EDA
The Voice Of Ontario's Electricity Distributors

November 5, 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-2009-0326 Notice of a Proceeding to determine a just and reasonable rate to recover the costs associated with embedded generators having a nameplate capacity of 10 kW or less

The Electricity Distributors Association (EDA) is the voice of Ontario's electricity distributors. EDA staff has consulted with its members on the Final Issues List for the Proceeding to determine a just and reasonable rate to recover the costs associated with embedded generators having a nameplate capacity of 10 kW or less.

The EDA members have reviewed the Issues List and would like to provide the following comments and recommendations. During their discussions, the EDA members' deliberations were based on the principles of fairness, ease of administration and consideration of cost causality on a province-wide basis.

Service Classification
The EDA members have reviewed the service classification definition and find it appropriate.

Cost Elements to be Recovered
The Ontario government's intent with regard to the Feed-in Tariff program is to encourage the development of renewable energy projects across the province. The specific intent of the 10kW or less category of this program ("microFIT") is to encourage the adoption of renewable energy technologies by residential and small general service (<50 kW) load customers.

As a consequence, the EDA members believe that many of the costs associated with these load customers will be associated with the microFIT generation customers. The EDA members have reviewed the cost items found in the load customer fixed charge, as defined by the OEB's cost

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allocation model, with regard to their applicability to a microFIT generator customer charge, and recommend the inclusion of the following cost items in the microFIT generator customer charge:

(1) Operation Supervision and Engineering
(2) Load Dispatching
(3) Customer Premises - Operation Labour
(4) Customer Premises - Materials and Expenses
(5) Maintenance of Meters
(6) Meter Reading Expense
(7) Customer Billing
(8) Amortization Expense - General Plant assigned to Meters
(9) Admin and General
(10) Allocated PILs
(11) Allocated Debt Return
(12) Allocated Equity Return

The attached table presents the cost items found in the load customer fixed charge, along with the rationale for the inclusion or exclusion of the item in the microFIT generator customer charge.

The EDA members believe that the same cost elements are applicable to all microFIT customers, regardless of whether they are directly connected; indirectly connected; or owned by the load customer entity or owned by a different entity. Therefore, for the sake of consistency, fairness, efficiency and minimizing confusion, the EDA members believe that the generator charge should be the same regardless of connection-type or ownership scenario.

Rate Design

As stated above, the microFIT generator customer charge has been modelled on the load customer fixed charge. Consequently, the EDA members believe that the costs should be recovered through a fixed charge.

The option of a volumetric-based charge or a mixed fixed/volumetric based charge was considered by the EDA. However, after close examination, the EDA members believe that a volumetric-based charge is not appropriate because the continuing costs for the connection of the microFIT generator do not vary with output.

The EDA members have noted two significant factors when deliberating with regard to the rate design:

(1) The FIT program is already in operation and consequently the need for an approved microFIT generator customer charge has acquired some urgency; and
(2) Neither the OEB nor Ontario's LDCs have experience with these types of micro-generation facilities in the quantities envisioned by the FIT program designers.

Consequently, the EDA members would recommend a two-phase approach to the question of whether there should be a uniform rate for all LDCs or should LDCs have LDC-specific rates.

Phase 1 would involve a single provincial microFIT generator customer charge. This would allow the OEB to expeditiously develop a rate that can then be used by LDCs for those customers who have already begun participation in the FIT program. The EDA members would like to propose the following method for calculating the charge for consideration:

For each of the identified cost components, the figures allocated to it by all the LDCs in Ontario would be summed and the average calculated. Then, the averages for each line item would be summed to establish the provincial generator customer fixed charge.

Calculation steps

(i) Calculate the provincial customer-weighted average for cost components 1 to 12;
(ii) Sum the 12 individual figures; and
(iii) The total sum = the provincial microFIT generator customer charge.

Phase 2 would be implemented as LDCs and the OEB gain experience with these generators. Individual LDCs would be able to apply for an LDC-specific charge if for some reason they believe the provincial rate is unsuitable to their particular circumstances.

Implementation

The OEB has established May 1 each year as the date on which rate adjustments for that year can be implemented. The EDA members believe that this principle should be followed for the implementation of a rate for the embedded micro-generation accounts. Thus, it is the recommendation of the EDA members that the effective date for the introduction of the provincial microFIT generator customer charge rate should be May 1, 2010. In future years, any LDC-specific rates would be implemented coincident with the LDC's rate schedule.

Further, it is not foreseen that the incentive regulation framework will pose any difficulties for the implementation of this rate.

The EDA members thank the OEB for the opportunity to provide input into the development of a microFIT generator customer charge, and we are looking forward to the successful implementation of the charge.

Yours truly,

"original signed"

Maurice Tucci
Policy Director, Distribution & Regulation

Attach.

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Load Customer Fixed Charge components	Rationale for inclusion/exclusion	Generator Customer Fixed Charge components
Misc Revenue		
Retail Services Revenues	Not applicable to generators, thus generators should not be charged costs that they do not cause	
Service Transaction Requests (STR) Revenues	Not applicable to generators, thus generators should not be charged costs that they do not cause	
Electric Services Incidental to Energy Sales	Not applicable to generators, thus generators should not be charged costs that they do not cause	
Other Electric Revenues	Not applicable to generators, thus generators should not be charged costs that they do not cause	
Late Payment Charges	Not applicable to generators, thus generators should not be charged costs that they do not cause	
Miscellaneous Service Revenues	Not applicable to generators, thus generators should not be charged costs that they do not cause	
Operating and Maintenance		
Operation Supervision and Engineering	Generators will cause costs in this area. LDCs will require an increase in supervision and engineering to address the increased work load due to the generators	**Operation Supervision and Engineering**
Load Dispatching	Generators will cause costs in this area. LDCs will have to hire new staff (e.g., operators for the system control centre, etc.) to undestand and manage the two-way flow of electricity	**Load Dispatching**
Overhead Distribution Lines and Feeders - Operation Labour	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	
Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	
Overhead Distribution Transformers- Operation	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	
Underground Distribution Lines and Feeders - Operation Labour	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	
Underground Distribution Lines & Feeders - Operation Supplies & Expenses	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	
Underground Distribution Transformers - Operation	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	
Meter Expense	The generator will be paying for this. Note: Although the meter will be purchased by the generator, the LDC will be responsible for maintaining it and replacing it. This is addressed below.	
Customer Premises - Operation Labour	LDCs will have to visit generator's premsies in the case of problems	**Customer Premises - Operation Labour**
Customer Premises - Materials and Expenses	LDCs will have to visit generator's premsies in the case of problems	**Customer Premises - Materials and Expenses**
Miscellaneous Distribution Expense	It is anticipated that the expenses in this category attributable to generators will collected through other mechanisms	
Underground Distribution Lines and Feeders - Rental Paid	Not applicable in this situation, thus generators should not be charged costs that they do not cause	
Overhead Distribution Lines and Feeders - Rental Paid	Not applicable in this situation, thus generators should not be charged costs that they do not cause	
Other Rent	Not applicable in this situation, thus generators should not be charged costs that they do not cause	
Maintenance Supervision and Engineering	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	
Maintenance of Poles, Towers and Fixtures	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	
Maintenance of Overhead Conductors and Devices	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	

Load Customer Fixed Charge components	Rationale for inclusion/exclusion	Generator Customer Fixed Charge components
Maintenance of Overhead Services	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	
Overhead Distribution Lines and Feeders - Right of Way	Not applicable in this situation, thus generators should not be charged costs that they do not cause	
Maintenance of Underground Conduit	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	
Maintenance of Underground Conductors and Devices	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	
Maintenance of Underground Services	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	
Maintenance of Line Transformers	Generators will cause costs in this area. However, if LDCs are able to recoup these costs through another OEB mechanism, then they can be omitted. If not, then the cost will have to be included.	
Maintenance of Meters	Although the generator buys the meter, LDCs will have maintain them and evenutally replace them.	**Maintenance of Meters**
Billing and Collection		
Supervision	The bulk of activity here is based on collections. Any costs resulting from paying generators will be recouped through other mechanisms	
Meter Reading Expense	An essential service to ensure that generators get paid for their output	**Meter Reading Expense**
Customer Billing	An essential service to ensure that generators get paid for their output	**Customer Billing**
Collecting	LDCs will be paying these customers, so there should be no issue of collecting	
Collecting- Cash Over and Short	LDCs will be paying these customers, so there should be no issue of collecting	
Collection Charges	LDCs will be paying these customers, so there should be no issue of collecting	
Bad Debt Expense	LDCs will be paying these customers, so there should be no issue of collecting	
Meter Expense	The generator will be paying for this. Note: Although the meter will be purchased by the generator, the LDC will be responsible for maintaining it and replacing it. This is addressed below.	
Amortization Expense - Customer Related	Not applicable in this situation, thus generators should not be charged costs that they do not cause	
Amortization Expense - Meters	As the generators are paying for the mater, this is not applicable.	
Amortization Expense - General Plant assigned to Meters	Although the generator buys the meter, LDCs will have replace them.	**Amortization Expense - General Plant assigned to Meters**
Admin and General	The generator will utilise some of the LDCs staff time and other administration activities	**Admin and General**
Allocated PILs	These expenses are applied on capital costs to all customers of this size	**Allocated PILs**
Allocated Debt Return	These expenses are applied on capital costs to all customers of this size	**Allocated Debt Return**
Allocated Equity Return	These expenses are applied on capital costs to all customers of this size	**Allocated Equity Return**
PLCC Adjustment for Line Transformer	Not applicable to generators	
PLCC Adjustment for Primary Costs	Not applicable to generators	
PLCC Adjustment for Secondary Costs	Not applicable to generators	