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**VIA COURIER AND RESS FILING**

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Board Secretary  
Ontario Energy Board  
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Jeffrey Larry  
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Denise Sayer  
Danny Kastner  
Tina H. Lie  
Jean-Claude Killey  
Jodi Martin  
Michael Fenrick

Dear Ms. Walli

**Re: Proposed Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09 (EB-2009-0349)**

The Power Workers' Union ("PWU") represents a large portion of the employees working in Ontario's electricity industry. Attached please find a list of PWU employers.

The PWU is committed to participating in regulatory consultations and proceedings to contribute to the development of regulatory direction and policy that ensures ongoing service quality, reliability and safety at a reasonable price for Ontario customers. To this end, please find attached the PWU's comments on the Proposed Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09 (EB-2009-0349).

We hope you will find the PWU's comments useful.

Yours very truly,

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

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(1934 - 2006)

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**List of PWU Employers**

Algoma Power  
AMEC Nuclear Safety Solutions  
Atomic Energy of Canada Limited (Chalk River Laboratories)  
BPC District Energy Investments Limited Partnership  
Brant County Power Incorporated  
Brighton Beach Power Limited  
Brookfield Power – Lake Superior Power  
Brookfield Power – Mississagi Power Trust  
Bruce Power Inc.  
Capital Power Corporation Calstock Power Plant  
Capital Power Corporation Kapuskasing Power Plant  
Capital Power Corporation Nipigon Power Plant  
Capital Power Corporation Tunis Power Plant  
Coor Nuclear Services  
Corporation of the City of Dryden – Dryden Municipal Telephone  
Corporation of the County of Brant, The  
Coulter Water Meter Service Inc.  
CRU Solutions Inc.  
Ecaliber (Canada)  
Electrical Safety Authority  
Electrical and Utilities Safety Association  
Erie Thames Services and Powerlines  
ES Fox  
Grimsby Power Incorporated  
Halton Hills Hydro Inc.  
Hydro One Inc.  
Independent Electricity System Operator  
Inergi LP  
Innisfil Hydro Distribution Systems Limited  
Kenora Hydro Electric Corporation Ltd.  
Kincardine Cable TV Ltd.  
Kinectrics Inc.  
Kitchener-Wilmot Hydro Inc.  
London Hydro Corporation  
Middlesex Power Distribution Corporation  
Milton Hydro Distribution Inc.  
New Horizon System Solutions  
Newmarket Hydro Ltd.  
Norfolk Power Distribution Inc.  
Nuclear Waste Management Organization  
Ontario Power Generation Inc.  
Orangeville Hydro Limited  
Portlands Energy Centre  
PowerStream  
PUC Services  
Sioux Lookout Hydro Inc.  
Sodexo Canada Ltd.  
TransAlta Energy Corporation - O.H.S.C. Ottawa  
Vertex Customer Management (Canada) Limited  
Whitby Hydro Energy Services Corporation

## **Board Staff Discussion Paper**

### **Proposed Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09**

#### **Power Workers' Union's Comments**

##### **1 BACKGROUND**

The Green Energy and Green Economy Act, 2009 introduced section 79.1 of the Ontario Energy Board Act, 1998 which provides a mechanism for the recovery of some or all of Board-approved costs incurred by a distributor in making an eligible investment for the purpose of connecting or enabling the connection of renewable energy generation to its distribution system from all provincial ratepayers.

On September 25, 2009 the Ontario Energy Board (the "Board" or "OEB") initiated a consultation on direct benefits that accrue to the customers of an electricity distributor as a result of an eligible investment made or planned by the distributor to accommodate a renewable energy generation facility. The purpose of this consultation is to establish a Board policy that identifies:

- 1. the direct benefits that must be taken into account; and**
- 2. a standard methodology to be used in calculating or quantifying those direct benefits.**

On December 14, 2009 the Board issued for comment a Board Staff Discussion Paper on a *Proposed Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09* ("Discussion Paper").

The Discussion Paper sets out proposed guiding principles and criteria to be used in determining the direct benefits that accrue to the benefit of the customers of the distributor connecting new renewable generation.

The proposed guiding principles are as follows:

- **The benefit is directly attributable to only the customers of the distributor making the investment (i.e., limited to distribution system investments) and the benefit is readily quantified in monetary terms.**
- **The level of detail and analysis provided by a distributor underlying the estimation of the direct benefits should be commensurate with the circumstances of the distributor.**
- **Portions of certain eligible investments may not ultimately be used by only qualifying renewable generation facilities to which the Board's new cost responsibility policies apply. Consistent with O. Reg. 330/09, to the extent the investment is used for other purposes (e.g., connect a load customer(s), that portion of the investment would not be recovered through the provincial recovery mechanism.**
- **Where any existing distribution asset is replaced to accommodate qualifying renewable generation, customers of the distributor making the investment will realize a direct benefit of some magnitude and therefore a certain portion of the costs should not be recovered through provincial recovery mechanism.**
- **To the extent certain eligible investments (e.g., Renewable Enabling Improvements) that accommodate qualifying renewable generation are expected to improve service quality for the load customers of the distributor making the investment, such service quality improvements will represent a direct benefit to only the customers of that distributor (i.e., not paid for under the provincial recovery mechanism).**
- **Distributors should not be required to estimate certain benefits (e.g., line losses) that may, in theory, sometimes be associated with distributed generation in a generic sense, but do not take into consideration the practical circumstances unique to Ontario under the *Green Energy Act*.**

The proposed criteria relate to the following:

- Portion of Eligible Investments not used by Qualifying Generators
- Customer Load Growth
- Asset Condition
- Size of Renewable Energy Generator(s)

- Service Quality Improvements
- Line Losses
- Alternative Criteria for Specific Investments

The Discussion Paper sets out questions on the proposed guiding principles and criteria on which stakeholder input is requested.

## **2 ISSUES FOR COMMENT**

The Power Worker's Union ("PWU") appreciates the opportunity provided by the Board for comment on the issues raised in the Discussion Paper. The PWU's input stems from its energy policy statement:

**Reliable, secure, safe, environmentally sustainable and reasonably priced electricity supply and service, supported by a financially viable energy industry and skilled labour force is essential for the continued prosperity and social welfare of the people of Ontario. In minimizing environmental impacts, due consideration must be given to economic impacts and the efficiency and sustainability of all energy sources and existing assets. A stable business environment and predictable and fair regulatory framework will promote investment in technical innovation that results in efficiency gains.**

The following is the PWU's input on the questions on which stakeholder comment is sought.

### **IDENTIFYING THE DIRECT BENEFITS**

- 2.1 In addition to the two types of direct benefits identified above (i.e. reduced transmission and WMSC [Wholesale Market Service Charges] charges, improved capability of the distribution system), should the Board take into account any other direct benefits that accrue to customers of the distributor making the investment?**

The Discussion Paper identifies the following two direct benefits associated with connecting renewable energy generation that accrue to the customers of a distributor:

- 1. Reduced *network* transmission charges and reduced wholesale market service charges (WMSC) realized by the distributor as a consequence of**

**electricity production from new renewable generation connected by an eligible investment; and**

- 2. Improved capabilities of the distribution system for load customers as a consequence of the eligible investments made by a distributor.**

The two types of direct benefits identified in the Discussion Paper appear to account for the direct benefits associated with connecting renewable energy generation that might accrue to the customers of a distributor.

## **QUANTIFYING THE DIRECT BENEFITS**

### **a. Reduced Network Transmission and WMSC charges**

#### **2.2 Are there any circumstances under which a distributor should be permitted to deviate from the proposed ex-post approach and use an ex-ante (i.e., forward looking forecast) approach?**

Board staff is proposing an ex-post approach to quantifying the annual benefits related to reduced network transmission and WMSC charges. Using this approach the annual benefits would be calculated by multiplying the network transmission and WMSC rates by the previous year's renewable distributed generators' energy production. Board staff notes that the alternative, the ex-ante approach, would entail two separate forecasts. The WMSC direct benefit requires an energy forecast while the network transmission direct benefit requires a more complicated forecast given that this charge is based on the higher of the distributor's coincident peak demand in the hour of the monthly system peak and 85% of its non-coincident peak demand. In addition the forecast related to the network transmission charge needs to factor in the nature of generation (e.g. wind generation occurs mostly in the off-peak periods).

As noted in the Discussion Paper, while the ex-post approach ensures 100% accuracy over the longer term, there is a one year lag. Therefore, in the PWU's view distributors that are prepared to deal with the complexity of an ex-ante approach and prepare evidence in support of its proposed ex-ante approach should be allowed the option of using an ex-ante approach, to avoid the lag.

Where a distributor elects the ex-ante approach, the PWU recommends a variance account that tracks the difference between the previous year and test year's distributed generation. This will allow a distributor with a large variance between the previous year and test year's distributed generation to mitigate financial risk related to distributed generation, or alternatively, mitigate cross subsidization of the distributor's load customers by the province-wide customer base.

## **b. Improved Capability of the Distribution System for Load Customers**

### ***Proposed Guiding Principles***

#### **2.3. Are there any potential refinements to the proposed Guiding Principles discussed above?**

The PWU's comments on Board staff's proposed guiding principles as the basis for criteria are provided below.

##### **2.3.1 The benefit is directly attributable to only the customers of the distributor making the investment (i.e., limited to distribution system investments) and the benefit is readily quantified in monetary terms.**

The Discussion Paper notes that unless certain smart grid related investment has been identified in the Distribution System Code ("DSC") as a Renewable Enabling Improvement, it would not be an "eligible investment" for the purpose of the Green Energy Act and O. Reg. 330/09:

**The *Green Energy Act* focused on investments related to both the smart grid and the connection of renewable energy generation. However, O. Reg. 330/09 applies to only investments related to the connection of renewable energy generation in relation to being "eligible investments". As a result, unless a certain smart grid related investment has been identified in the DSC as a Renewable Enabling Improvement, such investments are not "eligible investments" for the purpose of the Act and the regulation.**

The DSC defines a Renewable Enabling Improvement as follows:

**"renewable enabling improvement" means a modification or addition to the main distribution system identified in section 3.3.2 that is made to enable the main distribution system to accommodate generation from renewable energy generation facilities;**

The PWU submits that investment benefits that are attributable to only customers of the distributor making the investment (i.e. limited to distribution system investments) would not necessarily be investments made to enable the main distribution system to accommodate generation from renewable energy generation facilities. That is, they would not necessarily be eligible investments.

In the PWU's view, this guiding principle should specify that the benefit results from an eligible investment. Further, this guiding principle should identify the customers as load customers consistent with the second of the two types of direct benefits (i.e. improved capabilities of the distribution system for load customers as a consequence of the eligible investments made by a distributor). With these two refinements this guiding principle would be worded as follows: the benefit is directly attributable to only the load customers of the distributor making the eligible investment (i.e. limited to distribution system investments) and the benefit is readily quantified in monetary terms.

**2.3.2 The level of detail and analysis provided by a distributor underlying the estimation of the direct benefits should be commensurate with the circumstances of the distributor.**

The PWU agrees with Board staff that “where the eligible investment costs are relatively large, a more rigorous and detailed assessment which allows for a more accurate estimate of the benefits can be justified” and that “a less rigorous approach may be justified where the costs are relatively insignificant”. However, in the PWU's view, this does not translate into a principle that articulates the level of detail and analysis provided to be commensurate with the “circumstances of the distributor”. The PWU submits that from the perspective of fairness with regard to the burden placed on the distributors, and consistent with Board staff's position for a more rigorous and detailed assessment for larger eligible investment costs than for relatively insignificant costs, the principle should be articulated to require detail and analysis commensurate with the level of the eligible investment rather than the circumstances of the distributor.

**2.3.3 Portions of certain eligible investments may not ultimately be used by only qualifying renewable generation facilities to which the Board's new cost responsibility policies apply. Consistent with O. Reg. 330/09, to the extent**



**the investment is used for other purposes (e.g., connect a load customer(s)[)], that portion of the investment would not be recovered through the provincial recovery mechanism.**

The PWU agrees with this guiding principle as it is consistent with the principle of cost causality.

**2.3.4 Where any existing distribution asset is replaced to accommodate qualifying renewable generation, customers of the distributor making the investment will realize a direct benefit of some magnitude and therefore a certain portion of the costs should not be recovered through provincial recovery mechanism.**

While this guiding principle is appropriate, in determining the direct benefit it should be considered that in some cases it is not the existing customers that will realize the benefit but future customers. Specifying that “existing” customers of the distributor making the investment will realize a direct benefit would factor in inter-generational subsidy in this guiding principle.

Further refinements to this guiding principle are the specifications of “load” customers and “eligible” investment.

**2.3.5 To the extent certain eligible investments (e.g., Renewable Enabling Improvements) that accommodate qualifying renewable generation are expected to improve service quality for the load customers of the distributor making the investment, such service quality improvements will represent a direct benefit to only the customers of that distributor (i.e., not paid for under the provincial recovery mechanism).**

The PWU agrees with this guiding principle.

**2.3.6 Distributors should not be required to estimate certain benefits (e.g., line losses) that may, in theory, sometimes be associated with distributed generation in a generic sense, but do not take into consideration the practical circumstances unique to Ontario under the *Green Energy Act*.**

The PWU agrees with Board staff that once some experience has been gained and more information is available the Board will be in a better position to determine how a

criterion on line losses can be incorporated into a direct benefits assessment framework. In the PWU's view it is necessary to incorporate a criterion related to a net increase as well as net decrease in distribution system line losses into the framework. If there is a net increase in line losses, the Board would want to address the bill impacts on an individual distributor's rate impact, as well as on an aggregate provincial basis as it relates to the Feed-in Tariff program.

**2.4. Should any additional Guiding Principles be considered by the Board?**

The Board might consider adding a Guiding Principle that speaks to the mitigation of inter-generational cross-subsidy related to eligible investments' direct benefits.

***Proposed Criteria***

**2.5 Are there any potential refinements to the proposed criteria discussed above for the purpose of estimating the direct benefits?**

The proposed criteria provide broad direction. The PWU expects that the need for refinements to these criteria may become obvious in ensuing discussions on guidelines on details and analysis required in support of direct benefits.

**2.6 Are there any other criteria that the Board should potentially take into consideration or should certain criteria listed above not be taken into account? In proposing the addition and/or elimination of certain criteria, a solid business case should be made for the Board to consider the merits.**

All of the listed proposed criteria should be taken into account. While the proposed line losses criterion is that distributor's should not be required to take this criterion into account in estimating direct benefits at this time, the PWU submits that the Board should require distributors to, at this point, start collecting information that will allow for the determination of how the impact on line losses might be incorporated into a benefits assessment framework.

**2.7. Is a ranking or weighting of the criteria above necessary? If so, please propose an appropriate ranking or weighting, from most to least applicable, and provide a supporting justification.**

Diversity in the circumstances of the distributors may account for differences in the degree of applicability of the criteria to individual distributors. It may therefore, not be appropriate to apply a set ranking or weighting of the criteria to all distributors.

**2.8 Are there any information limitations that may prevent certain distributors from providing an assessment of any criteria above?**

The PWU has no comment on this question.

**2.9. In the absence of having the best available information possible (e.g., recently completed study), are there any factors above for which a distributor would not be able to provide a reasonable estimate?**

The PWU has no comment on this question.

**2.10 What information should all distributors already have on hand (e.g., for distribution planning) that would allow for a reasonable estimate that is specific to certain areas of a distributor's territory of: (1) load growth; and (2) customer density?**

The PWU has no comment on this question.

**2.11 Where provincial ratepayers have provided rate protection and the asset is not ultimately used by the distributor as an eligible investment, Board staff proposed that the amount of rate protection should be reduced accordingly going forward to reflect the use of the investment for other purposes. In**

**such cases, are there any circumstances under which the amount of rate protection provided by provincial ratepayers should not be reduced? If so, please explain.**

The amount of rate protection should not be reduced if:

- The use of the investment is not to the benefit of load customers (i.e. maintenance/improvement of service quality);
- The use of the investment is not for connecting new load customers (i.e. expansion); or,
- The use of the investment is not for a non-qualifying generator.

### ***Potential Future Option***

#### **2.12 Should the Board consider a certain standardized approach? If so, how should the approach be standardized?**

A standardized approach that recognizes the need for a higher level of detail and analysis in support of larger eligible investments and a lesser effort in support of smaller eligible investments is reasonable. Determining how the approach might be standardized, would, as the Discussion Paper notes, require information to provide for a basis for such a two-pronged approach. Therefore the PWU agrees with Board staff's proposal that the proposed framework apply to all distributors at the outset.

#### **2.13 Would a certain percentage of expansion investments and a certain percentage of REI investments (using a historical "baseline" specific to each distributor) provide a reasonable estimate on a go forward basis?**

As noted in section 2.12 above, information is required to determine a basis for a two-pronged approach. This includes consideration of a reasonable estimate.

**2.14 If the Board decided a standardized approach would be appropriate for certain distributors:**

**(i) What *timeframe* would be suitable for implementation?**

The PWU has no comment on this question.

**(ii) What would an appropriate threshold be to determine which distributors should be required to continue the more rigorous assessment discussed in section 3.3.2.1?**

As noted in section 2.12 above, information is required to determine a basis for a two-pronged approach. This includes consideration of the threshold level.

**All of which is respectfully submitted.**