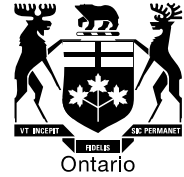


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NOTICE OF PROPOSAL TO AMEND A CODE
PROPOSED AMENDMENTS TO THE DISTRIBUTION SYSTEM CODE
BOARD FILE NO.: EB-2008-0102

**To: All Licensed Electricity Distributors
All Participants in Consultation Process EB-2006-0226
All Other Interested Parties**

Re: Process for Connecting Small, Non-intermittent Generation Facilities

The Ontario Energy Board (the "Board") is giving notice under section 70.2 of the *Ontario Energy Board Act, 1998* of proposed amendments to the Distribution System Code (the "DSC").

The Board will not be granting cost awards in this matter.

I. Background

Section 6.2 of the DSC deals with a licensed electricity distributor's responsibilities to generators, including the manner in which distributors process requests for the connection of generation facilities to their respective distribution systems.

The connection process varies depending on the size of the connecting generation facility. Currently, the DSC contains a very simple and expedited connection process for "micro-embedded generation facilities", defined as embedded generation facilities with a name-plate rated capacity of 10 kW or less. This simplified connection process, described in sections 6.2.5 to 6.2.7 of the DSC, is feasible for these generation facilities because their potential impact on the distribution system is minor, especially when the

proposed generation facility is located at an existing customer location. By contrast, a more complex and lengthier connection process applies for larger generators, as set out in sections 6.2.8 to 6.2.25 of the DSC. Among other things, the connection process for larger generation facilities includes a first-come/first-served queuing mechanism under which generation connection applicants are placed into a queue following completion of a Connection Impact Assessment by the distributor. Micro-embedded generation facilities are not subject to the queuing requirement.

The generator connection provisions of the DSC were substantially revised in October 2006, in part to help support the Ontario Power Authority's ("OPA") Renewable Energy Standard Offer Program ("RESOP"). RESOP has generated tremendous interest in the connection of renewable generation to distribution systems. However, concerns have been identified regarding the ability of existing distribution systems and/or associated transmission supply stations to accommodate all potential larger RESOP projects, particularly in certain areas.

Over the past 18 months, the Board has been monitoring the effectiveness of the connection process requirements contained in the DSC. The Board notes that smaller non-intermittent generation facilities have known, predictable and relatively minor impacts on existing infrastructure and could, therefore, be readily accommodated. As such, the Board believes that applications for connection of smaller non-intermittent generation facilities could be processed using the simplified connection process that is currently applicable to micro-embedded generation facilities while still respecting established technical limits.

The Board notes that, on May 13, 2008, the OPA announced its intention to review RESOP and that, pending stakeholder consultation on proposed program improvements and rule and contract changes, the processing of most new RESOP applications will be deferred. However, RESOP contracts will continue to be available for residential projects that have a capacity of 10 kW or less, as well as for farm-based biomass projects that have a capacity of 250 kW or less. The Board also notes that the Ontario Ministry of Agriculture, Food and Rural Affairs ("OMAFRA") currently has a program in place in relation to the development of small farm-based bio-mass generation projects. The amendments to the DSC that the Board is proposing would be consistent with, and support the implementation of, these initiatives.

II. Summary of Proposed Amendments to the DSC

The following is a summary of the more significant proposed amendments to the DSC. The text of all of the proposed amendments is set out in Attachment A to this Notice.

The Board is proposing to expand the definition of “micro-embedded generation facility” in section 1.2 of the DSC to include generation facilities with a total name-plate rated capacity of 250 kW or less that utilize a non-intermittent generation technology. The Board is also proposing to amend section 1.2 of the DSC by adding a new definition of “non-intermittent generation technology”, being solar, water, biomass / biofuel or fuel cell. The Board is not proposing to include wind as a “non-intermittent generation technology” as the Board believes that wind-powered generation facilities raise, or have the potential to raise, incremental technical concerns for distributors and should therefore remain subject to the current connection rules applicable to larger generation facilities.

Consequential amendments are also being proposed to Appendix E and Appendix F of the DSC to reflect the expanded definition of “micro-embedded generation facility”.

The Board is aware that there are currently a small number of projects whose applications for connection are pending. The Board is also proposing to amend section 6.2.4 of the DSC to provide that such projects should now be processed using the simplified and expedited process applicable to micro-embedded generation facilities.

If these proposed amendments are adopted, distributors will be required to process applications to connect the new class of micro-embedded generation facilities (non-intermittent, 250 kW or less) using a considerably more expedited process. Based on the information currently available to it, the Board does not believe that there are technical or other barriers to the implementation of this approach by distributors. The Board would, however, be interested in comments from distributors as to any impediments that they may foresee in this regard and, where impediments are identified, as to alternative approaches that could be considered while maintaining the objective of simplifying and expediting the connection process for this new class.

III. Anticipated Costs and Benefits of the Proposed Amendments

The Board anticipates that proponents of smaller generation projects using non-intermittent generation technologies will benefit from the proposed amendments as they will result in a faster, more efficient generation connection process. Connection of these types of generation facilities within shorter timelines is consistent with the overall timelines required to develop such projects, and can be effected without material adverse technical impacts on existing distribution infrastructure.

The proposed amendments will also facilitate the connection of generation facilities that remain eligible for RESOP contracts while the program is undergoing review by the OPA, as well as supporting other government policy initiatives such as the OMAFRA program referred to above.

The Board does not believe that implementation of the proposed amendments will result in material incremental costs being borne by distributors.

IV. Coming Into Force

The Board proposes that the amendments to the DSC described above and outlined more fully in Attachment A to this Notice come into force on the date that the final amendments are published on the Board's website.

V. Invitation to Comment

All interested parties are invited to comment in writing on the Board's proposed amendments to the DSC set out in Attachment A by **June 16, 2008**.

Three (3) paper copies of each filing must be provided, and should be sent to:

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

The Board requests that interested parties make every effort to provide electronic copies of their filings in searchable/unrestricted Adobe Acrobat (PDF) format, and to submit their filings through the Board's web portal at www.err.oeb.gov.on.ca. A user ID is required to submit documents through the Board's web portal. If you do not have a user ID, please visit the "e-filings services" webpage on the Board's website at www.oeb.gov.on.ca, and fill out a user ID password request. Additionally, interested parties are requested to follow the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the e-filing services webpage. If the Board's web portal is not available, electronic copies of filings may be filed by e-mail at boardsec@oeb.gov.on.ca.

Those that do not have internet access should provide a CD or diskette containing their filing in PDF format.

Filings to the Board must be received by the Board Secretary by **4:45 p.m.** on the required date. They must quote file number **EB-2008-0102** and include your name, address, telephone number and, where available, your e-mail address and fax number.

This Notice, including the proposed amendments to the DSC set out in Attachment A, and all written comments received by the Board in response to this Notice, will be available for public inspection on the Board's website at www.oeb.gov.on.ca and at the office of the Board during normal business hours.

If you have any questions regarding the proposed amendments described in this Notice, please contact Gordon Ryckman at 416-440-8109 or by e-mail at Gordon.Ryckman@oeb.gov.on.ca. The Board's toll free number is 1-888-632-6273.

DATED at Toronto, May 16, 2008.

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Attach: Attachment A: Proposed Amendments to the Distribution System Code

Attachment A

Proposed Amendments to the Distribution System Code

Note: The text of the proposed amendments is set out in italics below, for ease of identification only.

1. The definition of “micro-embedded generation facility” in section 1.2 of the Distribution System Code is deleted and replaced with the following:

“micro-embedded generation facility” means either (a) an embedded generation facility with a name-plate rated capacity of 10 kW or less; or (b) an embedded generation facility with a name-plate rated capacity of 250 kW or less that is powered by a non-intermittent generation technology;

2. Section 1.2 of the Distribution System Code is amended by adding the following immediately after the definition of “MOST meter”:

“non-intermittent generation technology” means solar, water, biomass / biofuel or fuel cell;

3. Section 6.2.4 of the Distribution System Code is amended by adding the following immediately after section 6.2.4.2:

6.2.4.3 Any application to connect a micro-embedded generation facility that was received by a distributor prior to the date of coming into force of this section shall be processed by the distributor in accordance with the provisions of this Code applicable to micro-embedded generation facilities as though the application to connect had been received by the distributor on the date of coming into force of this section.

4. Appendix E of the Distribution System Code is amended by deleting the words “10 kW name-plate rated capacity or smaller” from the recital to the “Micro-Embedded Generation Facility Connection Agreement” on page 3 of that Appendix and replacing them with the following:

micro-embedded

5. Appendix F of the Distribution System Code is amended as follows:
- (a) by deleting the text in the “Rating” column for the “Micro” row in the table under the heading “INTRODUCTION” on the first page of that Appendix and replacing it with the following:
 - (a) $\leq 10 \text{ kW}$
 - (b) $\leq 250 \text{ kW}$ if powered by a non-intermittent generation technology;and
 - (b) by adding the following in the “Rating” column for the “Small” row in the table under the heading “INTRODUCTION” on the first page of that Appendix, immediately before the phrase “(a) $\leq 500 \text{ kW}$ connected on distribution system voltage $< 15 \text{ kV}$ ”:

Facility other than a micro-embedded generation facility:
6. Appendix F.1.1 of the Distribution System Code is amended as follows:
- (a) by deleting the line immediately under the heading “Micro-Embedded Generation Facility Connection Process” on page 6 and replacing it with the following:

(a) 10 kW or less or (b) 250 kW or less if powered by non-intermittent generation technology; and
 - (b) by deleting the phrase “ $\leq 10 \text{ kW}$ ” immediately after the word “MICRO” in the heading of the diagram on page 8.
7. Appendix F.1.2 of the Distribution System Code is amended as follows:
- (a) by adding the following at the end of each of the two lines immediately under the heading “Small Embedded Generation Facility Connection Process” on page 10:

, other than a micro-embedded generation facility; and
 - (b) by deleting the word “Small” and the two lines immediately under that word on the top right-hand side of the diagram on page 14.