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File #57695

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**Attention:** Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

*Brian A. Babcock*

Re: Policy Review of Micro-Embedded Generation Connection Issues  
(EB-2012-0246)

*Garth A. O'Neill  
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We are solicitors representing the Coalition of The Corporation of the City of Thunder Bay (the "City"), the Northwestern Ontario Municipal Association ("NOMA") and the Northwestern Ontario Associated Chamber of Commerce ("NOACC"), (hereinafter for purposes of these comments, the "NOACC Coalition" or the "Coalition"). The members of the Coalition have applied to submit comments in the above noted consultation.

*Deborah A. Humphreys*

*Bradley A. Smith*

*Nick Melchiorre*

*Fhara A. Pottinger*

*Jennifer M. Lohuis*

*Sarah B. Manilla*

Having discussed the matter with small green energy suppliers both of equipment and of consulting advice related to micro-embedded generation in the Northwest Region, this letter presents comments for submission on behalf of the NOACC Coalition. The comments below are organized to reflect the structure in the Staff Discussion Paper issued in EB 2012 0246.

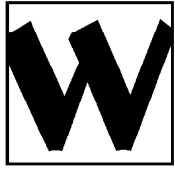
*AnnMarie Stilla*

## **Matter 1 – Offer to Connect Process**

The Issue: what would improve the connection to application ratio by

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- allowing distributors to focus resources on only those applications where the customer is serious about the generation project which, in turn, would facilitate processing and issuing offers to connect in a more expeditious manner; and
- avoid imposing inappropriate or excessive costs on applicants for micro-embedded generation facilities.

### 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.

### Chicken and Egg Process

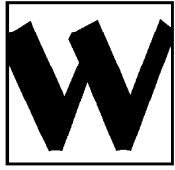
NOACC has discussed the issue with installers of supplies and equipment in the Northwest Region. There are several problems is with the microFIT approval process.

- It is the uncertainty as to whether or not the applicant will be awarded a contract by the OPA that prompts multiple requests for an offer to connect.
- Applicants do not know whether they will be successful in any one application to the OPA for a microFit contract. This may lead some applicants to file several applications; therefore, having a better chance of being approved for one.
- It appears also that some organizations lease roof tops from various eligible sites (it is less expensive to own 10 microFIT projects than 1 small FIT project).

The result has been that applicants are making multiple applications for offers to connect to get around the uncertainty of OPA approvals. This in turn increases the number of applications for the offer to connect being processed by distributors. The result can be an unwarrantedly large portion of the distributor's capacity being tied up in relation to projects that will never mature; hence the call for an application fee. If there were to be a fee associated with applying, small businesses and natural persons may not apply if there is no guarantee they will be awarded a contract.

### NOACC Proposal

A deposit, not a fee: Would it be feasible to change the DSC to allow the distributor to make an allocation of available connectivity, by way of one offer to connect to an eligible participant as distinct from a specific project site? The offer to connect would be generic in the hands of the holder of the offer and applicable by the holder to any microFIT project that receives a conditional offer of contract issued to them by the OPA. From the distributor's perspective the deposit would be eligible participant-specific within the available connectivity rather than project site-specific.



The DSC could be amended to clarify that, while there can be no charge for preparation of an offer to connect, the distributor is free to exact a deposit from an applicant in order to reserve a stated amount of the distributor's available capacity.

The generic offer to connect could be:

- time limited to expire on a fixed date, to discourage allocation of connection capacity going unutilized indefinitely,
- non-assignable, in order to dissuade an under the counter market, and
- refundable with interest in the event of the distributor being unable to provide the connection pursuant to the offer to connect.

The amount of the deposit could be:

- proportional to the amount of connection capacity being reserved;
- fully refundable:
  - for a project development period of time; that would be time sufficient to allow the applicant to assess the likelihood of a microFIT conditional offer of contract being issued to the applicant by the OPA; or
  - upon the applicant's (at that point, eligible participant's) proposed generation project being ready for connection.
- forfeited on its expiration date if the offer to connect is held by the applicant beyond the project development period of time.

### **Matter 3 – Standard for Connection Agreement in DSC (Appendix E)**

#### Revising the Connection Agreement

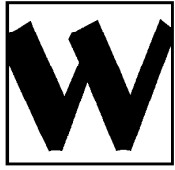
The Issue: The DSC does not make any allowances for modifications or amendments to the standard form connection agreement for micro-embedded generation facilities.

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.

#### **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.

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.



### Risk Management

NOACC proposes that the liability and insurance issues in relation to micro-embedded generation be addressed from a risk management perspective. In respect of the proponent seeking approvals of a microFIT project the relatively small scale of the projects requires care that there not be more solution than there is problem.

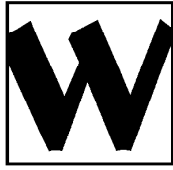
Rather than burden the microFIT proponent with insurance coverage requirements set out in the existing form of connection agreement shown in section "E", reliance should instead be on a combination of:

- pre-qualification by the distributor of the suppliers and installers of equipment
- GSA certification for the equipment itself;
- a distributor approved connection protocol as set out in the existing form-connection agreement.
- a certificate issued by the pre-qualified supplier and if different, the pre-qualified installer of the project equipment that project-appropriate equipment has been provided and distributor-required installation requirements have been met; and
- distributor inspections (with cost of such inspections charged against the proponent's revenue for supply to the grid).

With such a process in place the distributor will be in a position to negotiate an endorsement on the distributor's own policy of liability insurance for the least cost (or if self-insured the risk will have been prudently managed). The insurance endorsement to be sought by the distributor would be that the each eligible participant be added as an additional insured with respect to the risks arising out of the connections. Both the distributor and each micro-embedded proponent would be covered by the distributor's policy of insurance. The potential for misadventure in any given, connected, micro-embedded project giving rise to damages or injuries would be reduced by the indicated process being under control of the distributor.

A distributor should be permitted, under revisions to the DSC, to pass on to a proponent any additional premium cost related to adding the proponent as an additional insured under the distributor's policy. The additional premium cost should be added to the distributor's service charge as an offset against the proponent's revenue from the connection.

The proponent should not be required to indemnify the LDC or insure the risk in relation to the indemnity but should be cautioned in the connection agreement document itself to advise his or her property and liability insurers of the project and the connection agreement.



The connection agreement should continue to be a fixed form, approved by the Board under the DSC. The form could be revised both to accommodate the suggestions noted above, if they are considered appropriate, and to address regional differences approved by the Board. The risk in allowing individual distributors to revise their own form of connection agreement at will would be the introduction of unnecessary variables in access to opportunities for micro-embedded generation.

**Matter 6 – Cost Responsibility in Relation to Upstream Infrastructure Upgrades to a Transmitter or Host Distributor**

The Issue: Questions proposed by Board Staff:

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)?

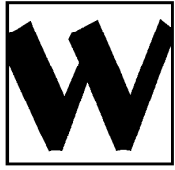
6.5 How should the review of upstream cost responsibility for micro-embedded generation facilities be best addressed (i.e., wait until the RRFE process is concluded, a separate initiative for all embedded generation, or done as part of this consultation)?

**Problems Failing to Address Local Regional Issues**

NOACC has discussed the issue with installers of supplies and equipment in the Northwest Region. There are several problems with the upstream infrastructure being inadequate to accommodate the embedded micro-embedded generation.

There are not as many problems connecting an eligible participant to the grid when dealing with Thunder Bay Hydro.

Attempting to negotiate an offer to connect in geographical areas where Hydro One is the distributor gives rise to problems. Initially, when the MicroFIT program began there were no problems connecting to the grid, now there seem to be “constraint areas” which limit the ability of the OPA to connect some eligible participants. The OPA has stated that connecting too many people in an area could blow a transformer, or that upgrades are. When asked about “constraint areas one supplier that eligible participants were unable to connect to the grid despite having already invested considerable amounts of money. Sometimes at the last minute Hydro One indicates they cannot connect.



One supplier actually volunteered to pay for some upstream upgrades so that his clients could be connected to the grid; however, the Hydro One has not responded, nor have they provided further information in relation as to what upgrades, if any, are required. Sometimes, however, “magically” as time goes by, the Hydro One is able to connect those eligible participants to the grid.

Another supplier noted that Hydro One limits some feeders to only 10% of peak usage, so that only 10% of their peak consumption can be from externally generated power. For example, this means that if 5 eligible participants are feeding energy into the grid, and those 5 eligible participants produce 10% of Hydro One’s peak energy, a new applicant will be unable to connect a micro-embedded generation project. The industry standard is 15% compared to 10%, however this may be a policy issue for Hydro One.

Also, Hydro One requires applicants purchase a 25 KVA transformer before they are connected to the grid. The suppliers notes that usually a 25 KVA transformer could be used for 4-5 households supplying energy to the grid; however Hydro One requires each microFit applicant to pay for one of these transformers.

The Discussion Paper states that it may be highly unlikely that a single micro embedded generation facility will require an upstream upgrade. That might well be the case in southern Ontario; however, suppliers in the Northwest Region indicate that it is entirely possible in northern Ontario, specifically in the more remote regions where upstream upgrades may be required.

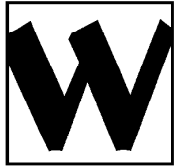
#### One Size Does Not Fit All

NOACC cites these as problems typical of program and infrastructure design that can be prudent and well thought out in the southern region of the province, with its dense highly sophisticate grid being unsuitable for the conditions that prevail in the Northwest Region.

The issues cited above demonstrate that the micro-embedded generation projects can be absorbed if a relatively dense power system infrastructure is already in place. Thunder Bay Hydro has been able to accommodate the requested offers to connect because the City of Thunder Bay has a relatively dense existing grid. The point is that outside the City of Thunder Bay there are tens of thousands of square kilometres of sparse infrastructure served only by radial circuits several hundred kilometres long that simply do not have the robustness to start adding micro-embedded generation at will.

#### Regional Planning

The instances cited above are a microcosm of the reasons why the power system in the Northwest Region must be designed and developed based on the needs and capacities in the Region.



Issuing an offer to connect to an eligible participant, as cited in the comments under “**Matter 1**” above, or something similar would have prevented some of the immediate hardship cited but obviously the real need is for an integrated power system plan designed in the Northwest Region for the Northwest Region and attentive to the needs of the Northwest Region is what is actually required.

As to what changes might be introduced into the DSC the Code should address the needed transparency. The distributor must be better able to control the allocation of connective capacity that actually exists, not the capacity that someone developing a one-size-fits-all plan thinks should be there.

Please contact the undersigned or Mr. Melchiorre should further information or clarification be required.

Respectfully submitted,

Yours very truly,

WEILER, MALONEY, NELSON

Per:

John A. Cyr,  
Counsel in this instance for  
the City of Thunder Bay

JAC/dl