

Attachment B
to
Notice of Proposed Amendments to the
Transmission System Code and the Distribution System Code

September 21, 2017

EB-2016-0003

Proposed Amendments to the Distribution System Code

Note: Underlined text indicates proposed additions to the Distribution System Code and strikethrough text indicates proposed deletions from the Distribution System Code. Numbered titles are included for convenience of reference only.

The definition of “customer” in the Distribution System Code is amended as follows:

1 GENERAL AND ADMINISTRATIVE PROVISIONS

1.2 Definitions

“customer” means a ~~person that has contracted for or intends to contract for connection of a building or an embedded generation facility~~ generator, consumer or embedded distributor whose facilities are connected to or are intended to be connected to a distributor’s distribution system. This includes developers of residential or commercial sub-divisions;

Section 3 of the Distribution System Code is amended as follows:

3 CONNECTIONS AND EXPANSIONS

3.1 Connections

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3.1.5 For non-residential customers other than micro-embedded generation facility customers, a distributor shall ~~may~~ define a basic connection by rate class and recover the cost of connection either as part of its revenue requirement, or

through a basic connection charge to the customer.

3.1.17 Where a distributor-owned asset has reached its end-of-life and is retired, the distributor shall undertake an assessment, in consultation with the applicable customer(s), to determine the appropriate capacity of the replacement asset. The distributor shall either:

- (a) not recover a capital contribution from a customer to replace that asset, where the new asset is the same capacity or lower capacity; or
- (b) recover a capital contribution from a customer to replace the asset, where the customer requires additional capacity. The capital contribution shall be limited to the incremental cost relative to the cost of a like-for-like replacement asset.

3.1.18 A distributor shall not connect to the distribution system of another distributor for the purpose of obtaining additional transmission connection capacity without the approval of the Board. The two distributors shall file a joint application for approval of the distribution asset, and the compensation to be provided by the connecting distributor to the other distributor (“the facilitating distributor”), with the Board and include as part of the application:

- (a) confirmation by the IESO that the proposed distribution investment would avoid a higher cost investment in a transmission connection facility and would be the optimal infrastructure solution from a regional planning perspective;
- (b) a copy of the agreement between the connecting distributor and the facilitating distributor; and
- (c) evidence that there is sufficient capacity on the transmission connection facility that connects the facilitating distributor to the transmission network to meet the forecast needs of both distributors (i.e., a transmission connection investment will not be required during the forecast period), by providing the amount of excess capacity on the transmission connection facility and a load forecast from each distributor.

The agreement between the connecting distributor and the facilitating distributor shall ensure the customers of the facilitating distributor will not be negatively affected in any way due to the connection to the facilitating distributor's distribution system. In that regard, the agreement shall specify:

- (a) the capital contribution that the connecting distributor will provide to the facilitating distributor to compensate it for all the costs incurred to facilitate the distribution investment that connects it, taking into account any capital contribution refund that may be required under section 6.3.17 of the Transmission System Code;
- (b) any additional charges incurred by the facilitating distributor, due to the incremental load withdrawn from the transmission system by the connecting distributor, shall be recovered from the connecting distributor;
- (c) any other costs that may be identified by the two distributors, for the purpose of cost recovery from the connecting distributor;
- (d) the frequency by which the connecting distributor will provide an updated load forecast to the facilitating distributor.

For the purpose of this section, the connecting distributor shall be considered a customer of facilitating distributor under section 3.1.

3.1.19 For a new or modified distributor-owned asset that will serve a mix of load customers and generator customers, a distributor shall attribute the cost to the customers on a pro-rata basis, based on the apportioned benefit, taking into account factors including the respective rated peak output of each generation facility and the respective non-coincident incremental peak load requirements of each load customer, and the relative line length in proportion to the line length being shared by the customers.

3.1.20 Where a customer requests the relocation of a distributor-owned asset, the distributor shall recover from that customer the cost of relocating that connection facility.

3.1.21 Where a distributor-owned asset is relocated in the absence of a customer request, the distributor shall bear the cost of relocating that asset.

Expansions

3.2.4 The capital contribution that a distributor ~~may~~ shall charge an embedded distributor or a customer other than a generator ~~or distributor~~ to construct an expansion shall ~~not exceed~~ be equal to that customer's share of the difference between the present value of the projected capital costs and on-going maintenance costs for the facilities and the present value of the projected revenue for distribution services provided by those facilities. The methodology and inputs that a distributor shall use to calculate this amount are described in Appendix B.

3.2.4A Where a distributor has been required to provide a capital contribution to a transmitter under the Transmission System Code for the purpose of modifying a transmitter-owned connection facility, and the modification also meets the needs of an embedded distributor and/or a load customer with a non-coincident peak demand that is equal to or greater than 3 MW, the distributor shall require a capital contribution from all beneficiaries that contributed to the need for the modification based on their respective incremental capacity requirements.

3.2.5 The capital contribution that a distributor shall ~~may~~ charge a generator to construct an expansion to connect a generation facility to the distributor's distribution system shall ~~not exceed~~ be equal to the generator's share of the present value of the projected capital costs and on-going maintenance costs for the facilities. Projected revenue and avoided costs from the generation facility shall be assumed to be zero, unless otherwise determined by rates approved by the Board. The methodology and inputs that a distributor shall use to calculate this amount are described in Appendix B.

3.2.20 For expansions that require a capital contribution, a distributor ~~may~~ shall require the customer to provide an expansion deposit for up to 100% of the present value of the forecasted revenues as described in Appendix B. For expansions that do not require a capital contribution, a distributor ~~may~~ shall require the customer to provide an expansion deposit for up to 100% of the present value of the projected capital costs and on-going maintenance costs of the expansion project.

3.2.21 ~~If an~~ The expansion deposit ~~is~~ collected under section 3.2.20, ~~the expansion deposit~~ shall cover both the forecast risk (the risk associated with whether the projected revenue for the expansion will materialize as forecasted) and the asset risk (the risk associated with ensuring that the expansion is constructed, that it is completed to the proper design and technical standards and specifications, and that the facilities operate properly when energized) related to the expansion.

3.2.23 Once the facilities are energized and subject to sections 3.2.22 and 3.2.24, the distributor shall annually return the percentage of the expansion deposit in proportion to the actual connections (for residential developments) or actual demand (for commercial and industrial developments) that materialized in that year (i.e., if twenty percent of the forecasted connections or demand materialized in that year, then the distributor shall return to the customer twenty percent of the expansion deposit). This annual calculation shall only be done for the duration of the customer connection horizon – 15 years (if the customer's non-coincident peak demand meets or exceeds 3 MW) or five years (if the customer's demand is lower than 3 MW) ~~as defined in Appendix B~~. If at the end of the applicable customer connection horizon the forecasted connections (for residential developments) or forecasted demand (for commercial and industrial developments) have not materialized, the distributor shall be allowed to retain the remaining portion of the expansion deposit.

3.2.24 If the alternative bid option was chosen, the distributor ~~shall~~ may retain at least up to ten percent of the expansion deposit for a warranty period for at least two years. This portion of the expansion deposit can be applied to any work required to repair the expansion facilities within the two year warranty period. The two year warranty period begins:

- (a) when the last forecasted connection in the expansion project materializes (for residential developments) or the last forecasted demand materializes (for commercial and industrial developments); or
- (b) at the end of the customer connection horizon – 15 years (if the customer's non-coincident peak demand meets or exceeds 3 MW) or five years (if the customer's demand is lower than 3 MW) ~~as defined in Appendix B~~,

whichever is first. The distributor shall return any remaining portion of this part of the expansion deposit at the end of the two year warranty period.

3.2.27 Unforecasted customers that connect to the distribution system during the customer connection horizon- – 15 years (if the customer’s non-coincident peak demand meets or exceeds 3 MW) or five years (if the customer’s demand is lower than 3 MW) – as defined in Appendix B-will benefit from the earlier expansion and should contribute their share. In such an event, the initial contributors shall be entitled to a rebate from the distributor. A distributor shall collect from the unforecasted customers an amount equal to the rebate the distributor shall pay to the initial contributors. The amount of the rebate shall be determined as follows:

- (a) for a period of up to 15 years for a large load customer (i.e., a customer whose non-coincident peak demand meets or exceeds 3 MW) and five years for a customer whose non-coincident peak demand is below 3 MW ~~the customer connection horizon as defined in Appendix B~~, the initial contributor shall be entitled to a rebate without interest, based on apportioned benefit for the remaining period; and
- (b) the apportioned benefit shall be determined by considering such factors as the relative name-plate rated capacity of the generator customers~~parties~~, the relative non-coincident peak demand~~load level~~ of the load customers~~parties~~ and the relative line length in proportion to the line length being shared by both customers~~parties~~, as applicable.

3.5 Bypass Compensation

3.5.1 A distributor shall require bypass compensation from a customer, with a non-coincident peak demand that meets or exceeds 3 MW, if:

- (a) the customer disconnects its facility from the distributor’s distribution system and subsequently connects that facility to a generation facility or to the facilities of any customer such that both the load facility and a generation facility are connected to the distributor’s distribution system on that customer’s side of the connection point; and

(b) the distributor will no longer receive rate revenues in relation to that distribution asset.

The distributor shall calculate bypass compensation using the methodology set out in section 3.5.3.

3.5.2 A distributor shall not require bypass compensation from any customer:

- (a) when a load customer provides its own facility to serve new load or transfers new load to the facility of another person;
- (b) for any reduction in a customer's existing load served by the distributor's distribution system that the customer has demonstrated to the reasonable satisfaction of the distributor (such as by means of an energy study or audit) has resulted from embedded renewable generation, energy conservation, energy efficiency or load management activities; or
- (c) where a distributor-owned asset has been overloaded, and a customer transfers the overload to its own facility or to the facility of another person.

3.5.3 For the purposes of section 3.5.1, the distributor shall calculate bypass compensation by first multiplying the net book value of the bypassed distributor-owned asset (including a salvage credit and reasonable removal and environmental remediation costs, if applicable) by the bypassed capacity on the relevant distributor-owned asset. The distributor shall then divide the resulting figure by the maximum amount of load that can be supplied by the bypassed distributor-owned asset. For the purposes of this calculation, the bypassed capacity on the relevant distributor-owned asset shall be equal to the difference between the customer's existing load on that distributor-owned asset at the time of bypass and the customer's average monthly peak load in the three-month period following the date on which bypass occurred.

Appendix B (Methodology and Assumptions for an Economic Evaluation) of the Distribution System Code is amended by adding new bullet (a), under "Revenue Forecasting", and making other consequential changes set out below:

(a) Advanced Funding Revenues collected by a distributor and recorded in a

deferral account:

(a) (b) Total forecasted customer additions over the Customer Connection Horizon, by class as specified below;

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The following explanation of “Advanced Funding Revenues” is also proposed to be added to Appendix B.

“Advanced Funding Revenues” are revenues collected by a distributor, through a mechanism that is approved by the Board, before the payment of a capital contribution to a transmitter is required.