Public Interest Advocacy Centre
1204-ONE Nicholas Street, Ottawa, ON K1N 7B7
Tel: 613-562-4002 ext. 26 Fax: 613-562-0007
email: mjanigan@piac.ca

January 25, 2013

VIA EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Board File Number: EB-2012-0246
Policy Review of Micro-Embedded Generation Connection Policy Issues
Vulnerable Energy Consumers Coalition (VECC)
Board Staff Discussion Paper Comments

As Counsel to the Vulnerable Energy Consumers Coalition (VECC), I am writing in response to the Board's December 20th, 2012 request for comments regarding the Staff Discussion Paper on Issues Related to the Connection of Micro-Embedded Generation Facilities. The comments are organized according the questions posed in the Discussion Paper.

Offer to Connect Process

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.

VECC agrees with the "desirable outcomes" as set out on page 5 of the Discussion Paper and considers Option (c), whereby Distributors are allowed to charge for an offer to connect on a fully-refundable basis, the best approach for achieving them. Requiring an upfront payment may be viewed as creating an additional financial barrier to the development of micro-generation. However, since a serious applicant will ultimately be faced with having to contribute to connection costs, being required to pay a portion of these connection costs upfront is a reasonable request. This is particularly true if the requirement to do so "weeds out" those applications that are not serious and thereby facilitates the overall connection process for those who are.

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.

This question and number of the others posed in the Discussion Paper are best addressed by distributors and other parties who have direct experience with the connection process for micro-generation. As a result, VECC does not propose to comment at this time but looks forward to reviewing any additional issues raised.

Timelines

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?

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?

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

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?

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

Overall, VECC sees that there are really two issues, the first is whether the currently prescribed timelines are reasonable. Questions 2.1, 2.2, and 2.5 are generally focused on this issue. VECC does not have any direct experience with the connection process and, therefore, is unable to offer specific comments.

The second question is how best to address the fact that circumstances may/will arise where a distributor, through a combination of events outside of its control, is unable to meet the prescribed deadline. The current policy approach requires the distributor to apply to the Board for an exemption to the DSC (section 6.2.6 and 6.2.7) if it wants to continue to be compliant with the Code. Clearly such an approach is only reasonable if the number of exceptions is expected to be very few. Codes such as the DSC should not be written with the expectation that there will be regular (legitimate) applications for exemptions. This would suggest that some margin for exception should be provided for in the Code such as the 90% achievement factor. VECC views this as being a preferable approach to one where the timeline is extended to the point where 100% “compliance” can be achieved under all but very exceptional circumstances.

From the Staff Discussion Paper, it would appear that Hydro One is the only distributor that has experienced a problem with the prescribed timelines. This could suggest that the current timelines are reasonable. However, this may not be the full extent of the problems experienced to date and other distributors' responses to Questions 2.1, 2.2, 2.4 and 2.5 should prove to be informative.

Connection Agreement

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.

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.

It is reasonable to expect Distributors to be familiar with the provisions/requirements of the DSC as compliance is a condition of their licences. However, the same cannot be expected of customers, particularly smaller customers. As a result, it is VECC's view that provisions in the DSC that place obligations on the customer (such as the need for insurance in the case of small and mid-sized embedded generation facilities) should be included in the micro-embedded generation facility connection agreement.

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.

VECC's understanding of the Board's current approach is that distributors are permitted to request a distributor-specific microFIT charge based on their specific costs for the 11 cost elements identified by the Board in EB-2009-0326 and EB-2010-0219. In principle these rates should reflect the data collected on the microFIT worksheet of the cost allocation model. This means that whether a distributor chooses a specific rate or the provincial-wide rate should not affect the overall calculation of the provincial-wide rate. As a result, VECC does not consider it necessary to change the methodology for setting the provincial-wide rate at this point in time.

However, this being said, VECC does note the Board's stated intention (page 9) is to consider the range of actual costs for microFIT service charges across utilities and to consider moving to utility specific rates at some point in the future. Now that data has been collected for several years, it would be useful if the

Board were to (as part of this consultation) publish the range of individual utility unit costs that produced the $5.40 charge recently approved (per page 10). This would allow all parties to comment more fully on the issue.

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?

In VECC's view, there is no reason why a monthly service charge should not also be applicable to non-microFIT micro-embedded generation. Before deciding whether to include these facilities in the rate class for microFIT micro-embedded generation, the Board should solicit input from distributors as to whether the types of customers and types of connection arrangements involved are materially different from those associated with microFIT.

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?

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.

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

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)?

In principle VECC sees no reason why micro-embedded generation facilities (both microFIT and non-microFIT) should not be charged for the electricity that they use. To the extent such electricity usage is affected by the design and operation of the facilities, usage charges would help ensure that energy efficiency is given due consideration. Such an approach would also help safe guard against the potential for abuse (e.g. theft of power) that may arise if there is no charge.

With respect to the nature of the charge, VECC considers a variable usage charge to be more appropriate and consistent with the rationale outlined in the previous paragraph than the fixed monthly service charge alternative suggested in the Discussion Paper.

Connection Charges

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?

Clearly, there is a wide variation in the practices of distributors as to how connection charges for microFIT facilities are established. In VECC's view, what is important is that the approach as to what is included in connection charges for microFIT facilities be consistent what is included in the microFIT monthly service charge. There should be no overlap such that these customers are paying twice for the same service. However, at the same time, between the connection charge and the service charge a microFIT facility should be paying all of the costs it has imposed on the distributor.

Applying this principle, VECC sees problems with approaches that treat microFIT generator connections the same as residential load connections (page 13, point e)), since the cost of providing a basic service drop is included in a Residential customers' rates but is not included in the derivation of the current monthly service charge for microFIT. Having said this, VECC does see merit in establishing a standard connection charge for typical connections and, thereby, eliminating the additional effort required to track actual costs for each connection when there may be little variation.

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?

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)?

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?

Section 3.1.5 of the DSC permits each distributor to define the" basic connection" for classes other than residential. The same principle should apply to microFIT facilities. However, distributors (particularly those with little experience with microFIT connections) may be assisted if the Board were to provide guidance as to what could be considered a basis connection. Overall, in VECC's view, the distinction between basic and variable should reflect the types of work/activities that are involved in virtually all microFIT connections as opposed to those that are not. The definition of the "basic connection" should also establish a delineation point that is easy for distributors to apply and for customers to understand on a case by case basis.

Upstream Infrastructure

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

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?

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

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)?

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)?

In VECC's view the social desirability of microFIT and non-microFIT embedded generation is reflected in the purchase rates paid for such generation. To fully "socialize" the upstream costs incurred to connect such facilities would remove important "signals" as to the overall cost implications for connecting such generation at certain points on the system. As a result, VECC does not support such an approach.

Customers other than microFIT (and non-microFIT) facilities impose upstream costs on the province's electricity system. Furthermore, for these (typically load) customers, the same issues exist in terms of the ease of tracking such cost implications to large (versus small) increases in requirements and whether the principle should be "trigger" pays or "beneficiary" pays. In VECC's view a

standard approach should be adopted and the process to resolve the matter should address the matter on a holistic basis. In VECC's view it is not appropriate to consider the matter as a part of a process that focuses on just embedded generation (whether it be this process or a separate initiative).

Thank you for the opportunity to comment.

Yours truly,

Michael Janigan
Counsel for VECC