

# Aiken & Associates

578 McNaughton Ave. West  
Chatham, Ontario, N7L 4J6

Phone: (519) 351-8624  
Fax: (519) 351-4331  
E-mail: [raiken@xcelco.on.ca](mailto:raiken@xcelco.on.ca)

February 2, 2010

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2700  
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

**Re: EB-2009-0397 – Draft Filing Requirements: Distribution System Plans under the Green Energy Act - Comments of the London Property Management Association**

On December 18, 2009 the Ontario Energy Board ("Board") posted for comment draft "Filing Requirements: Distribution System Plans under the Green Energy Act". This letter provides the comments provided on behalf of the London Property Management Association ("LPMA"). Three paper copies have been provided to the Board and an electronic version has been filed through the Board's web portal at [www.errr.oeb.gov.on.ca](http://www.errr.oeb.gov.on.ca).

**I. General Comments**

LPMA has reviewed the draft EB-2009-0397 Filing Requirements: Distribution System Plans under the Green Energy Act dated December 18, 2009 and provides the following general comments.

The headings provided in the following comments should not be viewed in isolation, as they are generally not independent of one another. The issues described under each heading are interrelated.

a) Level of Detail

LPMA is concerned with the level of detail that may or may not be provided in a system plan. The draft filing requirements indicate that all distributors need to assess their systems and provide information regarding system readiness for renewable generation, and in the future, for the development and implementation of a smart grid. LPMA agrees that this needs to be done, but is concerned with the lack of clarity on what would actually need to be included in such a system plan and the level of disaggregation required.

In other words, there is not likely to be one overall system plan, but rather a number of plans for specific regions, areas, feeders and/or stations that together form a system plan. Some parts of a system may be able to accommodate the connection of renewable generation without the need for the expansion or reinforcement necessary to accommodate this generation. Other parts of the system may be able to accommodate a limited number of connections and/or a limited amount of capacity. Still other parts of the system may not be able to accommodate anything.

The current draft filing guidelines indicate that where a distributor has a large service territory, or multiple service territories, a regional breakdown of the number and MW of renewable generation connections anticipated over the five year period based on existing connection applications, information available from the OPA and any other information the distributor has about the potential for renewable generation in its service area should be provided.

LPMA believes that this information has to be provided at an even greater level of detail. As noted above, some portions of a distribution system may be able to accommodate renewable connections and generation capacity, while other areas may have limited or no such ability. This distinction is not likely to only exist between service territories. It is likely to exist within service territories and may even exist within relatively short distances of one another. This is no different than the addition of a load customer on a distribution system. Such a customer may not require any expansion or reinforcement of

the system if it were to locate in one area, while requiring expansion and/or reinforcement of the system if it locates in another area within the same service territory.

LPMA believes that it may be necessary for the system plan to actually be comprised of multiple plans that relate to different identifiable parts of the distribution system.

#### b) Timing & Uncertainty

Similar to the addition of load customers, some renewable generators will connect where expected and when anticipated. However, like other load customers, others will not. Like these load customers, the state of the economy may influence when, or even if, a potential renewable generator connects to the distribution system. The availability of financing may also influence the timing and could ultimately result in no connection.

As the Board is aware, the current economic slowdown has impacted on the timing of the development of residential subdivisions and commercial developments in many communities across the province. In many instances, developments have been delayed for several years or postponed indefinitely. Distributors have some protection when a subdivision is delayed because the developer pays for much of the cost up front. When the subdivision is substantially completed the developer may receive a refund based on the required aid to construction. If the subdivision is delayed, there is no significant impact on the distributor.

This may not be the case in relation to the connection of renewable generators since most of the costs will be financed by the distributor. Therefore, LPMA believes that the distributors may need to move cautiously in relation to the system extensions and/or reinforcements that may be needed for renewable generation. In other words, the commitment to these investments should not be made until there is a substantial commitment on behalf of the generator or generators.

As noted above in terms of an overall system plan, there is likely to be a number of plans for different parts of the system. Any such overall plan will have to be flexible to allow for re-prioritization of which investments should proceed first. The prioritization will at

least be partially influenced by the level of uncertainty related to the connection of generators in one area of the system relative to those in another area.

#### c) Location of Renewable Generators

As noted above, different parts of a distribution system may require different levels of investment for the expansion and/or reinforcement needs to accommodate renewable generation.

Equally as important in any system plan is where the renewable generation is likely to be located, along with the number of potential connections. A particular part of a distribution system may not be able to accommodate any renewable generation.

However, there is little need for the distributor to make plans to accommodate the renewable generation if there is no indication that any such generation is expected to locate in that area. Similarly, if there is limited generation anticipated in an area of the system that can accommodate a limited number of generators, there may be no need to plan for investments in that area.

It may be difficult for distributors to plan effectively if they only know that a certain amount of generation capacity is forecast to be added to their system. Like in real estate, location is important and location drives costs.

#### d) Size of Renewable Generation

The size of renewable generation may also have an impact the system plan or plans. One large generator is likely to have a different impact on the system than would 3 or 4 small facilities located in different areas of the distribution system with a total generation capacity equal to the large facility. In other words, the degree of concentration of the generating capacity across the distribution system is likely to result in different plans.

Again, it may be difficult for distributors to plan accordingly if they only know the total capacity that is likely to locate in their distribution area. The distribution of that capacity is equally important.

e) Current Capacity to Accommodate

LPMA notes that as part of the current assessment of the distributor's system, the draft filing requirements require a description of the system's current capacity to accommodate generation from renewable energy generation facilities, including the available capacity to connect generation.

LPMA submits that a finer level of detail is required. Part of a distribution system may have no current capacity to accommodate the connection of a generator, while another part of the system may have significant available capacity. In evaluating the system plan, the Board and other interested stakeholders will require specific information on where the mismatch between available capacity and requested capacity exist.

f) Least Cost Planning

There is nothing in the draft filing requirements that requires distributors to provide information that their proposed plan results in the least cost to the system while providing the required accommodation of the renewable generation facilities.

In some instances, there may be alternatives to the plan put forward by the distributor. The Board should require that the distributors filing evidence on these alternatives and indicate why they have chosen a specific option, especially if it is not the least cost option available.

Similarly, the Board should require distributors to consult with one another in instances where a neighbouring distributor may have capacity to serve the renewable generator and the distributor in which the generator is located does not. This would be a similar situation to where a large load customer that is physically located in a distribution system is connected to another distribution system or to a transmission system.

Again, the least cost option should be the default proposal unless there are specific reasons as to why another option should be approved by the Board.

### g) A Dynamic Plan

LPMA submits that any plan or plans developed by the distributors and/or approved by the Board need to be dynamic. They need to be flexible and the Board should consider how they would approve changes to a plan outside of a cost of service application.

Renewable generation is an evolving market. Its' growth is unpredictable at best and uncertain at worst. Changes in economic circumstances, government policy and technology are only a few of the drivers that have and will influence renewable generation. The growth in any new market is always difficult to predict in the early years. Once the market is established, it will become easier for the distributors and the Board to predict. Until then, any plans developed by distributors and approved by the Board are likely to be obsolete before the end of the 5 year planning horizon if they are not allowed to change and evolve as the market for renewable generation changes and evolves. LPMA submits that the Board needs to take this into consideration when it approves 5 year plans.

## **II. Specific Comments**

Specific comments have been provided related to a number of areas in the draft filing requirements.

### a) Co-ordinated Planning & Sharing of Information

At page 5 of the draft filing requirements, the Board indicates that co-ordinated planning among distributors and transmitters and the Ontario Power Authority will be essential in achieving the goals of the GEA in a timely and cost-effective manner. LPMA agrees.

The draft filing requirements also state that distributors must share critical information necessary to the orderly connection of renewable generation with their embedded and host distributors, the OPA and transmitters. LPMA also agrees with this statement, but believes it is not complete. In addition to sharing information with embedded and host distributors, there may be circumstances where a distributor should be sharing information with neighbouring distributors that are neither an embedded nor host distributor. This information could be crucial in deciding the least cost alternative to

connect a renewable generator to a distribution system. There may also be situations where the connection of two distribution systems would be less costly than the extension or reinforcement of one or either of the systems to accommodate renewable generation.

#### b) Proceeding Without Approval

The draft filing requirements indicate that a distributor does not need to wait for the approval of a plan before beginning work to connect renewable generation and that distributors may make expenditures relating to renewable generation connections and preliminary work for the development of a smart grid that they consider appropriate without a Board-approved plan. The prudence of those expenditures and recovery of their costs would be subject to Board review in the normal course.

LPMA submits that a distributor should have a plan in place before beginning work to connect renewable generation. This plan should be provided to the Board and interested stakeholders as soon as it is available. LPMA submits that without a plan it would be difficult for the Board to find that a distributor had acted prudently.

#### c) Materiality Thresholds

It is not clear to LPMA whether the costs used to determine whether or not the materiality threshold has been reached include only capital expenditures, whether they include capital expenditures and operating costs, or whether the costs are based on a revenue requirement cost that would include operating costs, depreciation, taxes and the cost of capital associated with the capital expenditures.

LPMA submits that the Board should more precisely define “costs” as used in the materiality threshold calculations so as to avoid any confusion by parties on a going forward basis.

#### d) Basic GEA Plan

A Basic GEA Plan is intended to provide information to the Board and interested stakeholders related to the readiness of a distributor’s system to connect renewable

generation and the expansions and/or reinforcement necessary to accommodate renewable generation.

The first of the two main elements to be included in the Basic GEA Plan is a current assessment of the distributor's system. Included in this is a description of the distribution system's current capacity to accommodate renewable energy generation facilities.

LPMA submits that while an overall available capacity to connect generation is important, it is equally important that this available capacity be identified within different parts of the distribution system. The Board may want to consider requesting that distributors disaggregate their systems into sections based on the level of capacity available to connect renewable generation. This could be similar to the operational status used by Union Gas to show constraints/restrictions related to transmission and storage capacity. Union Gas uses a red/yellow/green status to different levels of constraints.

A similar approach could be utilized by distributors to show any sections of their distribution system that has no capacity available (red); that has limited capacity or capacity for smaller renewable generators only (yellow); or has no capacity restrictions or could accept the connection of larger renewable generators with limited changes to the system (green).

The Board may want to consider the establishment of MW thresholds for defining these capacity constraint areas, or it may decide that based on the uniqueness of distributors to allow them to define their capacity constraints based on their own criteria.

The second of the two main elements associated with a Basic GEA Plan is the planned evolution of the system to accommodate renewable generation. This consists of the number and MW of renewable generation connections anticipated over the next five years, along with the infrastructure projects and activities to accommodate these connections. It would also include a qualitative analysis of the system benefits that the proposed projects will bring. Finally, it would include the method and criteria to be used to prioritize expenditures.



LPMA submits that the classification of different areas within the service territory based on capacity constraints as recommended above, combined with information on where the renewable generation connections are likely to be would be an effective means of identifying the specific infrastructure projects and activities that need to be undertaken in the next five years. This approach could also provide valuable information related to the prioritization of projects.

e) Detailed GEA Plan

LPMA's comments provided above related to the Basic GEA Plan are also applicable to the Detailed GEA Plan.

As part of the description of projects and activities under part 3 Renewable Generation Connection Information, the draft filing requirements includes a description of the direct benefits of the project or activity to the distributor's own ratepayers only if the distributor is proposing to recover any costs through the provincial recovery mechanism set out in section 79.1 of the OEB Act.

LPMA submits that distributors should be required to such a description of the direct benefits to its own ratepayers even if it is not proposing to recovery any of the associated costs through the provincial recovery mechanism. The level of direct benefits will be an issue in any proceeding in which this information is provided. The Board may ultimately decide that the level of direct benefits for the distributor's own ratepayers is less than the costs associated with the projects and that some portion of the costs should be recovered through the provincial recovery mechanism. In order to make this determination, the Board and other interested stakeholders will need the description of the direct benefits to the ratepayers.

LPMA further submits that the "description of the direct benefits" referred to in the draft filing requirements needs to be expanded to include the assumptions and calculations used in the determination of the direct benefits, consistent with the Board's policy from

EB-2009-0349. LPMA submits that the wording should be changed to “description and quantification of the direct benefits”.

f) Recovery of Costs in Base Rates vs. Deferral Accounts & Rate Adders

The draft filing requirements appear to propose that costs that are associated with projects that are addressed through the Plan approval process in sufficient detail would be included in the test year revenue requirement. It is assumed that any costs associated with projects where sufficient detail has not been provided to allow for Board approval would be recorded in the capital and OM&A deferral accounts for GEA related expenditures.

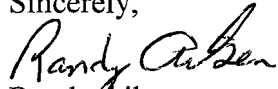
LPMA is concerned that this appears to be an approach that could lead to harm to ratepayers. By approving the recovery of the costs in the test year revenue requirement, ratepayers will be paying those costs even if the expenditures that underpin the costs do not take place. The deferral account approach assures ratepayers that they only pay for the actual costs incurred by the distributor. This is very important given the uncertainty that is likely to exist related to the actual timing of the expenditures in the first few years of a plan.

LPMA submits that the Board should either require a significant level of certainty (for example, signed connection agreements) before a project is included in the test year revenue requirement, or it should adopt the smart meter approach to these expenditures. A rate adder can be calculated based on the forecasted revenue requirement impact and trued up after the fact. The deferral account approach recognizes that the amount and timing of the costs are driven by the connection requests and generally beyond the control of the distributor.

This approach provides additional revenues to the distributors in the same time frame as including the costs in the test year revenue requirement. The benefit of this approach is that it also ensures that ratepayers pay based on actual costs, not forecasted costs that are beyond the control of the distributor.

If you require any further information or clarification, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Randy Aiken".

Randy Aiken

Aiken & Associates