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June 26, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

Re: EB-2009-0077 – Written Comments on the Notice of Proposal to Amend a Code – Proposed Amendments to the Distribution System Code from the London Property Management Association

This letter is in response to the Board's June 5, 2009 letter related to the Notice of Proposal to Amend a Code – Proposed Amendments to the Distribution System Code (EB-2009-0077). Three paper copies have been provided to the Board and an electronic version has been file through the Board's web portal at www.errr.oeb.gov.on.ca.

These are the written comments of the London Property Management Association (LPMA). Comments have been provided on the general concept and on the specific proposed amendments to the Distribution System Code.

General Comments

a) Connection Assets

LPMA agrees with the rationale provided for the status quo with respect to the cost responsibility for connection assets. The sole beneficiary of the investment in the connection assets will continue to be the connecting generator. They should, therefore, continue to bear these costs.

b) Expansions

LPMA agrees with the concept of the "renewable energy expansion cost cap". The Board is proposing to se this cap at $90,000/MW based on a review of electricity distributor rate applications and from discussions with certain distributors. Based on this analysis the costs of feeder extensions ranged from $175,000/km to $300,000/km.

Based on the analysis of 500 distributed generation projects, 300 required feeder extensions and these projects were of an average size of 10 MW and required on average 5.3 km of feeder extensions. Applying this 5.3 km figure to the range of feeder extension costs of $175,000/km to $300,000/km yields the range of $90,000/MW to $150,000/MW. The Board is proposing the low end of this range for the cap at this time.

LPMA questions whether the calculation of the average feeder extension of 5.3 km is appropriate. It is not clear whether the 5.3 km average is based on the 500 distributed generation projects reviewed, or just the 300 projects that required feeder extensions. If the average is based on the former, then LPMA accepts this calculation. However, if it is based on the latter, then LPMA submits that the average feeder extension estimate has been over estimated and should reflect that nearly 40% of the distributed generation projects did not require any feeder extensions in the calculation of the average length. This would reduce the average length from 5.3 km to about 3.2 km, and reduce the renewable energy expansion cost cap to a range of approximately $56,000/MW to $96,000/MW. LPMA notes that this is more in line with the $60,000/MW figure cited by the Renewable Energy Task Team in their February 28, 2005 letter to the Minister of Energy in response to the discussion paper "Electricity Transmission and Distribution in Ontario: A Look Ahead" dated December 21, 2004.

A separate issue that should be considered is whether the renewable energy expansion cost cap should be set at the same level for all distributors across the province.

As indicated, the Board found a wide variance across distributors in the costs of feeder extensions. The upper range of $300,000/km is more than 70% higher than the lower end

of the range at $175,000/km. This variance is due to a number of factors, including such things as urban vs. rural, Canadian Shield vs. non-shield locations, river crossings, undergrounding, and so on.

In addition, the distances for feeder extensions are also likely to vary widely. The Board has indicated that approximately 200 of the projects did not require any feeder extensions, but no information was provided on the range of the length of extensions required for the other 300 projects.

In light of these significant differences, it could be argued that limiting the distributor responsibility to $90,000/MW in a higher cost utility would not be fair to the connecting generator. They would have to pay a higher amount and a higher proportion of the costs than they would in a lower cost distributor.

As a result it may be more appropriate if there were different renewable energy expansion cost caps for different distributors or for distributors in different regions of Ontario that reflected average costs for distributors or distributors in different regions.

LPMA suggests that the Board should re-examine the range of costs of feeder extensions and the average length of feeders required for the 500 distributed generation projects that it reviewed and do so on a regional basis to determine if there is any evidence to suggest the need for different caps by region.

c) Renewable Enabling Improvements

LPMA agrees that investments in this category should be sufficiently broad as to benefit current and future customers, both load and generators. As a result, it is reasonable that the distributor should bear the cost of these investments.

d) Cumulative Impact on Rates

LPMA is concerned about the potential cumulative impact on rates that the proposed changes in the cost responsibility for renewable distributed generation may have on some

distributors. Distributors that have a high concentration of wind turbines, for example, in rural areas that they serve are likely to experience a significant increase in costs associated with the investment related to this renewable distributed generation.

LPMA is aware that there may be a mechanism whereby the approved costs incurred by a distributor to make the required investments for the purpose of connecting or enabling a connection of a qualifying generation facility to its distribution system could be recovered through contributions payable by all consumers throughout the province, perhaps similar to rural rate protection. However, details of this mechanism are not yet available. While it is appropriate for the Board to move forward with the current process, it should keep in mind the potential impact of any cost recovery framework that is ultimately put in place.

Specific Comments

LPMA provides three specific comments on the proposed amendments to the Distribution System Code shown in Attachment A to the Board's June 5, 2009 letter.

First, the proposed definition of "connection assets" refers to "**a** portion of the distribution system ...". LPMA believes it would be more specific and correct if this read as "**that** portion of the distribution system ....".

Second, LPMA notes that the changes proposed in Section 1.2 for "connection assets", "enhancement", "expansion" and "renewable enabling improvement" all refer to the "main distribution system". However, there is no explicit definition of "main distribution system" in Section 1.2 of the Distribution System Code. A "distribution system" is defined as being comprised of the main system capable of distributing electricity to many customers and the connection assets used to connect a customer to the main distribution system. LPMA suggests that an explicit definition of "main distribution system" should be included in the Distribution System Code for added clarity.

Finally, in the proposed definition of "renewable energy expansion cost cap" there is an explicit reference to the $90,000 per MW cost cap. LPMA submits that it may be more appropriate to remove the specific figure and replace it with wording to indicate that this figure may change from time to time, as determined by the Board. This may prove to provide more flexibility if the $90,000 figure is changed or revised in the future.

Sincerely,

Randy Aiken

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