Halton Hills HYDRO

January 24, 2013

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

Dear Ms. Walli:

Re: Issues Related to the Connection of Micro-Embedded Generation Facilities, Letter of Comment
Halton Hills Hydro Inc.,
Board File no. EB-2012-0246

Please find attached Halton Hills Hydro Inc.'s comments on the Board Staff Discussion Paper on Issues Related to the Connection of Micro-Embedded Generation Facilities (Board Proceeding EB-2012-0246) dated December 20, 2012.

A copy of these comments has been filed through the Web Portal.

In the event of any additional information, questions or concerns, please contact David Smelsky, Chief Financial Officer, at dsmelsky@haltonhillshydro.com or (519) 853-3700 extension 208, or Tracy Rehberg-Rawlingson, Regulatory Affairs Officer, at tracyr@haltonhillshydro.com or (519) 853-3700 extension 257.

Sincerely,

(Original signed)

David J. Smelsky, CMA
Chief Financial Officer, HHHI

Cc: Arthur A. Skidmore, President & CEO, HHHI

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Halton Hills Hydro Inc.

Responses to OEB Board Discussion Paper on Issues Related to the Connection of Micro-Embedded Generation Facilities (EB-2012-0246)

1. Offer to Connect Process:

Q 1.1. Of the options listed [above], which one, if any, represents the best way for distributors to manage the offer to connect process? Are there other options? Please explain your answer.

A 1.1. For Halton Hills Hydro Inc. ("HHHI"), option C "amend the DSC to allow distributors to charge for an offer to connect on a fully refundable basis" would be preferred. HHHI proposes a potential set of criteria for the Board to consider be made applicable for Local Distribution Companies ("LDCs") to follow:

- All applicants applying for micro-embedded generation connection, microFIT or otherwise, shall pay an Offer to Connect application fee to the LDC as determined by the LDC or Board.
- Where an Offer to Connect is made by the LDC and the applicant chooses to proceed to connection, the LDC shall apply the Offer to Connect fee to the Connection Costs such that the Offer to Connect fee shall be subtracted from the full Connection Costs fee.
- Where the LDC provides an Offer to Connect but the applicant chooses not to proceed to connection, the Offer to Connect fee is forfeit to the LDC and shall not be returned.
- Where the LDC does not provide an Offer to Connect due to capacity constraints, the LDC may refund part or all of the Offer to Connect application fee.

Rationale: The present DSC specifies that LDC's are not to charge for an Offer to Connect. If an Offer to Connect fee was allowed and that fee was refundable (or applied to the Connection Costs) when the applicant chose to proceed to connection, then essentially the applicant would not pay for an Offer to Connect. This scenario meets the current intent of the DSC. However, LDCs, including HHHI, have spent significant time reviewing applications and issuing Offers to Connect to applicants who have never proceeded to connect. As there is no fee for an Offer to Connect at present, LDC rate payers end up paying for these Offers to Connect even though they have no vested interest and will not benefit from the Offers to Connect. An Offer to Connect fee would lessen or possibly eliminate the impacts to LDC rate payers. As well, such a fee would encourage only genuine perspective applicants and lessen the amount of allocated capacity being taken up by applicants who may not be committed to proceeding but have only applied to reserve capacity.

Q 1.2 Are there any other issues associated with the offer to connect process that needs to be addressed?

A 1.2. Please see "Additional Item to be considered by the Board" at the end of this submission.

2. **Appropriateness of Timelines in the DSC for Micro-Embedded Generation Facilities.**

Q 2.2. Are the current timelines in the DSC (sections 6.2.6 and 6.2.7) appropriate for the connection of micro-embedded generation facilities?

A 2.2. HHHI has no issues at present with the timelines in sections 6.2.6 and 6.2.7 of the DSC. However, the DSC should specify "business days".

Rationale: At the moment the DSC specifies 15 days or 60 days but does not specifically indicate if these are business days or calendar days. LDCs and applicants could benefit from additional clarity.

Q 2.3. Of the three options listed [above], which is preferred by stakeholders? Please explain the reasons for the preferred option.

A 2.3. All three options presented by the Board are satisfactory. HHHI has not been negatively affected by large quantities of micro-embedded generation applications.

Q 2.4. What changes, if any, could be made to the timelines to better enable distributors to process the volume of applications being received for the connection of micro-embedded generation facilities?

A 2.4. As noted in the response to question 2.2, HHHI recommends the DSC specify "business days".

Rationale: Additional clarification is appropriate where two parties might be under differing interpretations of the DSC rules. By specifying business or calendar days, the DSC can eliminate the opportunity for misinterpretation.

3. **Standard Form Connection Agreement in the DSC (Appendix E)**

Q 3.1. What modifications, if any, need to be made to the standard form micro-embedded generation facility connection agreement in Appendix E of the DSC?

A 3.1. HHHI recommends that LDCs be allowed to modify the "LDC Use Only" portion of the micro-embedded generation facility connection agreement to be able to tailor it to their needs.

Q 3.2. Given that the connection agreement in Appendix E of the DSC for small and mid-sized embedded generation facilities include the requirements for insurance, should insurance provisions be included in the micro-embedded generation facility connection agreement?

A 3.1. HHHI recommends the Standard Connection Agreement in Appendix E of the DSC be modified to include a section for the applicant's insurance information. A further requirement for the applicant to include the name and contact information of their insuring company is also

recommended. Furthermore, HHHI is presenting for the Board to review, potential terms and/ or conditions that could be included in this respect as follows:

- A clause that requires the applicant to inform the LDC of any changes to their insurance information and/ or carrier; and
- A clause that addresses potential consequences of not having insurance (ex. customer would be responsible for damages created by their system through their own fault, negligent or otherwise, disconnect DG until such time as insurance is acquired, refuse payment for non-microFIT connected embedded generators).

Rationale: If a fault event takes place in the customer's micro-embedded generation system and that fault causes damages to the LDC's equipment, the LDC needs to know whom to contact for settlement expenses to repair and/ or replace the damaged equipment. Insurance would also protect the customer in that the customer may not have to pay the full costs of repairing and/ or replacing damaged utility infrastructure depending on their coverage and deductibles.

4. "Monthly Services Charge" & "Charging for Consumption"

Q 4.3. How much electricity are micro-embedded generation facilities that are part of the OPA's microFIT program consuming and what are the costs?

A 4.3. In 2012, HHHI's sixty-two (62) microFIT connected customer's generation facilities collectively consumed 2,027.4 kWhs. At present, this consumption shows as losses, being as LDCs are not able to charge for consumption of microFIT generation facilities. However, the total microFIT load accounts for only 0.000374% of the total wholesale load. This amount is immaterial.

While it would be easy to calculate a dollar value associated with billing the actual load consumed, consideration has to be given to the costs required to implement the change. For HHHI, the cost to implement the change would exceed any revenue gained and thus cost the ratepayers even more. There would also be further additional costs should the LDC be required to maintain the status quo for current, active microFIT generators while future microFIT generators are billed for consumption.

HHHI would also note that the MDM/R is only allowed to aggregate data into TOU buckets and the current microFIT accounts are not registered with the MDM/R as it does not handle bi-directional loads.

Q 4.4. Is there a reason micro-embedded generation facilities that are part of the OPA's microFIT program should not be charged for their own consumption and, instead, the related costs should be recovered from the distributors load customers?

A 4.4. While proper consideration must be given to the principles of Cost Allocation, the Board must also consider the cost to benefit of implementing the change. The amount of consumption consumed is immaterial to total wholesale load of the LDC.

Q 4.6. How should the charges for the consumption of electricity be recovered from micro-embedded generation facilities?

A 4.6. HHHI does not feel that the revenue from charging microFIT generators for the consumption of electricity costs would offset the costs of implementing and maintenance of systems.

5. Variability of Connection Charges

Q 5.4. What other approaches, if any, should the Board consider in relation to the charging and recovery of costs related to the connection of micro-embedded generation facilities.

A 5.4. HHHI does not recommend any of the options present in 5.3, but rather proposes that LDCs continue to be allowed to determine their own connection fees. Different areas of the province have different fee structures and costs, thus, each LDC should be allowed to fully recover the costs associated with the connection in their area. The differing costs across the province should be viewed by microFIT generators as a cost of doing business in whichever location they wish to build.

6. Cost Responsibility in Relation to Upstream Infrastructure Upgrades to Transmitter or Host Distributor

Q 6.1. Should cost responsibility in relation to upstream infrastructure upgrades to a transmitter or host distributor be codified?

A 6.1. HHHI recommends the cost responsibility in relation to upstream infrastructure upgraded mirror any decision by the Board under the RRFE.

Q 6.2. Under the current microFIT rules, have there been any cases of a specific micro-embedded generation facility triggering the need for an upstream upgrade?

A 6.2. Currently, HHHI has had no cases of microFIT applicants triggering upstream upgrades under the current microFIT rules version 2.0. Under past microFIT rules, HHHI replaced one (1) distribution transformer to accommodate a microFIT connection and prevent overloading or reducing the life expectancy of the transformer. The upgrade costs were borne by the applicant as the transformer is considered a connection asset.

Q 6.3. Should micro-embedded generation facilities be treated differently than larger generation facilities connection to the distribution system with respect to upstream upgrades?

A 6.3. HHHI recommends that micro-embedded generation facilities be treated the same as non-micro-embedded generation facilities with respect to upstream upgrade costs. However, the Board may wish to consider a limit that micro-embedded generation facilities would be required to pay for upstream upgrade costs. Such a limit could be based on the micro-embedded generation facilities name-plate rating (in kWs). Applying a portion or all of any upstream upgrade costs directly to the micro-embedded generation facility customer should reduce impacts to the LDC's ratepayers while not discouraging the potential for renewable generation.

Q 6.4 How should the upstream cost impact of micro-embedded generation facilities be addressed (i.e., "trigger" pays, "beneficiary" pays, a fixed cost to every micro-embedded generation facility, rates, or socialize costs)?

A 6.4 HHHI recommends that any upstream cost impacts of micro-embedded generation facilities mirror any decision by the Board under the RRFE. Awaiting the results of the RRFE process would ensure consistency.

Q 6.5 How should the review of upstream cost responsibility for micro-embedded generation facilities be best addressed (i.e., wait until the RRFE process is concluded, a separate initiative for all embedded generation, or done as part of this consultation)?

A 6.5 HHHI recommends waiting until the RRFE process is concluded thereby ensuring the results would mirror any decision by the Board under the RRFE. Awaiting the results of the RRFE process would ensure consistency.

Additional Item to be considered by the Board

Long Term Load Transfers (LTLT) in respect of microFIT or FIT.

HHHI currently has a microFIT load transfer customer. At present, the customer is connected in parallel to HHHI's distribution system but is billed/ credited by the geographical distributor. HHHI receives the generated power while the geographical distributor pays the OPA contract price to the customer and then settles with the IESO. HHHI and the geographical distributor settles the microFIT load transfer annually, in the same manner as the other load transfers.

When a customer applies for a microFIT or FIT connection in an area that is being served by long-term load transfers, HHHI recommends that the DSC require the generation customer be transferred to the supplying LDC and be removed from the geographical distributor's service area through a Service Area Amendment. The recommendation will help to address the Board's requirement to eliminate load transfers and the need to set-up microFIT or FIT accounts for a short period of time until a load transfer is formally completed, either by the building of infrastructure by the geographic distributor or the transferring of the load transfer accounts to the physical distributor.