



EB-2009-0326

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c. 15, (Schedule B);

**AND IN THE MATTER OF** a proceeding initiated by the  
Ontario Energy Board to determine and implement a  
distribution rate for embedded generators having a  
nameplate capacity of 10 kW or less.

## **DECISION AND PROCEDURAL ORDER NO. 2**

The Ontario Energy Board (the Board) has commenced a proceeding on its own motion to determine a just and reasonable rate to be charged by an electricity distributor for the recovery of costs associated with an embedded generator having a nameplate capacity of 10 kW or less (embedded micro-generator) that meets the eligibility requirements of the Ontario Power Authority's (OPA) microFIT program. It is the Board's intention that this service classification and associated rates will be added to the rate tariffs of every distributor.

### **A. Intervenors and Cost Award Eligibility**

The Board issued Procedural Order Number 1 on September 21, 2009 providing notice of a proceeding and a schedule. Included in that procedural order was a list of deemed intervenors in this proceeding. Subsequently, the Board received requests from other interested parties for intervenor status and cost award eligibility and from deemed intervenors seeking cost award eligibility. In addition to the original parties identified in Procedural Order Number 1, the Board has determined that the following are eligible intervenors.

- Federation of Cottage Associations;
- Lexco;
- London Property Management Association; and
- Toronto Community Housing Corporation.

The attached intervenor list in Appendix A includes these parties.

Several intervenors sought eligibility to apply for an award of costs. The Board has determined that based on the criteria set out in section 3 of the Board's *Practice Direction on Cost Awards*, the following intervenors are eligible for an award of costs:

- Consumers Council of Canada;
- Energy Probe;
- Federation of Ontario Cottagers' Associations (disbursements only);
- Green Energy Coalition;
- London Property Management Association;
- Pollution Probe;
- Toronto Community Housing Corporation; and
- Vulnerable Energy Consumers Coalition.

The Board has determined that Lexco, a consulting firm with an interest in developing gas-fired, load-displacement, combined heat and power applications embedded within commercial properties, is not eligible for an award of costs under the *Practice Direction on Cost Awards*.

## **B. Draft Issues List**

Procedural Order Number 1 included a draft issues list on which intervenors were invited to make comments. The Board received comments from several intervenors, and has developed a final issues list for this proceeding attached as Appendix B. For ease of comparison, the draft issues list published with Procedural Order Number 1 is attached as Appendix C. The Board's analysis of intervenor comments related to the draft issues list is provided below.

### **1. Service Classification**

This issue was drafted to address the description/definition for the embedded micro-generation service classification shown in Appendix D.

*a. Positions of the Parties*

Lexco submitted that the service classification should address renewable vs. natural gas combustion embedded generators, the overall thermodynamic efficiency of combined heat and power plants and whether or not generation is dispatchable at the request of the distributor.

*b. Board Findings*

The notice of this proceeding was clear that the scope was limited to small embedded generators who meet the eligibility requirements of the OPA's microFIT program. Therefore, the Board finds that the types of projects suggested by the intervenor are out of scope for this proceeding.

## **2. Treatment of non-microFIT applications**

This issue was drafted to address the manner in which a distributor should handle existing applications and generator installations in light of the fact that this initiative is in response to the introduction of the microFIT program.

*a. Positions of the Parties*

Hydro One and the Electricity Distributors Association (EDA) raised a question on how a distributor should handle generators participating in the FIT program that are greater than 10kW.

The Coalition of Large Distributors (CLD) submitted that the proceeding be expanded to include all FIT applications. It argued that the issues which will be discussed with respect to the costs of administering the embedded micro-generation accounts are also applicable to generation greater than 10 kW in the FIT program, and that it would be expeditious if they were addressed at the same time.

Lexco submitted that the Board should allow itself the flexibility to consider non-renewable embedded micro-generation.

### *b. Board Findings*

With respect to the submissions made by Hydro One, EDA and CLD, the Board references its communiqué of July 17, 2009 (Metering, Settlement and Billing of “Micro” Distributed Generation Under the Feed-in-tariff Program), wherein the Board has stated that it will consider whether any changes resulting from the examination of its policies and regulatory instruments relating to the metering, settlement and billing of generation facilities that would qualify under the microFIT program should apply to the larger FIT program. The Board is of the opinion that in the interests of concluding this proceeding expeditiously so as to serve the needs of the expected large number of microFIT installations associated with residential or small volume load customers, issues related to the larger FIT program may be considered by the Board separately and at a later date. Accordingly, the Board has removed this issue which was included in the draft issues’ list.

With respect to Lexco’s submission, the Board re-iterates that this proceeding deals with renewable power projects. The types of projects suggested by the intervenor are out of scope in this proceeding.

### **3. Cost Elements to be Recovered**

This issue was drafted to capture the cost elements which should be used to establish the rate and the specific accounts or components which ought to be included in the development of the rate.

#### *a. Positions of the Parties*

Vulnerable Energy Consumers Coalition (VECC) submitted that the draft Issues list appears to contemplate that there will be one “rate” (fixed and/or volumetric) that will apply to all the micro generation facilities in the class. VECC stated that while most microFit projects are expected to be “indirectly” connected to the distribution system and have an associated load sharing the same connection point, the OPA has acknowledged that this may not always be the case. The OPA’s microFIT Program Overview describes the circumstances under which the project could be “directly” connected to the distribution system. VECC submitted that such a connection could give rise to different costs (and hence rates) and the issues list should recognize this.

VECC suggested that one way to do this is to add an issue possibly worded as follows: "Are the same cost elements applicable to all micro generation customers?"

The London Property Management Association (LPMA) submitted that there could be "negative" costs, or benefits, associated with the MicroFit rate class. They further submitted that these benefits include a potential to reduce line losses and the potential to reduce transmission costs, and therefore the issue should be whether or not these potential cost reductions should be allocated to the MicroFit rate class.

LPMA also submitted that one of the most significant costs for the MicroFit rate class is likely to be for meters. They argued that a potential issue is whether or not small generation facilities require the same smart meter functionality that is required for load customers, and if not, this could result in lower costs to be recovered from these generators.

Lexco submitted that one of the problems the distributor may have with large scale distributed generation (DG) development is that each generator has a different owner/operator. The counterparties will have a wide range of understanding about the rules. Substantial administrative costs are imposed on the distributor and could disadvantage the economics of the DG project. Under aggregated ownership (such as a Virtual Power Plant), DG located in many buildings within the distributor's territory is owned, operated, and maintained by a single developer, thus many separate power developments will have one face at the distributor. The Virtual Power Plant developer will have a stable, ongoing relationship with the distributor. This relationship will lower the distributor's costs for administering contracts with small, embedded generators. These savings should be recognized in "a just and reasonable rate to recover the costs associated with embedded generators".

The Federation of Cottage Associations (FOCA) submitted that cost elements to be recovered by distributors should not exceed their costs of processing OPA meter reads and transmitting this data to them.

FOCA also submitted that distributors will benefit from reduction in demand on their systems resulting from microFIT projects, enabling them to defer the capital cost of system upgrades and realize reductions in system losses, the benefits of which can eventually be passed on to consumers. They argued that there is no apparent need to

spend money on “smartening” the distribution system to accommodate small photovoltaic systems.

*b. Board Findings*

With respect to VECC’s submission, the Board agrees with their position that all cost elements will not necessarily be applicable to all micro generation customers. The final issues list incorporates VECC’s new proposed issue.

With respect to LPMA’s submission about "negative" costs, or benefits and FOCA submission about benefits, the Board notes that the scope of this proceeding deals with the establishment of a rate or rates that will recover the costs of the distributor associated with the administration of embedded micro generator accounts. These include metering, billing and settlement costs. As such, the Board finds that system design issues and related costs/benefits are out of scope for this proceeding.

With respect to LPMA’s submission about meters, the Board expects that the need for micro generators to adopt smart meters will be determined by the decision of this proceeding in terms of whether or not to establish a volumetric rate to enable cost recovery by distributors. The Board finds that the examination of meter costs fall within the scope of the final issues list.

With respect to Lexco’s submission, the Board is of the opinion that to the extent that its comments relate to micro generators (10kW or less), then its comments are subsumed within the issues shown in the final issues list.

With respect to FOCA’s submission about cost elements, the Board is of the opinion that its comments are subsumed within the issues shown in the final issues list.

#### **4. Rate Design**

The draft issues list contained two issues on rate design. The first issue was to determine whether there should be a uniform rate for all distributors, or should different distributors have different rates. The second issue dealt with whether the distributor’s costs associated with the administration of embedded micro generator accounts should be recovered through a fixed charge, a volumetric rate or a combination of the two. Further, if there is to be a volumetric rate, what should be the basis for establishing the

charge determinant, and if there is to be a combination of fixed and volumetric rates, what should be the basis for the cost recovery split.

*a. Positions of the Parties*

Hydro One and the EDA suggested that the issue of whether distributors should be permitted to establish different rates for generation facilities that are owned by the entity that is the load customer at that location and for generation facilities that are owned by an entity that is not the same as the load customer entity be added to the issues list.

The CLD suggested that there would presumably be cost savings in billing if the two account statements pertaining to the load customer and micro generator customer were consolidated and provided in one envelope.

VECC submitted that another issue should be added possibly worded as follows: “Are there variations in connection or service arrangements such that sub-classes or rate discounts should be implemented for certain types of projects/connections?”

LPMA submitted that if there is a volumetric rate, the draft issues may be expanded to consider whether a different rate for wind generation versus solar generation vs. other types of small generation. LPMA further noted that since some types of micro generation are highly correlated with peak load periods, while others are intermittent over the course of day, while others (biogas) may represent high load factor generation. LPMA suggested that the following issue be added to the issues list: “Should these different generation profiles have different volumetric rates?”

FOCA submitted that a uniform minimal fixed charge is appropriate for all distributors since data transfer has no relationship to energy produced.

*b. Board Findings*

The Board finds that the matters raised by Hydro One, the EDA, the CLD, VECC, LPMA and FOCA are within scope of the proceeding and are subsumed within the final issues list.

## **5. Implementation**

This issue was drafted to determine an effective date for any new rate(s) created by this proceeding and further to determine if the incentive regulation framework would pose any difficulties for implementation.

### *a. Positions of the Parties*

FOCA submitted that since the process of obtaining Municipal Building Permits and the OPA's contract, lining up suppliers and installation contractors, estimating costs etc, are time consuming, it is likely that no microFIT projects would be up and running for some time, possibly a year. They further argued that since there is little solar energy available in the winter there will be no motivation for proponents to commit capital until the summer season. They recommended that the Board could defer any final determination of distributor costs until at least the spring of 2010.

### *b. Board Findings*

The Board has determined that FOCA's comments are within the scope of the issue as drafted, and no changes are required.

## **C. Additional Issues Raised by the Parties**

Some parties suggested that the following issues be added to the issues list:

### **1. Priority Connection for TCHC**

#### *a. Positions of the Parties*

Toronto Community Housing Corporation (TCHC) submitted that social housing providers in receipt of stimulus infrastructure funds for solar photovoltaic, rooftop systems that meet microFIT requirements should be granted priority connection to distribution systems in order to meet the implementation deadline of March 31, 2011.



*b. Board Findings*

The issue raised by TCHC is out of scope of this proceeding which addresses the determination of a just and reasonable rate and not matters related to the connection queue/priority.

## **2. Waiver of Administrative and Connection Fees**

*a. Positions of the Parties*

TCHC submitted that there should be a waiver of administrative and connection fees for social housing providers that participate in the microFIT program. They further submitted that social housing providers do not generate electricity as part of their core business, and administrative and connection fee savings will be reinvested in affordable housing and its greening initiatives.

*b. Board Findings*

The Board has initiated this proceeding to accommodate microFIT generators, for whom there is currently no specific rate. It is the Board's intention to determine this new rate in consideration of the costs specific to a defined customer classification. TCHC submits that the business interests of social housing providers should be a consideration in the determination of the rates that would apply to them.

In essence the TCHC proposal advocates for a separate class of customer i.e. social housing micro fit generators. TCHC's supporting rationale for different treatment of social housing providers is based on the contention that any money spent by social housing providers on administration and connection fees would be better utilized in the provision of affordable housing and greening initiatives.

This rationale can be equally applied to the current load based costs being charged to social housing providers. TCHC's argument is one of social policy rather than one of cost causality and cost allocation. Consideration of such matters has broad policy implications that extend well beyond the intended scope of this proceeding.

Accordingly, the Board will not include this issue in the final issues' list.

**THE BOARD ORDERS THAT:**

1. Any intervenor wishing to submit evidence and/or proposals for a rate relating to the issues on the Final Issues List, shall file such evidence and/or proposals by **November 5, 2009**.
2. Any intervenor or Board staff who wishes information on the evidence or proposal of another intervenor shall request the information by way of written interrogatories filed with the Board and served to the intervenor from whom the information is requested, and all other intervenors, on or before **November 12, 2009**.
3. Intervenors shall, no later than **November 26, 2009** file with the Board and serve on all other intervenors, a complete response to every interrogatory that it has received.
4. Intervenors or Board staff shall file with the Board, and serve on all other intervenors, their final submissions in this proceeding not later than **December 10, 2009**.
5. If an intervenor's or Board staff's final submissions make reference to the proposal or evidence of another intervenor, that intervenor may file with the Board, and serve on all other intervenors, a response to these submissions not later than **December 24, 2009**.

Please be aware that further procedural orders may be issued from time to time.

All filings to the Board must quote file number EB-2009-0326, be made through the Board's web portal at [www.errr.oeb.gov.on.ca](http://www.errr.oeb.gov.on.ca), and also consist of two paper copies and one electronic copy in searchable/unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca). If the web portal is not available you may email your document to [BoardSec@oeb.gov.on.ca](mailto:BoardSec@oeb.gov.on.ca). Those who do not have internet access are required to submit all filings on a CD or diskette in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary and be received no later than 4:45 p.m. on the required date.

**DATED** at Toronto, October 22, 2009

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

Ontario Energy Board  
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APPLICANT & LIST OF INTERVENORS

October 22, 2009

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## **Final Issues List for the examination and recovery of costs associated with an embedded generation facility within the microFIT program.**

### **Service Classification**

1. Is the description/definition for the embedded micro-generation service classification shown in Appendix D appropriate? If not, what should be the description/definition of this service classification?

### **Cost Elements to be Recovered**

2. Are the same cost elements applicable to all micro-generation customers?

If so, what cost elements should be used to establish the rate? Based on the Uniform System of Accounts (USoA), which specific accounts or components ought to be included in the development of the rate?

If not, what cost elements should be used to establish the rate? Based on the USoA, which specific accounts or components ought to be included in the development of the rate for microFIT projects that are:

- a. Directly connected
- b. Indirectly connected
- c. Owned by the load customer entity at that location vs. owned by different entity

### **Rate Design**

3. Should the approved rate be a uniform rate for all distributors, or should different distributors have different rates?
4. Should the costs be recovered through a fixed charge, a volumetric rate or a combination of the two? If there is to be a volumetric rate, what should be the basis for establishing the charge determinant? If there is to be a combination of fixed and volumetric, what should be the basis for the cost recovery split?

### **Implementation**

5. What should the effective date be for any new rate or rates created by this proceeding? Does the incentive regulation framework pose any difficulties for implementation?

**Draft Issues List for the examination and recovery of costs associated with an embedded generation facility within the microFIT program.**

**Service Classification**

1. Is the description/definition for the embedded micro-generation service classification shown in Appendix D appropriate? If not, what should be the description/definition of this service classification?

**Treatment of non-microFIT applications**

2. In that this initiative is in response to the introduction of the microFIT program, how should a distributor handle existing applications and installations?

**Cost Elements to be Recovered**

3. What cost elements should be used to establish the rate? Based on the Uniform System of Accounts, which specific accounts or components ought to be included in the development of the rate?

**Rate Design**

4. Should the approved rate be a uniform rate for all distributors, or should different distributors have different rates?
5. Should the costs be recovered through a fixed charge, a volumetric rate or a combination of the two? If there is to be a volumetric rate, what should be the basis for establishing the charge determinant? If there is to be a combination of fixed and volumetric, what should be the basis for the cost recovery split?

**Implementation**

6. What should the effective date be for any new rate or rates created by this proceeding? Does the incentive regulation framework pose any difficulties for implementation?

## **APPENDIX D**

### **Service Classification for Embedded Micro-Generation Accounts**

This classification applies to an electricity generation facility meeting the eligibility requirements of the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. To be eligible for the microFIT program, the nameplate capacity of the generation facility can not be greater than 10 kW.