

Hydro One Networks Inc.

8th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5700
Fax: (416) 345-5870
Cell: (416) 258-9383
Susan.E.Frank@HydroOne.com

Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

August 10, 2012

Ms. Kirsten Walli, Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**EB-2012-0301 - Proposed Amendments to the Distribution System Code –
Timelines for Applicants of Large Embedded Generation Facilities**

Please find attached the Hydro One Networks Inc. (“Hydro One”) comments on the proposed amendments to sections 6.2.4.1(e)(i) and 6.2.4.1(g) of the Distribution System Code (the “Code”).

Sincerely,

ORIGINAL SIGNED BY ODED HUBERT FOR SUSAN FRANK

Oded Hubert for
Susan Frank

SUMMARY

Hydro One welcomes the Ontario Energy Board's ("the Board") review of Section 6.2.4.1 of the Distribution System Code ("DSC") and agrees with the Board's assessment of the benefits of providing additional time for large generators to sign a connection cost agreement ("CCA").

In response to the Board's proposal to amend the DSC, Hydro One proposes that more time be allotted for *all* large generation projects, as a System Impact Assessment and a Transmission Customer Impact Assessment process ("Tx SIA/CIA") are required by regulation for all large generators. Hydro One further proposes that even more additional time should be allotted, beyond that, if transmission upgrades are required.

Specifically, Hydro One notes that if the applicant proposes a large embedded generation facility, then Tx SIA/CIA are required, and proposes that the total time should be nine months from the completion of the Distribution Connection Impact Assessment ("Dx CIA").

If the Tx SIA/CIA identify that transmission upgrades are required, then the total time should be extended to 17 months from the completion of the Dx CIA.

The proposed timelines are based on the Tx SIA/CIA beginning within two months from the completion of the Dx CIA, i.e., within two months from the date on which the proponent is allocated capacity. As such Hydro One is further proposing that the DSC impose an additional requirement on proponents to ensure that the overall process timeline is not affected by a proponent delaying the distributor from applying for the Tx SIA/CIA.

Hydro One's proposal is based on its experience gained during the period of its previous exemption (EB-2010-0229). If proponents, transmitters, and distributors are not afforded appropriate time to perform studies, develop cost estimates and finalize agreements, it will be to the detriment of proponents as they will either forfeit their capacity allocation, or execute a CCA without complete knowledge of the potential transmission upgrades required or their cost.

Hydro One respectfully includes alternative wording of the proposed amendments, to address these issues, in the body of its comments.

MORE TIME REQUIRED DUE TO TRANSMISSION IMPACT ASSESSMENTS

The proposal by the Board would grant more time when transmission upgrades are required. However, that need can be determined only at the end of the combined Tx SIA/CIA process, which takes five months (150 days) to finish, once a complete application is filed. Furthermore, for all large embedded generators (i.e. >10 MW) under Ontario Regulation 326/09, section 2(1)(c) the distributor must apply to the Independent Electricity System Operator for an SIA. If there no transmission upgrades are required, the Board's proposal would leave the proponent and the distributor with one month in which to complete the Connection Cost Agreement. In Hydro One's experience, that is not enough time, as proponents must complete technical/legal review and financing.

NEED FOR INTERIM DEADLINES IN THE PROCESS

An overall process deadline is an effective mechanism to ensure that everything is completed on time; however, it does not ensure that both parties are completing their respective tasks within a reasonable time period. For example, based on the data from the 12 generators covered by the EB-2010-0229 decision, Hydro One notes that the application for the Tx SIA/CIA was submitted well after (and on average, six months after) the proponent had received the results of its Dx CIA and capacity allocation.

Hydro One believes that six months is too long for a proponent to take to submit its Tx SIA/CIA application. The information can easily be ready for submission within two months after a proponent has received its Dx CIA results. Therefore, Hydro One submits that it may be appropriate for the Board to introduce an interim milestone of two months, by the end of which period the proponent must submit all technical information, authorization and funding to allow the distributor to submit the SIA application on the proponent's behalf. This requirement would keep the process moving along and allow transmitters to better forecast the volume of work and schedule appropriate resources.

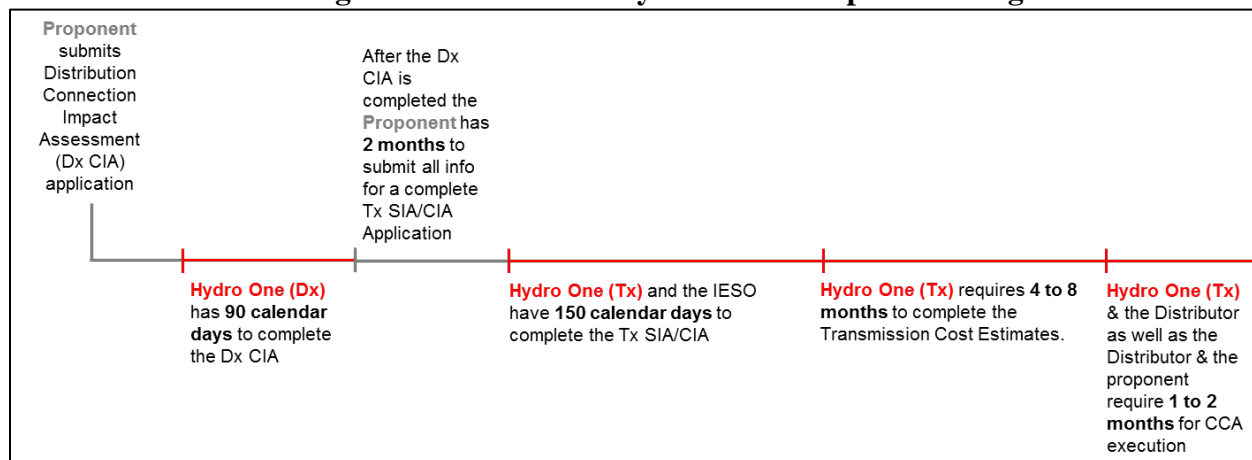
AMOUNT OF TIME REQUIRED

If a proponent has two months in which to submit its application for a Tx SIA/CIA, and the Tx SIA/CIA has a mandated five-month (150 days) maximum turnaround time, as per Ontario Regulation 326/09, a total of seven months will have elapsed. At that point, if no transmission upgrades are required, the proponent and distributor should be in a position to execute the connection cost agreement within two months, allowing for technical/legal review and financing. That would bring the total time, if no transmission upgrades are identified in the assessments, to nine months from the completion of the Dx CIA.

Where transmission upgrades are required, the beginning of the timeline is the same, allowing two months to submit the application for a Tx SIA/CIA and five months to complete the Tx SIA/CIA. After that, the transmitter is required to produce a cost estimate based on an executed agreement with the distributor. The distributor in turn, would likely have an agreement to recover all the costs of the cost estimate agreement from the proponent. This overall process, of agreeing to and actually preparing the cost estimates, can take four to eight months (or even longer) depending on the complexity of the transmission upgrades that are required. Again, two months are required after the estimates are completed, for the parties to execute the connection cost agreement. This brings the total time, where transmission upgrades are required, to 17 months from the completion of the Dx CIA.

Hydro One has amended its Transmission Connection Procedures and submitted them to the Board as part of its recent rate application EB-2012-0031. The proposed changes to the Connection Procedures show that the work can take approximately 17 months to complete, which is aligned with the above proposal.

Figure 1 - Timeline of Hydro One’s Proposed Changes



THE PREVIOUS EXEMPTION (EB-2010-0229)

In June 2010, Hydro One filed with the Board an application for an exemption, for processing large embedded generation facility proposals to connect to its distribution system under the FIT (1.0) program. In December 2010, the Board granted the exemption and, as part of the order, required Hydro One to file quarterly reports with the Board. Hydro One filed four quarterly reports and has attached the last report filed with the Board as Appendix A to this submission.

In its Decision and Order, the Board awarded the exemption based on the timelines submitted by the Ontario Power Authority (“OPA”)¹ which were 11 months where distribution upgrades are required, and 14 months where both transmission and distribution upgrades are required.

In the ensuing quarterly reports, Hydro One documented the dates on which specific milestones were achieved, from which it is possible to determine the process time required from start to end. In three cases, the proponents executed connection cost agreement without having the Tx SIA/CIA completed, just to preserve their capacity allocation prior to the expiry of the 14 month deadline.

Based on the information that Hydro One tracked as part of that exemption, and based on experience to date, it is Hydro One’s view that the Board’s proposed amendment to the DSC to provide nine months only where transmission upgrades are required will not provide the relief that the Board intends to provide. Specifically, both the triggering conditions, under which more time is allotted, and the amount of additional time will not provide sufficient relief for large generation proponents. Hydro One’s proposal is intended to refine the proposed amendment to help achieve the desired results.

¹ EB-2010-0229 Written submissions of the Ontario Power Authority. Page 9. Section 34 (b) and (c).

NEW FIT PROGRAM RULES

The newly-designed FIT program (FIT 2.0) poses many challenges for Hydro One and likely for other distributors. At this point, the OPA has not released the size of the large generator procurement or the procurement window for 2012. As such, Hydro One is unaware of the extent and the time period in which it will have to adjust its work scheduling and resourcing to be able to deal with the influx of study applications.

The FIT rules have changed and may continue to evolve further. As such, Hydro One recognizes that it will be difficult for the Board to set firm processing timelines that fully take into account the new FIT 2.0 rules, and that the Board may need to accommodate potential future changes via exemptions or further Code amendments.

HYDRO ONE'S PROPOSED AMENDMENTS TO THE DSC

Hydro One proposed the following changes to section 6.2.4.1(e)(i) and 6.2.4.1(g), noted below in italics.

6.2.4.1 (e) an applicant shall have its capacity allocation removed if:

- i. *a connection cost agreement has not been signed in relation to the connection of the embedded generation facility within six months after the date on which the applicant received a capacity allocation for the proposed embedded generation facility, subject to the following:*
 - (1) *where **a transmission system impact assessment is required**, the applicant shall have 9 months to sign a connection cost agreement; or*
 - (2) *where **transmission upgrades** are required, the applicant shall have 17 months to sign a connection cost agreement;*
- ii. a new connection impact assessment is prepared for a proposed embedded generation facility under section 6.2.15 and the new assessment differs in a material respect from the original connection impact assessment prepared for that facility;
- iii. any required deposits payable to the distributor pursuant to section 6.2.18A, 6.2.18B, or 6.2.18C have not been received by the date specified by the distributor;
- iv. the distributor is informed by the OPA that the applicant has defaulted on an executed OPA contract;
- v. the applicant defaults on an executed connection cost agreement and fails to correct the default within 30 calendar days; or
- vi. *the applicant fails to provide, within 2 months after receiving a capacity allocation for the proposed large embedded generation facility, all the information, authorization and funding required by the distributor to successfully apply for the System Impact Assessment.*

6.2.4.1 (g) the distributor shall provide the applicant with two months' advance notice of the expiry of the *applicable time* ~~6-month~~ period referred to in paragraph e(i) prior to removing the capacity allocated to the applicant.

CONCLUSION

Hydro One believes that these comments and proposal are in the best interest of Transmitters, Distributors and large generation proponents. They balance the need for an effective and efficient application process with the desire to award capacity and contracts to projects with the greatest likelihood of achieving commercial operation.

APPENDIX A

Table: Quarterly Update for Generators Identified in J1.1 of EB-2010-0229 (2011 Q3 – Updated)

Project ID Number	Project Size (MW)	Application Dates			Original Capacity Allocation Expiry Date	New Capacity Allocation Expiry Date	Completion Dates					Deadline to Execute CCA
		Dx CIA	SIA	Tx CIA			Dx CIA	SIA	Tx CIA	Cost Estimate Delivered	Draft CCA Delivered	
11,690	10.8	10-May-10	3-Feb-11	3-Feb-11	6-Feb-11	6-Oct-11	6-Aug-10	22-Jul-11	22-Jul-11	N/A	10-May-11	Executed
11,700	19.5	11-May-10	Proponent Withdrew		11-Feb-11	11-Oct-11	N/A	N/A	N/A	N/A	N/A	N/A
11,720	23.0	11-May-10	8-Nov-10	8-Nov-10	9-Jan-11	9-Sep-11	9-Jul-10	30-Jan-11	31-Mar-11	18-Oct-10	14-Dec-10	Executed
11,870	18.0	13-May-10	21-Oct-10	21-Oct-10	16-Jan-11	16-Sep-11	16-Jul-10	11-Jan-11	15-Mar-11	5-Nov-10	11-Jan-11	Executed
12,270	20.0	21-May-10	12-Jan-11	12-Jan-11	16-Feb-11	16-Oct-11	16-Aug-10	13-Jun-11	17-Jun-11	28-Jun-11	26-Sep-11	Executed
12,290	22.5	26-May-10	29-Nov-10	29-Nov-10	20-Feb-11	20-Oct-11	20-Aug-10	22-Feb-11	6-May-11	19-May-11	13-Jun-11	Executed
12,430	18.4	28-May-10	27-Jun-11	27-Jun-11	6-Feb-11	6-Oct-11	6-Aug-10	-	-	15-Feb-11	6-Apr-11	Executed
12,610	20.0	31-May-10	20-Apr-11	20-Apr-11	20-Feb-11	20-Oct-11	20-Aug-10	-	-	7-Jun-11	7-Jun-11	Executed
12,750	11.5	1-Jun-10	29-Jun-11	29-Jun-11	24-Feb-11	24-Oct-11	24-Aug-10	-	-	4-Oct-11	4-Oct-11	Executed
12,800	30.0	1-Jun-10	8-Nov-10	8-Nov-10	6-Feb-11	6-Oct-11	6-Aug-10	22-Feb-11	14-Apr-11	19-Aug-11	23-Sep-11	Executed
12,810	10.3	1-Jun-10	28-Jan-11	28-Jan-11	19-Feb-11	19-Oct-11	19-Aug-10	2-Sep-11	2-Sep-11	19-Aug-11	15-Apr-11	Executed
12,860	16.4	3-Jun-10	28-Jan-11	28-Jan-11	6-Feb-11	6-Oct-11	6-Aug-10	24-Jun-11	24-Jun-11	27-Apr-11	30-Sep-11	Executed