June 30, 2009

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

RE: **CLD Submission for EB-2009-0077**

Proposed Amendments to the Distribution System Code

Dear Ms. Walli:

The Coalition of Large Distributors ("CLD") respectfully submits its written comments on the Ontario Energy Board (the "Board") Proposed Amendments to the Distribution System Code ("DSC") regarding cost responsibility between a distributor and a renewable generator. The CLD comprises Enersource Hydro Mississauga, Horizon Utilities Corporation, Hydro Ottawa, PowerStream, Toronto Hydro-Electric System Limited, and Veridian Connections.

Yours truly,

(Original signed on behalf of the CLD by)

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Scope

The main objective of the proposed amendments is to assign responsibility for the costs associated with the connection of renewable generators to the distribution system in order to facilitate implementation of the Government's policy objectives regarding renewable generation. The CLD is extremely supportive of the Government's objectives with respect to renewable generation and has been working with the Board, the Ontario Power Authority ("OPA"), the Ministry of Energy and Infrastructure and other stakeholders to ensure that the regulations and processes are in place to meet the requirements of the Green Energy Act.

However, the CLD does have some concerns about the implications of the proposed amendments on distributors and their customers and these are detailed below.

Comments on Proposed Amendments:

General Comment:
The CLD has assumed that these amendments apply to all requests for connection by renewable generators. This includes generators for which capacity is immediately available and those for which capacity is not available but can be provided at some cost. Informal discussions with Board staff have indicated that this might not be the case, so it is necessary that the Board clarifies this.

Page 3 of Notice:
The last line of page 3 states "The Board may, at a future date, consider some of the other issues (such as 'use of system" charges)…". Implementation of the MicroFIT and FIT programs will dramatically increase the number of generators connected to a distributor's system, and therefore there will be an impact on the use of the system, the resulting cost allocation and the need for a use of the system charge. Therefore the CLD encourages the Board to address this issue as soon as possible.

Page 4 of Notice:
The Board defines three categories of distribution system investments: connection assets, expansions and renewable enabling improvements. The CLD agrees with these categories and proposes that if a generator requests a higher than normal level of reliability (such as a second circuit or auto transfer capabilities) these costs should be treated in the same manner as the connection assets and be the responsibility of the generator and included as part of the upfront capital contribution.

Page 5 of Notice:
When a generator requires an expansion and is required to pay above the $90,000/MW cap, when another generator comes along within five years and makes use of the expansion, the CLD suggests that the second generator should pay as well and the original generator should be compensated.

Page 6 of Notice:
The average distribution expansion costs for Toronto Hydro's service territory as per the conditions of service is $192,000/MW. If a station expansion is required then the blended distribution and station expansion costs reach $282,000/MW. In downtown Toronto, average expansion costs on the 13.8 kV system are $355,000/MW. For the

most part, we anticipate renewable energy projects will displace existing load. Therefore, the benefit of deferring a distribution expansion to Toronto Hydro is $192,000/MW rather than the $90,000/MW that the Board is proposing. If the cap is too low then it will discourage generators from being able to connect. The CLD agrees that the $90,000/MW cap is at the lower end of the range of the cost of feeder extensions and encourages the Board to work with the OPA to coordinate the potential cost to a generator of an expansion with amounts included in the calculation of the FIT pricing.

Page 7 of Notice:
The CLD understands that costs for upstream upgrades are not to be included in the calculation of the expansion cap and that this means these costs are entirely the generator's responsibility. The CLD agrees with this amendment. If this understanding is not correct, further clarification is required by the Board.

Page 8 of Notice:
The Notice states that the Board believes that these investments, i.e. renewable enabling improvements, will likely be of broader benefit to the distributor and its customers and therefore the generator will not be asked to make a capital contribution in relation to such investments. The CLD believes that not all renewable enabling improvements will be of broad benefit, in fact a lot of these investments would only be done as a result of the connection of the generator and provide no benefit to the rest of the system.

In addition, in the absence of an economic test to determine if a distribution system connected generator is economically beneficial to the province, there may be instances where the cost of the renewable enabling improvements is exorbitant and could strain the capital requirements of an LDC and lead to the construction of generators that would not have met an economic test if one had been available for the distribution system.

In the case of enabling improvements, we are concerned that no cap on costs to be borne by the ratepayers may be too great a cost to society. As a result, the CLD proposes that there should be a cap on the distributor's portion of the renewable enabling improvement costs, similar to the expansion cap. Such a cap would ensure that generators are provided with the incentive to locate generation at the most economically beneficial place. Furthermore, when the connection of a generator requires the upgrade to protection and control systems, this can also include the systems on customer-owned equipment connected to the same circuit. The responsibility for these costs must be addressed.

Proposed amendments to Section 1.2(c):
Although it appears to be covered by the actual proposed definition for 'expansion', in the explanation of expansions on page 5 and in Attachment B, building a new line is not included under an expansion. The CLD believes it should be included.

Proposed amendments to Section 1.2(d):
The CLD has concerns about what is included in the definition of 'renewable enabling improvement'. For example, the central and downtown area of Toronto Hydro consists of a primary distribution system and a secondary network system. While the former will readily accommodate 2-way electrical flows, the latter will not since networks only allow power to flow from the distribution system to customer facilities. The CLD proposes that

where possible, the customer renewable generation is limited in relation to the network system load, such that network system supplies a minimum forward power component of base load. For the most part, we do not anticipate such base load condition will be triggered, since significant levels of market uptake of renewable generation would be required to reach a minimum loading condition on the network. Where it is not possible to meet minimum forward power, a "modification" to allow 2-way power flow would require complete conversion of the network vault to a primary distribution system, at an enormous cost.

There is also concern about what is required to provide the protection against islanding. Does this include both the equipment required at the Transformer Station and on the customer's equipment? The CLD suggests that there needs to be better clarity on what is included as a renewable enabling improvement. In other words, it should not include the complete redesign and rebuild of a distribution system to accommodate generators.

Proposed amendments to Section 3.3 and Section B1:
The Board is using this opportunity to revise the application of the Economic Evaluation Model by removing the 'per kilowatt enhancement cost estimate'. Distributors would have prepared their cost of service applications based on the expectation of a certain level of customer contributions based on the expected load and the 5 year average per kilowatt enhancement cost estimate. As a result of this proposed change they will see a reduced level of capital contribution, an increased capital expenditure requirement and a gap between the approved rate base and actual net fixed assets. Therefore the CLD suggests that this revision should come into effect at each LDC's next rebasing.

In addition, there needs to be improved clarity for LDCs on how to handle/attribute expansion costs for the connection of a new generator, when the generator customer is also going to contain a significant amount of embedded load. Not all new generator connections will be purely merchant (export) generator. The majority of new generator customers will have some embedded load. The CLD proposes that these customers should also be paying any expansion costs above the prescribed cap.

Conclusion

The CLD is extremely supportive of the Government's objectives related to renewable generation and looks forward to working with all stakeholders to ensure that the required processes are in place. However, there are many details regarding cost responsibility that must be addressed before amendments to the Distribution System Code can be finalized. The CLD encourages the Board to ensure that these proposed amendments to the DSC are integrated with the other initiatives outlined in the Chair's letter of June 1st, 2009.