EDA
The Voice Of Ontario's Electricity Distributors

September 25, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Suite 2700
Toronto, ON M4P 1E4

Via RESS and by courier

Dear Ms. Walli:

Re: EB-2009-0077 Proposed Amendments to the Distribution System Code re Connection Cost Responsibility for Renewable Distributed Generation

The Electricity Distributors Association (EDA) is the voice of Ontario's electricity distributors. The EDA has consulted with its members on the proposed Distribution System Code (DSC) amendments to change the cost responsibility policy for renewable generation connecting to distribution systems

As noted in our June 30, 2009 submission, the EDA supports the goals of the proposed amendments to:

- ensure costs are allocated in a manner that protects ratepayers,
- promote the connection of renewable resources, and
- encourage generators to select sites that are economically efficient.

The EDA recognizes that the proposed amendments are a part of the many initiatives being taken to facilitate the timely connection of renewable generation in Ontario.

The proposed revisions to the June proposed amendments include the following:

- Amendments to the definition of expansion and an expanded list of specific investments or assets that are categorized as expansions;
- Amendments to the definition of renewable enabling improvements by providing an expanded list of specific investments or assets;
- Amendments that clarify the administration of rebates under different scenarios; and
- Confirming that the proposed amendments, that have distributors bearing the costs of enhancements, should not apply until the distributors' rates have been rebased for the first time after this section comes into force.

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The EDA supports the clarifications proposed for the definition of expansion and renewable enabling improvements. The lists of examples for each are useful in clarifying how equipment would be categorized under 'expansions' and 'renewable enabling improvements'. However, EDA members note that the wording for proposed Section 3.3.2 suggests that the list for renewable enabling improvements is complete and inclusive rather than a list of examples that have the potential to change, as seen in 3.2.30. The EDA questions whether the intent is an exhaustive list or a list of examples given the inconsistency of the wording. To clarify, in Section 3.2.30 the first sentence ends with the phrase "*an expansion of the main distribution system includes:",* while in Section 3.3.2 the first sentence ends with the phrase "*are the following:"*. Using 'includes' in Section 3.2.30 suggests that these are examples and the list is not necessarily exhaustive, while the wording in 3.3.2 suggests that the following list is complete.

EDA believes both lists are examples, as it can be anticipated that not all possible situations can be anticipated. The EDA suggests consistency in the treatments of the two lists in sections 3.2.30 and 3.3.2 could be obtained by revising Section 3.3.2 by replacing "are" with "includes" and to read as follows:

> *Renewable enabling improvements to the main distribution system to accommodate the connection of renewable energy generation facilities* ***includes*** *the following:*

With this change, the EDA suggests also revising Section 1.2.(c) to clarify that Section 3.3.2 provides examples.

Section 1.2.9(c) starts as follows:

> *"renewable enabling improvement" means a modification or addition to the main distribution system identified in section 3.3.2 that is made to enable the main distribution system to accommodate generation from renewable energy generation facilities*

The EDA suggests that Section 1.2 (c) should be revised as follows:

> *"renewable enabling improvements' means a modification or addition to the main distribution system that is made to enable the main distribution system* ***to accommodate generation from renewable energy generation facilities and includes the items identified in section 3.3.2***

The EDA notes that that both Section 3.3.3, 3.3.4 and B.1 of Appendix B have been further amended to clarifying that the new requirement to have distributors bear the costs of enhancements caused by new developments will not apply until the distributor's rates are set based on a cost of service application for the first time after the amendments come into force.

The EDA appreciates the recognition of the problems that could be caused by the implementation of this new requirement prior to rates being rebased, but the EDA notes that there currently are distributors that have already filed their 2010 cost of service applications, which likely do not include the impact caused by this new requirement. The EDA suggests that this new requirement should not apply until the cost of service application can reflect the impacts of having distributors bear the costs of enhancements. The EDA believes this could be achieved by having the new requirement apply to cost of service applications filed following the 2010 rate year.

The newly proposed Section 3.3.4 states:

Section 3.3.3(a) shall not apply to a distributor until the distributor's rates are set based on a cost of service application for the first time after this section comes into force.

The newly proposed Subsection (d.1) to Appendix B – Section B.1 states:

paragraph (d) shall cease to apply to a distributor as of the date on which the distributor's rates are set based on a cost of service application for the first time after this paragraph comes into force.

The EDA believes both these sections should be revised so that the words "for the first time" are followed by the phrase "following the 2010 rate year".

To clarify the EDA suggests these sections should be as follows:

Section 3.3.3(a) shall not apply to a distributor until the distributor's rates are set based on a cost of service application for the first time ***<u>following the 2010 rate year.</u>***

paragraph (d) shall cease to apply to a distributor as of the date on which the distributor's rates are set based on a cost of service application for the first time ***<u>following the 2010 rate year.</u>***

The EDA notes that under the issues where no revisions to the June Proposed Amendments are proposed, there has been a clarification that upstream costs are to be excluded from the calculation of the renewable expansion cost cap. The EDA notes that the rationale is to impose discipline on connection costs by providing generators with incentives to seek lower cost connection points. The EDA agrees with this clarification but the EDA notes that the definition of upstream costs for the purpose of the expansion cost cap should be expanded to include distributor owned transformer stations. Upstream costs of the transmitter would include cost impact on transformer stations. However, a number of distributors own their transformer stations. If upstream costs do not include distributor owned transformer stations, there could be distorted incentives for generators to locate in areas serviced by distributors that own their transformer station, so that costs caused on the transformer station could be included in the cost cap. The EDA believes the cost cap calculation should not be dependent on who owns the transformer station, and therefore for the purpose of the renewable expansion cost cap, it should be clarified that upstream costs include distributor owned transformer stations.

In closing, the EDA would like to reiterate a concern expressed in its previous submission regarding distributors not having unlimited access to capital. The EDA remains concerned that the requirement on distributors to fund renewable enabling improvements, regardless of the impact on capital requirements, could potentially negatively impact some distributors. The EDA expects the OEB to take notice of these negative impacts when adjudicating on rate applications.

Yours truly,

"original signed"

Maurice Tucci
Policy Director, Distribution & Regulation