FOCA’s Comments on LDC Cost Recovery for OPA Microfit Generation

Board File EB-2009-0326

Preamble;

It is FOCA’s understanding the contract for <10 kw projects would be between the Ontario Power Authority (OPA) and that payments for energy produced would be directly from the OPA to the owner of the generation.

It is also our understanding that virtually all such projects would be solar photo-voltaic (PV).

Setback regulations proposed by the by the Ministry of the Environment pretty well guarantee that there will be no wind turbines within 550 metres of a residence or property line..

It is also likely that most PV projects would be connected to the LDC grid through an inverter, a 2nd OPA approved meter and a direct connection to the line side of the existing customer owned meter base. All the financial transactions for microfit projects would be directly between the OPA and the owner. The homeowner would pay the LDC for energy consumed on the premises as at present

It is likely that the OPA would not have the capability to read the (smart) generation meter, because of the multitude of smart meter schemes adopted by LDCs, so the LDC might be called upon to read the generation meter electronically and pass on the data on energy produced to the OPA so they can cut a monthly cheque to the owner.

So the involvement of the LDC would be minimal.

Specific Comments

The Board has ordered that each LDC establish a new class for microfit accounts and that each account be charged the existing LDC residential monthly service charge, at least on an interim basis.

This order raises a multitude of issues, namely;

There is no rational basis for any of the monthly service charges by LDCs in Ontario. They vary widely across the province and have been established mainly to mitigate bill impacts and to establish a predictable revenue stream for regulated LDCs.

The Board has never defined what costs should be included in the fixed monthly charge.

The variation in fixed charges across the province is still extreme varying over a range of about 4 to 1.

Hydro One residential customers pay by far the highest monthly service charges.

Since microfit accounts do not yet exist, no LDC knows their costs of owning or reading the OPA approved meters and passing the data along to the OPA.

Issues List.

1. It is likely that virtually all microfit applications will be in the Residential or small General Service Classes.

2. It is likely that existing microfit generators will want to go from the current net billing regime to the new $0.82/kwh regime. This will have no affect on the LDC distribution system. Indeed, elimination of the net billing regime will increase distribution revenue for energy withdrawn from their systems.

3. Cost elements to be recovered by LDCs should not exceed their costs of processing OPA meter reads and transmitting this data to them.

4. A fixed rate across the province should be considered for costs in 3 above. Hydro One’s OEB approved Monthly Charge for Hydro One’s R2 permanent residential customers is $54.91, which bears no relation to their cost of cost of transferring data to the OPA.

5 A uniform minimal fixed charge is appropriate for all LDCs since data transfer has no relationship to energy produced.

6. Since much time will be consumed in obtaining Municipal Building Permits, the OPA contract, lining up suppliers and installation contractors, estimating costs etc, it is likely that none would be up and running for some time, possibly a year. And since there is little solar energy available in the winter there is no motivation to commit capital until the summer season. Hence the Board could defer any final determination of LDC costs until the spring of 2010 at least.

Final Comments

It appears LDCs will benefit from reduction in demand on their systems resulting from microfit projects. They will be able to defer the capital cost of system upgrades and will see reductions in system losses, the benefits of which can eventually be passed on to consumers. There is no apparent need to spend money on “smartening” the distribution system to accommodate small PV systems.

.

John S. McGee, P.Eng.

Consultant to FOCA