January 25, 2013

Ontario Energy Board
P.O. Box 2319
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2300 Yonge Street
Toronto, ON M4P 1E4

ATTN: Ms. Kirsten Walli: Board Secretary

Invitation to Comment – Board Staff Discussion Paper on Issues Related to the Connection of Micro-Embedded Generation Facilities, Board File Number: EB-2012-0246

Dear Ms. Walli

Cornerstone Hydro Electric Concepts Association (CHEC) members have reviewed the Board Staff Discussion Paper on issues related to the Connection of Micro-Embedded Generation Facilities. CHEC is pleased to submit the position paper below, which outlines CHECs comments with respect to the questions contained within the document.

CHEC would like to thank you for the opportunity to comment on this matter. If you have any questions regarding the above, please do not hesitate to contact me.

Respectfully submitted

Ken Robertson

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Member LDCs:

Centre Wellington Hydro	COLLUS / PowerStream
Innisfil Hydro Distribution Systems	Lakefront Utilities
Lakeland Power Distribution	Midland Power Utility
Orangeville Hydro	Orillia Power
Parry Sound Power	Rideau St. Lawrence Distribution
Wasaga Distribution	Wellington North Power
West Coast Huron Energy	

Achievement Through Collaboration

Issues Related to the connection of Micro-Embedded Generation Facilities: EB-2012-0246

A Cornerstone Hydro Electric Concept Perspective.

This document is Cornerstone Hydro Electric Concept's response to the Board Staff Discussion Paper released on December 20, 2012. This paper comments on the issues related to the connection of micro-embedded generation facilities.

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January 21, 2013

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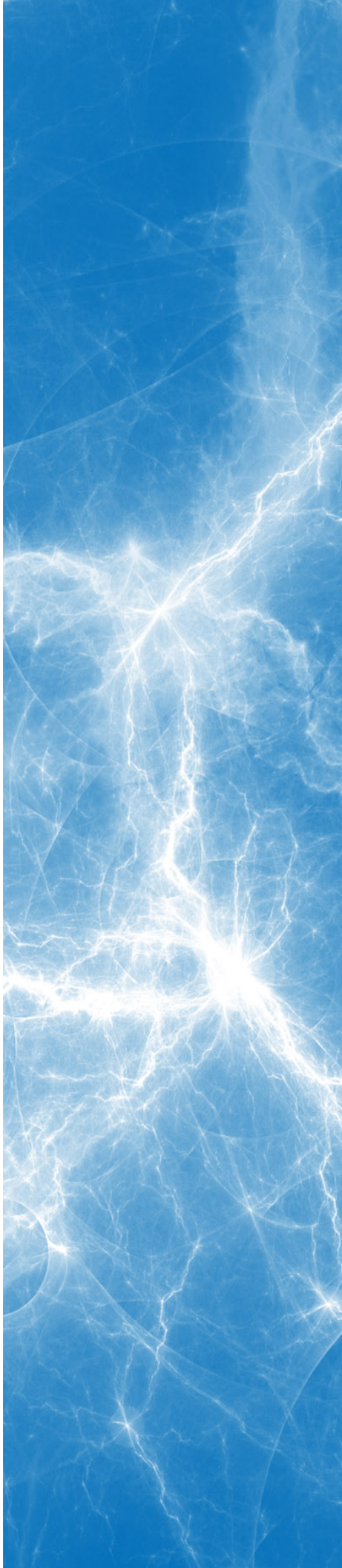

Introduction:

On December 20, 2012, the Ontario Energy Board (OEB) released a Board Staff Discussion Paper on issues related to the connection of Micro-Embedded Generation Facilities. This Discussion Paper speaks to six different topics and posed several questions for each topic. With the release of the Discussion Paper, the Board has also invited interested stakeholders to provided written comments to assist the OEB with this project. CHEC, as an interested stakeholder, has prepared this position paper in response to the OEB's request.

The sections below correspond to the six different topics outlined in the Board Staff Discussion Paper. In each section, CHEC has responded to the questions posed by the Discussion Paper. Each specific question has been included in this response for easy reference. For the purposes of this paper, the terms MicroFIT and micro-embedded generation facilities are interchangeable.

Offer to Connect Process:

This issue relates to the high volume of applications some distributors are receiving regarding MicroFIT projects, even though only a small number of projects may eventually be developed. The OEB has indicated that LDCs may require a tool to better manage a large volume of applications. The current process requires applicants for a MicroFIT contract to obtain an "Offer to Connect" from their distributor before the OPA will issue a MicroFIT conditional offer of contract. One possible option for managing MicroFIT applications is for the Distribution Systems Code (DSC) to be amended to allow distributors charge for an "Offer to Connect". Regardless of the approach taken, outcomes should address the goals of improving the connection to application ratio, it should allow distributors to focus resources only on those applications where the applicant is serious, and it should avoid imposing inappropriate or excessive costs on MicroFIT applicants.

Questions:

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.

Regarding the three options presented in the Discussion Paper, CHEC has no clear preference but would be supportive of amending the DSC to allow distributors to charge for the provision of an "Offer to Connect", either on a refundable or non-refundable basis. Distributors do not currently have a mechanism to address these up-front administration costs and currently rely on the Board-approved monthly charge to recover these costs after the applicant becomes a customer. Allowing distributors to charge for an "Offer to Connect" would not only achieve the goals outlined above but it would assist the distributor with costs related to administering MicroFIT applications. CHEC would however, suggest that if the OEB pursues this route, making the charge optional would provide the distributor with the ability to decide if it is necessary to impose the charge to the applicant on a case-by-case basis.

Regarding other options, some distributors have found that simply requesting more detailed information from MicroFIT applicants before issuing an "Offer to Connect" has helped to keep frivolous applications to a minimum. CHEC is also of the opinion that the MicroFIT 2 rules have helped to minimize the number of applicants per LDC. The new MicroFIT regulations are more stringent and as a result, applications are being limited to those individuals that are more serious-minded regarding MicroFIT projects.

1.2. Are there any other issues (e.g., distributor resources allocated to processing applications) associated with the offer to connect process that needs to be addressed? If yes, please describe them.

At this time, empirical data is suggesting that overall, MicroFIT project applications have decreased in recent months. The cause of this trend is uncertain but it suggests that this issue may not be as prevalent as originally thought.

Appropriateness of Timelines in the DSC:

This issue addresses the timelines set out in the DSC for processing applications for connection. Section 6.2.6 of the DSC currently requires a distributor to make an "Offer to Connect" within 15 days of receiving a MicroFIT application if the micro-embedded generation facility is located at an existing customer connection, or 60 days if it not located at an existing customer connection. In either case, the distributor must give the applicant at least 30 days to accept the "Offer to Connect" and the distributor is not permitted to revoke the offer to connect until the 30 day period has expired. Furthermore, the DSC also requires the distributor to connect the applicant's micro-embedded generation facility to its distribution system within 5 days of an applicant informing the distributor it has all necessary approvals. Board Staff would like to know if these timelines are still appropriate.

Questions:

2.1 What non-regulatory factors (e.g., the amount of resources distributors have allocated to processing applications) are preventing distributors from developing and executing a process to meet the DSC requirements?

At the present time, CHEC distributors are not having any difficulties meeting the DSC requirements with respect to timelines. Therefore, there are no current roadblocks preventing distributors from meeting the DSC requirements

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?

CHEC is of the opinion that the current timelines as outlined in Section 6.2.6 and 6.2.7 of the DSC are appropriate for the connection of MicroFIT projects. However, it is noted that the current DSC requirements and the MicroFIT 2 regulations are not in alignment. For example, the DSC currently specifies that a Distributor has 15/60 days for issuing an "Offer to Connect" while the MicroFIT 2 regulations indicate a Distributor has 90 days to issue the document. CHEC feels it is important for these two documents to be in alignment to avoid any conflicts within the process.

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

Of the three potential options suggested by Board Staff, CHEC is supportive of the first option, whereby distributors would be required to meet the timelines 90% of the time. This would allow some leeway with the processing of MicroFIT applications should the need arise.

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?

With the exception of the suggestions outlined above, CHEC sees no need for further changes to the timelines with respect to processing of MicroFIT applications at this time.

2.5 Is there a reason the timelines should be different for micro-embedded generation facilities and other customers? If so, explain why.

CHEC is of the opinion that current timelines for MicroFIT projects appear to be appropriate. Therefore, empirical data should support any need to change to the current timelines.

Standard Form Connection Agreement in the DSC:

This issue is in regards to the standard connection agreement for micro-embedded generation facilities. Section 6.2.7 of the DSC states that connection agreements shall be in the form set out in Appendix E of the DSC. The standard connection agreement includes provisions dealing with technical requirements, liabilities, compensation, and billing. The DSC does not make any allowances for modifications or amendments to the standard connection agreement. In the past, some distributors have argued that the connection agreement in Appendix E of the DSC should be revisited, especially in relation to insurance and liability. Board staff requires more information about this issue from stakeholders in order to ascertain whether there is a need to revisit the provisions of the standard form connection agreement in Appendix E of the DSC

Questions:

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? Please describe the modifications and provide the rationale and supporting documentation for why these modifications are necessary.

CHEC currently utilizes only the “Micro-Embedded Generation Facility Connection Agreement” portion of Appendix E of the DSC. CHEC distributors currently have no issues with the agreement and see no need for further changes at this time.

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

As indicated above, CHEC currently has no issue with the “Micro-Embedded Generation Facility Connection Agreement”. However, that being said, a few CHEC Distributors also require MicroFIT applicants to complete a certificate of insurance with their connection agreement and do feel that including insurance provisions is beneficial to the process. Adding this provision would ensure applicants are properly insured and potential liability risk is mitigated. In general, CHEC would be supportive if insurance provisions were included in the agreement.

Experience with the Monthly Service Charge:

Monthly Service Charge – In its Decision and Order, issued February 23, 2010, the Board established a "MicroFIT Generator" service classification and determined that there would be a single, province-wide fixed monthly charge for all distributors in relation to micro- embedded generators that were part of the OPA's microFIT program. This monthly service charge would be determined based on 9 different cost elements. On March 17, 2010, the Board issued a Rate Order that set the province-wide fixed monthly charge at $5.25 per month. On September 20, 2012 the charge was revised to be $5.40 per month. The Board also noted that distributors may request a distributor-specific microFIT charge as part of their cost of service applications. Board Staff feels that this methodology is adequate and that a comprehensive review of the methodology is not warranted, however, the board sees value in giving stakeholders the opportunity to provide their views on the methodology.

Charging for Consumption – In May 2012, Cambridge and North Dumfries Hydro Inc. (CNDH) proposed that the Board reconsider its direction to distributors that distributors not charge for consumption by microFIT generators. CNDH commented that this consumption is not trivial and that the Board should consider adopting the OPA's microFIT settlement provisions whereby payments to generators are net of station load. With respect to this issue, Board staff is of the view that this issue falls within the scope of this consultation and would benefit from additional input and information from stakeholders. Subject to further stakeholder input, Board staff's preliminary view is that all customers of a distributor should be required to pay for their own consumption.

Questions (Monthly Service Charge):

4.1 Given that distributors have the ability to request a distributor-specific microFIT charge as part of their cost of service applications, does the underlying methodology currently used to set the province-wide fixed monthly charge need to be changed? If so, please explain the rationale for any proposed changes.

> The methodology current used to set the province-wide fixed monthly charge is reasonable and does not need to be changed. However, It should be noted that the MicroFIT process is still a very manual process for smaller distributors, such as CHEC's members, and the current province-wide monthly charge is not necessarily reflective of actual costs. It should also be noted that many distributors may not have enough empirical data to determine a distributor-specific MicroFIT charge at this time.

4.2 Is a new specific rate class for non-microFIT micro-embedded generation facilities warranted? Should non-microFIT micro-embedded generation facilities be added to the rate class for microFIT micro-embedded generation facilities?

> As stated in Question 4.1, CHEC is an association of smaller distributors across Ontario. As such, CHEC distributors have very few non-MicroFIT projects. Therefore CHEC sees no reason for a specific rate class for non-microFIT micro-embedded generation facilities. CHEC feels that for all intents and purposes, non-MicroFIT micro-embedded generation facilities and MicroFIT micro-embedded generation facilities are similar enough to be included in the same rate class.

Questions (Charging for Consumption):

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

CHEC currently has limited information on electricity consumed by the OPA's MicroFIT program. Suffice it to say, the amount of electricity consumed, although low, is not trivial. CHEC Distributors feel that these costs should be allocated to the MicroFIT class instead of having other rate classes bear the burden of these costs.

Related costs are those costs associated with the tracking of MicroFIT consumption. It is currently a requirement that distributors track, but not charge for MicroFIT consumption. However, billing systems are not currently setup to track this kind of information. As a result, distributors are forced to track this information using a manually intensive process.

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 a distributor's load customers? If so, please explain why.

As stated above, CHEC sees no reason why projects that are part of the OPA's MicroFIT program should not be charged for their own consumption, similar to a regular load customer. However, the LDC should be given the "option" to charge MicroFIT customers for consumption when it is determined that costs to modify its billing system to automate the process is justified in relation to the materiality of the consumption.

4.5 Do similar consumption-related issues exist for non-microFIT micro-embedded generation facilities?

Again, CHEC distributors have very few non-microFIT micro-embedded generation facilities and therefore lack the necessary empirical data to comment on this question.

4.6 How should the charges for the consumption of electricity be recovered from micro-embedded generation facilities (i.e., the same as a regular customer, through the province wide-fixed monthly service charge for microFIT micro-embedded generation facilities, through some other manner)?

CHEC suggests that charges for the consumption of electricity in relation to MicroFIT projects should be handled the same as a regular load customer.

Variability of Connection Charges:

Under section 6.2.7 of the DSC, a micro-embedded generation facility cannot be connected until the generator pays the distributor for connection costs, including costs for any necessary new or modified metering. However, there appears to be significant variations among distributors in terms of the amounts being charged for the connection of MicroFIT projects. As a result, the Board is questioning whether there is merit in considering the need for, and benefits of, a standardized approach to charging for connection costs in relation to these types of projects. Board staff believes that the method by which distributors recover these connection charges also merits consideration at this time.

Questions:

5.1 Is the impact of the variability of connection charges across distributors sufficiently material, from the perspective of the micro-embedded generation customers and the distributor, such that the Board should consider establishing a more prescriptive approach to the methodology for determining connection charges and manner of recovery of connection costs for micro-embedded generation facilities?

CHEC is of the opinion that all costs associated with MicroFIT projects, including connection charges, whether material or immaterial, should be recovered from those customers to which they relate (user pays). CHEC is also of the opinion that distributors should recover only those costs associated with connecting MicroFIT facilities to the distributor's grid. Recovering more than actual cost would be unfair to the MicroFIT project owner and recovering less would require subsidizing by other rate classes. It is therefore suggested that the Board should not take a more prescriptive approach to the methodology for determining connection charges and manner of recovery of connection costs for micro-embedded generation facilities.

5.2 Should the Board prescribe a methodology for delineating basic versus variable connection costs for micro-embedded generation facilities? If so, what work is associated with the connection of a micro-embedded generation facility? What should a basic connection include?

CHEC is of the opinion that both basic and variable connection costs should be considered with respect to connecting a MicroFIT project to the distributor's grid. It is noted that the work and equipment used to connect a MicroFIT project to the distributor's grid will vary from distributor to distributor. It is therefore suggested that empirical data be gathered in order to determine what constitutes the components and costs of a basic connection versus variable connection costs.

5.3 If the Board were to take a more prescriptive approach to connection costs for micro-embedded generation facilities, should the Board:

a) set a standard amount for a basic connection for a distributor to use;
b) use an approach similar to that which is set out in section 3.1.4 of the DSC (i.e., identify a minimum basic connection for a micro-embedded generation facility); or
c) adopt a formulaic approach similar to the approach used in the establishment of Specific Service Charges (i.e., the methodology is the same for all distributors but the costs and the resulting charge are different for each distributor)?

CHEC would support option b) using an approach similar to that which is set out in section 3.1.4 of the DSC. This approach is consistent with approach used for other customers and suggests that only variable connection costs related to connecting a micro-embedded generation facility to the Distributor's grid would be recovered. The basic connection fee could be recovered through rates determined in a cost of service proceeding.

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?

CHEC has no further suggestions or comments regarding cost recovery related to MicroFIT at this time.

Cost Responsibility in Relation to Upstream Infrastructure:

There are currently no rules regarding the cost responsibility for upstream upgrades caused by micro-embedded generation facilities in the DSC. The cost responsibility for upstream upgrades related to the connection of these facilities could be considered unique because it is highly unlikely that a single MicroFIT facility would trigger the need for upstream upgrade. Instead, it is the aggregation of many MicroFIT facilities connecting to a distribution system that causes an upstream issue. These circumstances make the assignment of cost responsibility for upstream upgrades less clear than in cases of larger embedded generation facilities. Overall, Board staff is of the view that codifying cost responsibility for upstream upgrades caused by micro-embedded generation facilities in the DSC may be warranted.

Questions

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

> CHEC is of the opinion that a single embedded generation project is highly unlikely to trigger the need for upstream upgrades, therefore codifying upstream infrastructure upgrades is not necessary at this time.

6.2 Under the current microFIT rules, have there been any cases of a specific micro-embedded generation facility (or aggregation of micro-embedded generation facilities) triggering the need for an upstream upgrade? If so, how were they resolved?

> At this time, CHEC is not aware of any single or aggregated MicroFIT project that has triggered the need for an upstream upgrade.

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

> CHEC has limited experience with larger generation facilities and are therefore not in a position to comment at this time.

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)?

> CHEC has no opinion on how upstream costs for micro-embedded generation facilities should be addressed as it considers this to be a highly unlikely scenario and something that would be very difficult to administer.

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)?

> CHEC is of the opinion that since embedded generation is unique, a separate initiative for all embedded generation would be the preferred methodology for reviewing upstream cost responsibility. It may also be prudent to wait until the RRFE process is concluded before addressing this issue.