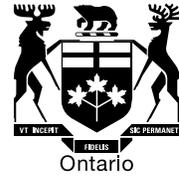


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BY EMAIL AND WEB POSTING

January 25, 2018

**To: All Licensed Electricity Distributors
All Licensed Electricity Transmitters
All Participants in Consultation Process EB-2013-0421
All Other Interested Parties**

**Re: Stakeholder Meeting
Regional Planning and Cost Allocation Review – EB-2016-0003**

On September 21, 2017, the Ontario Energy Board (OEB) issued a [Notice of Proposed Amendments](#) to the Transmission System Code (TSC) and the Distribution System Code (DSC) which are aimed at ensuring the cost responsibility provisions for load customers are better aligned and facilitate the implementation of regional plans.

[Written comments](#) were received from 19 participants involved in this consultation. OEB staff have reviewed those comments and believes it would be beneficial to hold a meeting with stakeholders to discuss issues raised in the comments. The Stakeholder Meeting will provide an opportunity for OEB staff and the stakeholders to further the understanding of the proposed amendments and the comments by discussing the following:

- A number of clarifications of the Notice that were sought by some stakeholders
- Issues that were raised in comments which may be based on a misunderstanding of certain proposed Code amendments and where further discussion may address or clarify related concerns that were raised
- Some issues where the comments received presented a wide range of views and positions that would benefit from discussion

The purpose of this letter is therefore to invite participants in this consultation that provided written comments to a Stakeholder Meeting on **February 5, 2018**. Due to the limitations of space and, given the large number of stakeholders that commented and the focus of the meeting being the discussion of the comments received, other interested stakeholders are invited to participate remotely via teleconference.

The goal of the meeting is to provide a forum for a discussion of several key issues that OEB staff identified from the comments as set out in Attachment A. The meeting will provide an opportunity to achieve a clear understanding of the proposed Code amendments and the written comments on these specific issues. To the extent there is time remaining, there will be an opportunity to discuss other issues that were raised in the comments.

Organization of Meeting

There are a number of in depth issues to discuss, as set out in Attachment A, and there are also a relatively large number of participants that submitted comments. OEB staff wants to ensure all participants that wish to contribute have an opportunity to do so. The plan is therefore to proceed as follows:

- For each organization / coalition that submitted comments, a maximum of two staff will be permitted to attend in person
- Approximately 1 hour will be targeted to discuss each issue in Attachment A to ensure all the issues are covered
- A participant from each organization / coalition that wishes to speak to an issue will be provided with up to five minutes for opening comments, which will be followed by a group discussion and summary

Participation in Stakeholder Meeting

Date: February 5, 2018
Time: 9:30 a.m. – 5:00 p.m.
Location: ADR Room
25th floor, 2300 Yonge Street, Toronto

Remote: For those not attending in person, you can join the meeting by dialing one of the numbers below.

Local: 416-406-1280
Toll Free: 1 866-832-4446

- Enter the access number: 2812741

Stakeholders that intend to participate in the meeting are asked to send an e-mail to Cherida Walter at Cherida.Walter@OEB.ca by **January 30, 2018**. The e-mail should include “**EB-2016-0003 Stakeholder Meeting Attendance**” in the subject line and contain the following information:

- organization / coalition name
- name(s) of attendee(s)

- whether the participant intends to attend in person or remotely
- a contact name, telephone number and e-mail address

Cost Awards

Cost awards will be available to eligible participants that provided written comments related to the proposed Code amendments for participation in the Stakeholder Meeting to a **maximum of 10 hours**.

If you have any questions related to the Stakeholder Meeting, please contact Chris Cincar at Chris.Cincar@OEB.ca or 416-440-7696. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Original signed by

Brian Hewson
Vice President, Consumer Protection & Industry Performance

Attachment A – Key Issues for Discussion

Attachment A

Key Issues for Discussion at Stakeholder Meeting – Prepared by OEB Staff

1) Large Customer Threshold (3 MW)

A threshold was proposed to introduce the concept of a “large” load customer because a goal of the OEB is to better align the DSC with the TSC. The focus in most submissions was in relation to providing a capital contribution for an upstream transmission upgrade. However, the threshold was also proposed in the Notice for other purposes – bypass compensation, capital contribution rebates / true ups and expansion deposit refunds.

Concerns raised included different treatment for customers just above and just below 3 MW. Other options were suggested in the comments that ranged significantly from well above to well below 3 MW – alignment with the threshold used for ‘Class A’ customers (1 MW or 500 kW) to use of the ‘large user’ rate class threshold (5 MW). Another proposed approach involved moving away from an “absolute” load threshold to use of an “incremental” load threshold for capital contribution purposes.

Questions that staff would like to discuss based on the comments include the following:

- a) Is there a threshold level that would address the “just above and just below” concern?
- b) Could an “incremental” load threshold be used for the other purposes? If so, how?
- c) Is there a need for more than one threshold to address the different cost responsibility issues noted above?
- d) If 3 MW is not appropriate for an “absolute” load threshold, what is the appropriate level? Should the level be different if an “incremental” load threshold were to be adopted?
- e) Would an alternative to demand (MW) work better for certain purposes such as:
 - i. A monetary (\$) amount associated with the investment
 - ii. Percentage of the LDC’s system capacity

In discussing the above questions, staff believes some clarifications regarding the intent of the 3 MW threshold may be beneficial. A capital contribution from all 'large' load customers would be limited to their *incremental* load requirement. In addition, the 3 MW threshold would apply to only large *commercial and industrial* customers; i.e., not embedded LDCs.

2) “Beneficiary pays” principle

The Notice indicated that the OEB was proposing a number of the changes to the Codes as a means of achieving 'better' alignment with the beneficiary pays principle, including amendments to require LDCs and large load customers within a distribution system to pay a capital contribution (in the manner that LDCs and load customers connected to the transmission system are required to do under the TSC). Some stakeholders suggested that load customers connected to LDCs should be exempt from providing a capital contribution, while other comments seemed to suggest striving for 'perfect' alignment in discussing adjustments to the model used for setting distribution rates.

- a) Should the proposed large customer threshold be removed for the purpose of providing a capital contribution and limit it to all *non-low volume* consumers (i.e., GS > 50 kW) to further improve alignment with the beneficiary pays principle and avoid issues raised in the comments?
- b) For non-capacity benefits (e.g., increased reliability), would additional guidance be beneficial such as the criteria suggested by the CLD; specifically, those that the OEB uses to provide guidance for scoping purposes in relation to LDC applications for Z-factors – identifiable, quantifiable, material?

3) Proportional Benefit – partial allocation to Network pool

There appeared to be no concerns raised with the concept of allocating some load customer connection asset costs to the network pool, where it can be demonstrated benefits also accrue to the broader system. However, some suggestions were made to modify the approach proposed in the Notice, which raised the following questions.

- a) Would there be any implications associated with broadening the proposed TSC amendment to also include generator customers?

- b) The Notice (and the SECTR application) focused on system benefits associated with reliability related criteria (i.e., load restoration) set out in IESO's ORTAC document. The IESO suggested broadening it to include other non-system benefits (e.g., reduced line losses)
- Is this the appropriate process to prescribe the scope of benefits that will be considered in future adjudicative processes or should it be left to be determined within future adjudicative processes as the system goes through the current evolution?
- c) It was suggested that more specificity was required in the actual TSC amendment in terms of how the proportional benefit is calculated. Hydro One proposed defining "proportional benefit" in the TSC which attempts to explain how it is calculated.¹
- Would making the TSC amendment more specific and/or attempting to define "proportional benefit" have implications in terms of limiting the scope of benefits that the OEB may wish to consider in the future?

4) End-of-Life (EOL) asset treatment

Most of the comments focused on the scenario where a connection asset would be "right-sized" to a lower capacity. The OEB proposed a code amendment to introduce that scenario in the Codes and included expectations in the Notice for transmitters and distributors to "right-size", where appropriate, based on utility judgment and consultation with affected customers. Some stakeholders supported that approach; however, a number of stakeholders noted the code should obligate "right-sizing" due to financial incentives not to downsize (e.g., lower rate base)

- a) A key question is 'how' might "right-sizing" be codified given that approach would not allow for any utility judgment; i.e., in cases where judgement on the useful life of the connection assets differ?

¹ Hydro One's suggested definition is: "proportional benefit" means, in relation to a single integrated optimal solution that addresses the needs of (i.e., provides benefit to) both connecting customers and the transmission system overall, the degree of benefit attributable to the customers relative to all ratepayers, as calculated by dividing the cost of the minimum design to address each need separately by the sum of those costs;

- b) A group of LDCs suggested the cost savings associated with downsizing a transmission connection asset should accrue to the LDC (and only its customers), rather than all of the consumers in the pool. What are the implications of this approach?

5) Type of Assets at Distribution Level

The term “distributor-owned asset” was used in a number of proposed amendments; e.g., requiring a capital contribution, EOL asset replacements (including the proposed need to consult), etc.

Some LDCs noted “distributor-owned asset” is too broad and it should be limited to distribution “connection” assets. At the other end of the spectrum, there was LDC support for “distributor-owned asset” because distribution “connection” would be too narrow since customers sometimes cause and pay for upgrades in the main distribution system. It was also suggested that the administrative burden associated with addressing all connection assets would be too onerous and the focus should be limited to distribution ‘stations’ (which may be too limited as it would exclude all ‘lines’)

- a) Should both terms be used, with “distributor-owned” used for some proposed DSC amendments and “connection” used for others?
- b) LDC conditions of service commonly make a distinction between primary and secondary service. Should that distinction be considered for the purpose of these DSC amendments (i.e., for lines, focus only on primary which would include sub-transmission)?