible that there could be periods of hedging gains, given the greater upside market price potential than downside price potential in the current price environment. Regardless, the overall benefit to customers would be less volatility in commodity rates that are relatively low compared to past levels, particularly during periods of significant market price volatility or price spikes.

5.3 If FEI is not able to deliver a lower net cost to customers then would FEI not pursue hedging for this purpose.

Response:

Please refer to the response to CEC Scope A IR 1.5.2.

6. Reference: Exhibit B-1, Pages 18 and 19

Figure 9: Commodity Rate Scenarios with Different Change Limits

3.2.1.1 Stakeholder Support for Commodity Rate Change Cap

During the workshop process, there was some support expressed for the rate change cap by stakeholders. BCOAPO supported the rate change cap proposal as their client group values rate stability which helps with managing monthly household budgets. CEC also supported the concept of a rate change cap as it helps smooth the commodity rate but suggested that having a percentage change cap, rather than a fixed change cap, would better meet the objectives. The BC Non-Profit Housing Association noted that utility bills can represent 18-20% of a low income customer's expenses and these customers simply cannot afford large rate/bill increases. Therefore, they expressed support for a commodity rate ceiling or rate cap program for low income groups.

6.1 Please discuss the pros and cons of a % rate change cap and a fixed rate change cap.

Response:

A % rate change cap would result in higher absolute rate change caps as rates increased and lower rate change caps as rates decreased. In the rate increase scenario, customers would be faced with higher rates and, at the same time, could be subject to a lower level of protection as provided by a fixed rate cap. A fixed rate cap may be set too low in terms of recovering costs from customers during periods of high market price and rate volatility. However, FEI has proposed that the fixed rate change cap be subject to appropriate management of deferral account balances and removed after two consecutive uses in the same direction to provide an appropriate balance of cost recovery and deferral account balances.

6.2 If FEI were to consider a % rate change cap, what would be an appropriate % to consider and why?

Response:

An appropriate % for a % rate change cap was not discussed in the PRM Workshops. FEI has not considered what an appropriate % would be. Please refer to the response to CEC Scope A IR 1.6.1.

7. Reference: Exhibit B-1, Pages 17 and 19

As discussed in the workshops, FEI is proposing to implement a commodity rate change cap of $1.00/GJ so that the amount the commodity rate can increase or decrease is limited. This limit would likely come into play during a short-term market event, such as a cold winter that temporarily increases gas demand and drives up market prices. This was the case in winter

Table 2: Commodity Rate Change Scenarios and Application of the Cap

	Consecutive Quarters			
	Quarter No. 1	Quarter No. 2	Quarter No. 3	Quarter No. 4
Scenario 1	Increase - Cap in effect	Increase - Cap in effect	Increase - NO Cap	
Scenario 2	Increase - Cap in effect	Increase - Cap in effect	No change - Cap not applicable	
Scenario 3	Increase - Cap in effect	Increase - Cap in effect	Decrease - Cap in effect	
Scenario 4	Increase - Cap in effect	No change - Cap not applicable	Increase - Cap in effect	
Scenario 5	Increase - Cap in effect	No change - Cap not applicable	No change - Cap not applicable	
Scenario 6	Increase - Cap in effect	No change - Cap not applicable	Decrease - Cap in effect	
Scenario 7	Increase - Cap in effect	Decrease - Cap in effect	Increase - Cap in effect	
Scenario 8	Increase - Cap in effect	Decrease - Cap in effect	No change - Cap not applicable	
Scenario 9	Increase - Cap in effect	Decrease - Cap in effect	Decrease - Cap in effect	Decrease - NO Cap

7.1 Please confirm that the cap is bi-directional, such that for all the scenarios the increases and decreases could be reversed with the same effect on the application of the cap.

Response:

Confirmed.

7.1.1 If not confirmed, please explain why not.

Response:

Please refer to the response to CEC Scope A IR 1.7.1.

Attachment 3.1

REFER TO LIVE SPREADSHEET MODEL

Provided in electronic format only

(accessible by opening the Attachments Tab in Adobe)