

Gregory M. Lang
Principal, ALASI Inc.
308 Roselawn Ave.
Toronto, ON. M4R 1G1
416.481.6123

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Kirsten Walli,
Board Secretary, Ontario Energy Board
2300 Yonge St. 27th Floor
Toronto, ON. M4P 1E4

RE: ALASI Final Submission - EB-2009-0326

Dear Kirsten Walli;

Please accept our final submission in the matter of EB-2009-0326; "To determine a just and reasonable rate to recover the costs associated with embedded generators having a nameplate capacity of 10 KW or less".

We are delighted to continue to participate in these proceedings and remain at the disposal of the Board to clarify or further explain our approach and recommendations.

Yours truly;

Gregory M. Lang
Principal, ALASI Inc.

Service Classification

ALASI has recommended that the service classification in Appendix D of EB-2009-0326 be modified to; **“micro Embedded Renewable Energy Generation Facilities - FIT” (micro- ERG-FIT)**, and re-defined to include facilities of 10 KW or less rated capacity as well as embedded generation facilities whose associated load usage results in low or no grid impact regardless of installed rated system capacity.

The Board Staff has suggested that the Board may wish to consider a revised service classification;

“This classification applies to embedded retail generators as defined in the Distribution System Code that: i) have a nameplate rated capacity of 10 kW or less; and ii) that are required to be treated for billing and settlement purposes as a separate account from any associated load account at the same location.” (Bdstaff_Submission_amended_20091214.PDF, page 3).

ALASI disagrees with the Board staff suggestion and submits that the service classification description should not include or preclude any component elements that are a matter of administrative choice and potentially subject to change in the future.

Specifically, the requirement of a separate account for billing and settlement is an administrative choice that has been imposed by the OPA. This requirement must be distinguished from the requirement to have separate generation metering for settlement calculations.

The requirement of a separate account for billing and settlement increases the total administrative cost of the Program to stakeholders and while it may be immediately perceived as a “cleaner or easier” approach, it is not the most cost effective or optimal solution.

ALASI submits that the least cost approach would be the addition of an embedded generator credit line item on the existing associated load customer account and bill, and, that the onetime capital expense of upgrading such LDC Billing systems, as may be necessary to facilitate this more prudent billing and settlement mechanism, would be a more cost effective approach on behalf of all stakeholders in Ontario.

ALASI’s initial Service Classification description was based on the combined consideration of;

1. The low impact of EG facilities with a nameplate capacity of 10 KW or less, and;
2. The low impact of EG facilities whose generation output will be consumed by the associated load customer.

In consideration of the various responses and submissions from Intervenor on this matter, we have concluded that our initial proposed service classification does not meet even our own approach and rationale. Specifically, our assumption that facilities of 10KW or less will have low impact on the grid is perhaps erroneous.

Intervenors hereto have correctly pointed out that the potential combined impact of multiple EG facilities installed within any single area may result in significant infrastructure upgrade costs or impact, and have served to highlight to ALASI that determinations made under these proceedings should not be made on the basis of any assumptions or administrative choices that may be subject to change.

Neither the assumption that EG facilities of 10KW or less will have low impact nor the assumption that a high number of 10 KW systems will be installed in Ontario should be considered in these proceedings. To that end, we propose that the Board consider the following revised Service Classification Description;

“Any embedded generation facility with separate metering ¹ for the output of that generation facility whose associated load customer usage results in low or no grid impact regardless of the system’s installed rated capacity, generation technology, or, connection configuration.”

Note 1;

“Separate Metering” has been used in place of “a separate meter” because technology already exists that can provide multiple metering outputs and the use of a separate meter is a matter of administrative choice that may be subject to change in the future in favour of a more efficient and cost effective measurement mechanism.

We also suggest that the Board adopt our approach in distinguishing between EG Customer Classifications as a technical and cost related issue and the EG customer choice to participate in government incentive programs or contracts like FIT.

Cost Elements to be Recovered

ALASI recommended that no Cost elements should be recovered directly from Micro Embedded Renewable Energy Generation microFIT contracted Facilities.

ALASI also recommended that all appropriate costs incurred by LDC’s should be recovered through other mechanisms.

We continue to maintain these recommendations to the Board. We further recommend that the Board examine in detail what may be reasonable and just costs to be recovered, regardless of the recovery mechanism. To that end we suggest that the Board examine and consider distributed generation facilities in terms of Nodal or Locational Marginal Pricing (LMP) versus uniform pricing systems such as HOEP.

A Nodal or LMP system of pricing takes into account the location of energy production and is increasingly being used in electricity markets throughout North America and Europe and will more accurately identify costs both ‘incurred’ and ‘not incurred though charged’ by LDC’s in relation to billing and settlement of microFIT EG facilities.

Rate Design

ALASI recommended that any approved rate should be a uniform rate for all distributors across Ontario for the Customer Class of Embedded Renewable Energy Generation MicroFIT Facility.

We maintain that recommendation in consideration of the Governments and the OEB's goals and objectives regarding Renewable Energy. We suggest that the Board's determination of all appropriate Customer Classes is a necessary approach if not a precedent to the determination of rates for each class.

Any deviation from a uniform rate may punish some EG customers on the basis of their geographic location.

The basis for variable rates across the Province may include both actual unavoidable higher costs in some areas over others, but additionally may include higher costs that arise from prior management decisions or investment choices of a particular LDC. We suggest that the Board additionally consider that participation in microFIT is currently restricted to and through a customer's LDC, providing no competitive option or alternative for the prospective EG customer.

In consideration of the above we conclude that variable rates would not be just and reasonable to the purposes of this proceeding, nor the objectives of the Government and the OEB.

ALASI also recommended that costs should be recovered through a Province-wide Rate increase for all customers and implemented as a new billing item called the Renewable Energy Recovery Fee.

We maintain that recommendation, though we would like to clarify to the Board that we understand that an interim mechanism may be necessary, including but not limited to a general province wide commodity rate increase for the recovery of these costs.

Implementation

ALASI recommended that the effective date for the new rates should be retro-active to at least 1 year prior to the launch of the Renewable Energy Standard Offer Program, or such other date as deemed to be the earliest point in time where a customer may have known or reasonably expected that the Government of Ontario would introduce Renewable Energy Feed-In Incentives.

We maintain that recommendation. We further suggest that the Board consider a phased mechanism for any EG customer credit that may arise as the result of this recommendation, and that any and all excess fees and charges previously levied be recovered as part of the Renewable Energy Recovery Fee and not directly recovered from each particular LDC.

We further suggest that in considering our recommendation, the Board examine prior compliance and or non-compliance by LDC's pursuant to the OEB requirements in; communicating, facilitating, and connecting EG facilities, including any fees or charges levied. Specific elements that the Board may wish to review in this regard may include; customer information packages, customer connection choices, customer class designations/account charges and related DSC/RSC includes such as meter cost recovery.

We believe that our recommendation of a retro-active date for implementation of these fees and charges is in the best interest of all stakeholders, the most cost-effective approach, and, the most just and most reasonable solution.

Thank you,

ALASI.