

June 23, 2009

BY COURIER (3 COPIES) AND EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
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Dear Ms. Walli:

**Re: Pollution Probe – Comments on Proposed Amendments
EB-2009-0077 – Proposed Amendments to Distribution System Code**

Summary

We write to provide Pollution Probe's comments on the proposed amendments to the Distribution System Code as detailed in the Board's *Notice of Proposal to Amend a Code* dated June 5, 2009 (the "Proposed Amendments").

In summary, Pollution Probe supports the Proposed Amendments, and Pollution Probe submits that the Proposed Amendments should also apply with respect to natural gas-fired combined heat and power ("CHP") generation projects for the reasons below.

Support For Proposed Amendments

Pollution Probe supports the Proposed Amendments as they will facilitate the implementation of the Government of Ontario's policy objectives with respect to renewable distributed generation. Pollution Probe also submits that the Board's proposed amendments are consistent with the renewable energy objectives of the *Green Energy and Green Economy Act, 2009*, and the Proposed Amendments should thus be implemented.

Pollution Probe particularly supports the Board's proposal to shift distribution system costs associated with system expansions and enhancements from the generator to the distributor. Such system costs include, for example, the costs associated with

accommodating 2-way electrical flows, electrical protection facilities, voltage regulating equipment, and protection against islanding, and the shifting of such costs will help the Government achieve its objective of significantly expanding renewable distributed generation.

Proposed Amendments Should Also Apply With Respect To Natural Gas CHP Generation

Pollution Probe also respectfully submits that the Board's Proposed Amendments should also be applied to similarly facilitate distributed natural gas-fired CHP generation projects. Detailed reasons are provided below:

1. ***Such CHP facilitation would support and implement the Government's policy of promoting more efficient energy use overall.*** Pollution Probe submits that the preamble of the *Green Energy, 2009* shows the Government's commitment to this policy:

The Government of Ontario is committed to promoting and expanding energy conservation by all Ontarians and to encouraging all Ontarians to use energy efficiently.¹

As an illustrative example, Pollution Probe submits that most buildings and homes in Ontario use natural gas to unfortunately only provide heating. However, it is much more efficient to instead use these same molecules of natural gas to simultaneously provide the same heat and also generate electricity. To further illustrate this point in actual percentages, CHP plants can have an overall energy efficiency of 80 to 90%, while a simple-cycle power plant only has a 36% efficiency and a combined-cycle power plant has only 50 to 60% efficiency. Applying the Proposed Amendments also with respect to CHP would thus also facilitate increased energy efficiency overall.

2. ***Such CHP facilitation would be consistent with and support the Minister's directive to the OPA regarding a CHP standard offer program.*** As the Board is aware, Ontario's then Minister of Energy, Dwight Duncan, directed the Ontario Power Authority (OPA) on June 14, 2007 to establish a natural gas-fired CHP standard offer program.² Applying the proposed amendments with respect to CHP would thus assist the OPA with the implementation of this Ministerial directive.
3. ***Such CHP facilitation is consistent with the Board's statutory objectives to protect the interests of consumers with respect to the price of electricity.*** As noted in a recent research analysis and report by the Ontario Clean Air Alliance,

¹ S.O. 2009, c. 12, Schedule A, preamble.

² Available online at <http://64.34.71.254/Storage.asp?StorageID=3034>, and the relevant program is referred to today as the Clean Energy Standard Offer Program ("CESOP").

distributed natural gas-fired CHP plants are Ontario's lowest cost source for new base-load electricity supply.³ Pollution Probe thus submits that it is in the consumers' interest to facilitate such CHP in accordance with the Board's statutory objectives.⁴

4. ***Such CHP facilitation is consistent with the Board's statutory objectives to protect the interests of consumers with respect to the adequacy and reliability of electricity service.***⁵ As an illustrative example, the installation of CHP plants in hospitals, extended care facilities, and sewage treatment plants will enable these critical facilities to continue operating at full capacity during an extended blackout. Distributed CHP may also assist with the general adequacy and reliability of electricity on a system basis.

5. ***Such CHP facilitation in Toronto is consistent with and supportive of the Government's goal of avoiding a Toronto "Third Line".*** As Pollution Probe submitted during the Toronto Hydro 2008-10 rates case,⁶ it appears that the installation of 300 MW of distributed natural gas-fired CHP in downtown and central Toronto could eliminate the need for a third transmission line to downtown Toronto. In addition, according to a letter from Toronto Hydro's CEO to Councillor Paula Fletcher, neither the Government of Ontario nor Toronto Hydro support a third transmission line:

Minister Duncan has made it very clear that the government does not support the Third Line as an option and we support that opinion.

...

Toronto Hydro is, first and foremost, committed to seeking demand side management and distributed generation solutions to the supply concerns that all parties recognize must be addressed.⁷

Pollution Probe thus submits that applying the Proposed Amendments with respect to CHP in downtown and central Toronto would be consistent with and supportive of the Government of Ontario's goal of avoiding the need for a Third Line.

In light of all of the above, Pollution Probe respectfully submits that the Proposed Amendments should be similarly applied with respect to distributed natural gas-fired CHP.

³ Ontario Clean Air Alliance: *Powerful Options: A review of Ontario's options for replacing aging nuclear plants*, (May 19, 2009), at pg. 2. Available online at <http://www.cleanairalliance.org/files/active/0/replacingnuclear.pdf>.

⁴ *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B, s. 1(1).

⁵ *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B, s. 1(1).

⁶ EB-2007-0680.

⁷ EB-2007-0680, Exhibit S4.1, Tab 4, pg. 6 [Letter from David S. O'Brien, President and CEO, Toronto Hydro Corporation to Councillor Paula Fletcher dated July 13, 2007]. Available online at: <http://www.rds.oeb.gov.on.ca/webdrawer/webdrawer.dll/webdrawer/rec/22533/view/>.

Conclusion

We trust that Pollution Probe's comments are of assistance to the Board, and please do not hesitate to contact the undersigned if you wish to discuss this matter further.

Yours truly,

A handwritten signature in blue ink, appearing to read 'B. Alexander', with a stylized, cursive script.

Basil Alexander

BA/ba