November 26, 2009

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4
Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Distribution Rate for Embedded Generators <10 kW, EB-2009-0326

ENWIN's responses to the interrogatories of the School Energy Coalition follow.

Question #1

Please describe the types of embedded renewable microgeneration projects that EnWin believes could qualify for microFIT status, but will not because of the provincial content requirements, yet still will be financially viable.

Response

At issue for *ENWIN* is not whether a connecting generation project is financially viable, but the capital and OM&A costs associated with the change from a distribution system designed to flow electricity to load to a dynamic system designed to serve load and generation, including highly intermittent generation. *ENWIN* is also interested in providing its customers and the public with clear and consistent information.

ENWIN is aware of media reports that some generation projects have gone forward with development (though not yet connection) despite not meeting the current provincial content requirements. Whether those projects or future projects connect to obtain some source of revenue while undertaking remedial retrofits, whether the provincial content requirements are lessened or eliminated, whether technological innovation changes the viability of projects, whether some customers have objectives that outweigh financial objectives, or whether some other circumstance leads a non-micoFIT generator to connect, *ENWIN*'s interests and obligations to its distribution system and the customer remain very similar.

Question #2

Please advise whether, in the opinion of EnWin, the costs caused on the distribution system from an under 10 KW renewable generator that does not qualify for microFIT would be different from costs caused by a similar renewable generator that does qualify for microFIT, for example because of Ontario content qualification.

Response

In *ENWIN*'s experience with load customers, it is the existence, nature and operation of connected load equipment that causes costs, not the provincial content of the equipment. *ENWIN* expects that this principle will hold true for generation equipment connected to the distribution system.

Question #3

With reference to the cost categories referred to in the EDA submission at page 2, please advise which of those costs EnWin believes are not caused or increased for the distributor by embedded renewable microgenerators, and which are, with reasons for each. Please advise any additional costs, not included in the EDA cost categories, that EnWin believes are imposed on the distributor or increased because of embedded renewable microgenerators.

Response

ENWIN readily acknowledges that it does not have experience in managing a distribution system designed to accommodate both its load customer population and an extensive number of micro-generators. Accordingly, *ENWIN* did not take a position in its proposal in respect of the particular incremental costs arising out of the arrival of extensive grid-connected distributed renewable micro-generation.

Question #4

Please advise whether, in EnWin's view, it would be appropriate for the Board to establish a single, province-wide rate for renewable embedded microgenerators, until each LDC comes forward in a cost of service proceeding with an updated cost allocation study that identifies an LDC-specific rate, together with reasons for or against that approach?

Response

As the Board and the SEC are well aware, each distribution system is unique and the costs to serve each of those systems vary. This is a key ratemaking consideration. It is a consideration that finds its most clear expression in Cost of Service proceedings, but also appears in the Board's approach to comparators and cohorts.

ENWIN acknowledges the Board's attempt to recognize the LDC-specific impacts of micro-generation by establishing an interim rate equal to the LDC's Residential monthly service charge. As a first step, this appears logical in that both Residential and microFIT generation customers are metered and have small kW profiles. Further, in this early stage of development, it appears reasonable to anticipate generation customer inquiries regarding connections and billing that are more consistent with individual Residential customers than, for example, individual USL connections. However, not all LDCs have the same fixed-volumetric split and the full cost of serving these customers is based on both components of the distribution charge, not just the fixed component.

Accordingly, barring other direction from the Board on cost allocation principles as they pertain to generators as against load customers (as sought in the proposal) and pending a future cost allocation study, *ENWIN* would propose to establish a fixed rate for microFIT generators equal to 100% of the total Residential distribution charge.

In any event, moving to a provincial rate would be a step backward from the interim arrangement. It may also set unreasonable expectations among generators and potential generators given that the rates would likely change significantly in many service territories following the cost allocation studies, which could be conducted several years after the generation investments.

Question #5

Please advise whether EnWin is proposing that ultimately there should be a set of generator rates from distributors that is as granular and cost-driven as the current set of rates for load customers of distributors. If this is the case, please describe EnWin's preferred process for achieving that end result, and its proposal for action by the Board today to establish generator rates in the meantime.

Response

ENWIN's experience for decades has been distributing a steady flow of electricity from the transmission system to load customers. Based on its understanding of the recent legislation that drives this proceeding, *ENWIN* expects that its experience in the decades to come will be as an owner and operator of a dynamic system that features load, storage and generation. These customers may have static or fluctuating locations (e.g. home vs. electric car). The generation will not necessarily be steady; it may fluctuate with cloud cover, wind velocity and other hard to predict and quick to change variables. There is a great deal of uncertainty in respect of the nature, extent and pace of these changes and the required responses at *ENWIN* and in its distribution system. While the "hows" are less certain, the "what" is more certain: distributed renewable generation will become prevalent.

Accordingly, in its proposal, *ENWIN* has asked the Board to revisit the principles that were developed in the context of what distribution entailed in previous decades. *ENWIN* perceives these principles to be central to this proceeding. While it will take experience to refine cost allocation issues at customer type levels (i.e. load, generation) let alone at the more granular level currently considered for load customers, it seems to *ENWIN* that this is the time to begin reforming the principles in the context of what distribution is already starting to entail and will increasingly entail in the decades to come.

If the Board determines that distributed generators should be allocated the costs they cause, then *ENWIN* proposes to establish a fixed rate for microFIT generators equal to 100% of the total Residential distribution charge. *ENWIN* proposes to maintain a charge on that basis (as recalculated annually through annual IRM rate cases) until such time as it brings forward a rebasing application.

That rebasing application would include a cost allocation study. In the near term, there may not be sufficient industry expertise to conduct the study at as granular a level for generators as is currently the case for load customers, which is needed to support a greater number of rate classes. However, *ENWIN* anticipates that the study would:

1) allocate all costs at the customer type level (i.e. generation, load),
2) allocate "load customer costs" at the granular load customer level among load customer rate classifications, as has been done in the past.

As the industry builds experience with distributed generation and as the smart grid evolves, *ENWIN* anticipates that a more granular treatment of generators will result and may mirror the current treatment of allocation among load customer rate classifications.

Question #6

Please provide estimates of the expected timing of the first microFIT projects to come in service in the EnWin service area, if known.

Response

ENWIN does not have an estimate of the timing of the first projects to come in service in its service area. Starting today, the Board is hosting a series of information sessions to explain to distributors implementation rules for this new renewable generation context. Further, *ENWIN* continues to receive new information from the OPA. *ENWIN* has not been advised of any conditional offers extended by the OPA to microFIT generators in its service territory.

Yours very truly,

***ENWIN* Utilities Ltd.**

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