



EB-2005-0488

## NOTICE OF AMENDED PROPOSAL TO AMEND THE DISTRIBUTION SYSTEM CODE

To: All Licensed Electricity Distributors  
All Other Interested Parties

### **Background**

On November 17, 2005, the Ontario Energy Board (the "Board") issued a Notice of Proposal to Amend the Distribution System Code (the "November 17, 2005 Proposed Amendments").

In response to the November 17, 2005 Proposed Amendments, the Board received 17 submissions. The Board has reviewed the submissions and is proposing further changes to the November 17, 2005 Proposed Amendments. The Board's further changes are attached to this notice (the "Amendments").

The purpose of the Amendments is to amend or clarify various provisions in the November 17, 2005 Proposed Amendments in response to comments made by stakeholders.

### **Summary of the Amendments**

The Amendments are intended to:

- clarify the distinction between firm offers and estimates and any requisite obligations;
- improve the transparency of how connection costs are factored into economic evaluations of system expansions;
- provide customer choice on the provision of detailed information to customers;
- relieve distributors of the obligation to qualify contractors; and
- clarify the rules related to the collection, holding, use and release of expansion deposits.

A synopsis of the proposed changes to the November 17, 2005 Proposed Amendments is attached to this notice and it includes both a summary of the proposed changes as well as rationales for the changes. The synopsis is not intended to be exhaustive of all of the changes that are reflected in the Amendments.

### **Anticipated Costs and Benefits of the Amendments**

As stated in the Board's November 17, 2005 notice, the Board anticipates that parties will benefit from the clarifications that have been included in the Amendments as the Amendments allow parties to have a clearer understanding of their respective rights and obligations. The Board believes that the main benefits of the Amendments continue to be:

- improved transparency in relation to the exchange of information between a distributor and its customers;
- a uniform and consistent approach to expansion processes; and
- a fairer allocation of costs between a distributor and a customer.

The Board also believes that the main costs set out in the November 17, 2005 notice continue to be applicable. The Board further expects that distributors may incur extra costs associated with the Amendments in regards to the running of economic evaluations for firm offers in certain circumstances. It is also expected that customers may face higher costs or extended obligations as a result of the Amendments in that an expansion deposit may now be required for all expansions.

Overall, the Board anticipates that ratepayers will achieve a benefit from more effective and efficient distribution systems. The Board also anticipates that distributors and customers will benefit from the clarifications in the Amendments as they will all have a clearer understanding of their roles, rights, and obligations.

In proposing the Amendments, the Board is of the view that the anticipated benefits outweigh any costs that might be incurred or borne.

### **Coming into Force**

The Board is proposing that the Amendments come into force 6 months (180 days) after the date that they are published on the Board's website.

### **Invitation to Comment**

All interested parties are invited to make written representations on the Amendments. The Board would receive greater assistance from parties if they focus their submissions on the Board's proposed changes relative to the November 17, 2005 Proposed Amendments. Further, the Board requests that the representation specifically reference the relevant sections of the Amendments.

Any person who wishes to make a written representation with respect to the Amendments must **file four (4) paper copies** of the representation, **and an electronic copy** of the representation in both searchable Adobe Acrobat (PDF) and Word, with the Board Secretary **by 4:30 pm on April 11, 2006**. Electronic copies may be submitted on diskette or by e-mail to [boardsec@oeb.gov.on.ca](mailto:boardsec@oeb.gov.on.ca). Your submission must quote file

number **EB-2005-0488** and include your name, address, e-mail address and fax number.

The Distribution System Code, the Amendments, the Synopsis of Key Proposed Changes to the Distribution System Code, and all written representations received by the Board with respect to the Amendments will be available for public inspection on the Board's website at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca) and at the office of the Board during normal business hours.

If you have any questions regarding the Amendments, please contact Lisa Brickenden at 416-440-8113 or Paul Gasparatto at 416-440-7724, or call toll free at 1-888-632-6273.

**DATED** at Toronto, March 21, 2006.

ONTARIO ENERGY BOARD

*original signed by*

Peter H. O'Dell  
Assistant Board Secretary

Attachments:   A - Synopsis of Key Proposed Changes to the Distribution System Code  
                  B - Proposed Amendments to the Distribution System Code (track changes)  
                  C - Proposed Amendments to the Distribution System Code (clean)

## **Attachment A - Synopsis of Key Proposed Changes to the Distribution System Code**

This synopsis describes, by subject-matter, some of the key proposed changes that are reflected in the Amendments.

The purpose of this document is to provide a brief synopsis of the salient aspects of the Amendments in an accessible format. It is intended to provide only an overview of the proposed changes that are reflected in the Amendments, and all comments made in this document are restricted to that context and purpose. For the specific proposed changes to the Distribution System Code (the "Code"), recourse must always be made to the Amendments themselves and all matters of interpretation are dependent on the words of the Amendments proper and not this synopsis.

### **Coming into Force**

Parties commented that 90 days was an insufficient period of time to comply with the proposed amendments once the Code is made. To provide for a reasonable transition, the 90-day period will be extended to a 180-day (6 month) period. In addition, it has been clarified that the amendments will only apply to expansions where the distributor's initial offer to connect the customer and build the expansion, as set out in sections 3.2.8 and 3.2.9, occurs on or after the date the amendments come into force. Section 1.7 contains this change.

### **Firm Offers and Estimates**

Some parties made general comments that the Code could be clearer as to the difference between an initial economic evaluation and the final economic evaluation (e.g., what it is based on). The initial economic evaluation should be based on estimated costs and forecasted revenues. If the offer was an estimate, the final economic evaluation should be based on the forecasted revenues and actual costs (including the transfer price, which is required when the customer transfers assets built through alternative bid to the distributor).

Some parties commented that a final economic evaluation should not need to be done if the distributor made a firm offer to the customer. Some parties specifically commented that transfer price provisions should not apply under firm offers. The Board disagrees and is of the view that there is cause for a final economic evaluation to be done in firm offers when the customer transfers assets built through alternative bid to the distributor. In these cases, the final economic evaluation should be based on the amounts used in the firm offer for costs and forecasted revenues, and the transfer price paid by the distributor.

Changes have been made to sections 3.2.1 and 3.2.2, and a new section 3.2.3 has been added to clarify this. As a result of the new section, the numbering of subsequent sections has changed.

One party commented that the reference to “estimates” in section 3.2.8 (now 3.2.9) is not consistent with the concept of a firm offer. Since section 3.2.8 (now 3.2.9) is to apply regardless of the form of offer, changes are proposed to refer to “amounts” instead of “estimates”.

### **Connections in Expansions**

The Board is concerned that distributors are not factoring the costs of connections into an expansion project consistently. Section 3.1 of the Code addresses cost of connection in different circumstances. The Board is of the view that the cost of connection should be factored into the economic evaluation of a distribution system expansion, not charged separately. Therefore, the following statement will be added to Appendix B under “Capital Costs”: (e) The amount of the connection charges referred to in section 3.1 of the Code. Also, a change is proposed to delete the statement regarding connection charges from section 3.2.7(a) (now 3.2.8(a)) and add it into section 3.2.8 (now 3.2.9). The statement in section 3.2.9(f) will now read “a description of, and the amount for, the connection charges referred to in section 3.1 that have been factored into the economic evaluation.”

### **Provision of Information to Customers**

Parties commented that providing the detailed information outlined in section 3.2.9 of the November 17, 2005 Proposed Amendments would confuse many customers and would not be economical unless the customer actually wanted it. This is a reasonable suggestion. Once the customer has accepted the distributor's offer, and if the customer requests it, the distributor shall provide to the customer, at cost, an itemized list of the costs for the major items needed for the project. This amendment is contained in section 3.2.10.

Parties recommended that a new requirement be added to the Code that distributors include an amount for any additional costs to be charged if a customer pursues the alternative bid option. Furthermore, some parties commented that pursuing the alternative bid option should not trigger a revised quote (as is suggested by the November 17, 2005 Proposed Amendments section 3.2.9). The Board understands that a general indication of what additional costs might be associated with the alternative bid choice is important to a customer's decision and therefore a new provision is proposed which requires the distributor to provide an amount for those anticipated additional costs (including, but not limited to, inspection costs) associated with the customer's decision to pursue the alternative bid option. This addition is reflected in section 3.2.8(e) (now 3.2.9(e)). Changes to section 3.2.9 of the November 17, 2005 Proposed Amendments are also proposed.

Some parties sought clarification on the intent of section 3.2.9 of the November 17, 2005 Proposed Amendments, expressing concerns over the trigger, purpose, and cost of the section as well as the section's potential for confusing customers with too much detailed information. The intent of section 3.2.9 of the November 17, 2005 Proposed Amendments was to provide customers with a more detailed breakdown of work and materials actually needed to construct the expansion (i.e., an itemized list for the work). It was not intended to deal solely with distributor obligations concerning revised estimates. To clarify this, changes are proposed to split the "provision of detail to the customer" requirement and the "revised offer" requirement into separate provisions in the Code. Both provisions should be "at cost". However, in light of comments from other parties, provision of detail to the customer need only be done if the customer requests it. Sections 3.2.10 and 3.2.11 contain these proposed changes.

### **Qualification of Contractors**

Most distributors commented that they do not currently qualify contractors. It is the Board's understanding that a "Utility Tendering Guideline", jointly prepared by the Electricity Distributors Association and the Electricity Contractors Association of Ontario, is available to help customers and distributors assess contractor qualifications. Therefore, a change is proposed to remove the obligation from the Code that distributors qualify contractors. However, the Code continues to make specific reference to "qualified contractor" throughout. Changes are proposed to sections 3.2.13 and 3.2.15 (now 3.2.14 and 3.2.16) to reflect this.

### **Transfer of Assets**

Many parties expressed concern that the proposed transfer price provisions would encourage customers to become embedded distributors. It is possible for customers to retain ownership of customer-built facilities, and the Code cannot be used to force customers to transfer their facilities to the distributor. Changes are proposed to sections 3.2.16 and 3.2.17 (now 3.2.17 and 3.2.18) so that the wording acknowledges asset transfers without explicitly imposing any obligation.

One party commented that the cost comparisons used to determine the transfer price are not clear. The Board clarifies that the intent of section 3.2.17 (now 3.2.18) is to compare the customer's costs with the dollar amount for the contestable work in the distributor's initial offer. The customer based its decision to pursue the alternative bid option on the initial offer, so the Board is of the view that it is appropriate to use the costs quoted in that initial offer. A change is proposed to section 3.2.17 (now 3.2.18) to clarify this.

### **Response Time Obligation**

Some parties expressed general concerns that the Code should place some form of timeline requirement on distributors during the system expansion process. Some distributors expressed specific concerns related to receiving the customer's cost

information in a timely manner in order to determine the transfer price. The Board notes that while the Code may not easily address the quality of information given to a distributor by a customer, it can address timeliness. To address these concerns, two changes are proposed. First, a new provision has been added to the Code to require that a distributor perform all of its responsibilities and obligations under section 3.2 in a timely manner. Second, another new provision has been added to the Code that allows the distributor to use the amount to do the contestable work as set out in its initial offer for the transfer price if the customer does not provide the distributor with the customer's cost information in a timely manner. These amendments are contained in sections 3.2.17 (now 3.2.18) and 3.2.29.

### **Collection of an Expansion Deposit by a Distributor**

A number of changes are proposed in sections 3.2.19 through 3.2.24 (now 3.2.20 through 3.2.25) dealing with the expansion deposit collected by a distributor.

#### *Purpose*

Several parties commented that to avoid confusion with security deposit provisions elsewhere in the Code, the term "security" used in the proposed changes to section 3.2 should be somehow uniquely qualified. Some of those parties also commented that the Code should explain what the expansion security deposit may cover. The Board agrees. Security related to system expansions is different from security for ongoing commodity billing purposes and the Code should clearly distinguish the two. All references to "security deposit" in section 3.2 are proposed to be changed to "expansion deposit". Furthermore, a new section is proposed to state that the expansion deposit shall be collected to cover both the forecast risk (the risk associated with whether the projected revenue for the expansion will materialize as forecasted) and the asset risk (the risk associated with ensuring that the expansion is constructed, that it is completed to the proper design and technical standards and specifications, and that the facilities operate properly when energized) related to the expansion. As a result of the new section, the numbering of subsequent sections has changed.

#### *Eligibility*

Some parties sought confirmation that the expansion deposit provisions in section 3.2 only apply when the alternative bid option is chosen. The Board disagrees. As part of its review of parties' comments related to firm offers versus estimate offers, the Board has concluded that a distributor should be able to call upon some security against forecast risk regardless of what form of offer is presented to the customer. Several parties commented that a distributor should not assume the risk of a customer's connection or load projection not materializing in a firm offer. The Board believes it is reasonable to allow for some security against this risk. A change is proposed to delete section 3.2.23 of the November 17, 2005 Proposed Amendments to reflect this. Furthermore, as a number of parties commented, if a customer has pursued the

alternative bid option, the distributor should be able to call upon some security against asset risk because the customer's construction is not under the distributor's control.

With this expanded eligibility for the provision of security, the Board is of the view that to ensure fairness and transparency, customers should be informed in an initial offer whether security will be required. A new provision is proposed in section 3.2.7 (now 3.2.8) stating that the distributor's initial offer shall include a statement as to whether an expansion deposit will be required from the customer, and if so, how much the expansion deposit will be.

#### *Amount*

A number of parties commented that the proposed formula is flawed. Some parties commented that insufficient security was being allowed to cover the risks associated with alternative bid construction and/or the certainty that forecasted connections and/or load will materialize. The Board reiterates for parties that the intent of the Board's November 17, 2005 Proposed Amendments was that the one amount of security would be reasonably sufficient to cover both types of risk. The Board maintains this view. The November 17, 2005 Proposed Amendments set the amount as up to 100% of the difference between the present value of the projected capital costs and on-going maintenance costs for the facilities and the capital contribution required from the customer. In simple terms, this is equal to 100% of the present value of the forecasted revenue. To state this clearly, a change is proposed to allow collection of security up to 100% of the present value of forecasted revenues. While this does not change the meaning of the proposed amount, it simplifies the "formula". In regard to the level of security being allowed, the Board is not convinced that allowing up to 100% of forecasted revenue, plus the capital contribution amount is insufficient risk coverage over the construction period and connection horizon. The two amounts together equal the total costs of the project.

#### *Release of Expansion Deposit Back to Customer*

One party commented that if the expansion deposit is to be returned annually, it should be on actual connections rather than forecasted connections. This was the intent of the provision, so changes to section 3.2.20 (now 3.2.23) are proposed to reflect this.

The November 17, 2005 Proposed Amendments set the start of the warranty period at the time when the facilities are energized. Some parties commented that in practice, the start of the warranty period may vary depending on when customer connections actually materialize. A change is proposed to section 3.2.22 (now 3.2.24) to allow the warranty to be kept for up to two years after the final forecasted connection occurs or the end of the customer connection horizon, whichever comes first.



### *Form*

One party commented that the letter of credit referred to in section 3.2.24 (now 3.2.25) should be from a Canadian Chartered Bank. A change is proposed to section 3.2.24 (now 3.2.25) qualifying that the letter of credit be from a bank as defined in the *Bank Act*. This is with the security provisions in section 2.4 the Code.

### **Enhancement Costs**

One party commented that many distributors are using a 5-year rolling average to establish average enhancement costs. Another party expressed a preference to use an amount based on a 10-year forward looking capital plan which identifies coincident load growth and capital costs to support that growth. The Board is not averse to allowing a historical three to five-year rolling average providing the distributor uses the same number of years to determine the average year to year and that it is transparent to its customers. Therefore, a change is proposed in Appendix B to allow for this.

### **Other Changes to Improve Clarity**

A change is proposed to remove specific reference to “any administration, inspection, testing, and commissioning costs for the contestable work” in section 3.2.2 since these are clearly addressed in section 3.2.16 (now 3.2.17).

One party noted that the Code could better link the economic evaluation that is done in section 3.2.1 with the capital contribution amounts discussed in later sections. A change is proposed in section 3.2.5 (now 3.2.6) to address this matter.

Parties sought clarification of section 3.2.8(d) (now 3.2.9(d)) on what value the breakdown of direct and indirect overheads would provide to the analysis. To avoid an unintended administrative burden, a change is proposed to delete the reference to indirect overhead and to clarify that the requirement be “overhead, including administration”.

In response to a party’s comment, references to the “customer connection horizon” in sections 3.2.20 and 3.2.26 (now 3.2.23 and 3.2.27) have been qualified with “as defined in Appendix B”.

Also in response to a comment, a change is proposed to Appendix B to define the start for the connection horizon as the time when the facilities are energized.

### **Definition and/or Use of Terminology**

Some parties commented that some terms used in the Code (e.g., “energized”, “commissioned”, “constructed”, “distribution system”, “main distribution system”, “basic connection”, and “expansion”) appear to mean the same thing and that clarification is needed to standardize the usage of the terms. The Board agrees and changes are

proposed to sections 3.2.2, 3.2.3, 3.2.4 and 3.2.7 (now 3.2.8) to clarify and standardize the usage of terms as appropriate to match the intended meanings in the Code.

Some parties proposed changing definitions. Definitions have not been changed.

### **Grammatical and Typographical Errors**

Grammatical errors were identified that resulted in incomplete statements. Changes are proposed to sections 3.2.7(b), (c), and (d), 3.2.8(c), and 3.2.15(b) (now 3.2.8(a), (b), and (c), 3.2.9(c), and 3.2.16(b)) to address this.

A typographical error in section 3.2.9(b) (now 3.2.10(b)) [“provide” instead of “provided”] has been corrected.

## Attachment B - Proposed Amendments to the Distribution System Code (track changes)

### 1 GENERAL AND ADMINISTRATIVE PROVISIONS

Section 1.7 of the Code will be amended by adding the following sentence to the end of the section:

The amendments to this Code made by the Board on [insert date of final amendments] will come into effect ~~180~~90 days after that date. The amendments will only apply to expansions where the distributor's initial offer to connect the customer and build the expansion, as set out in sections 3.2.8 and 3.2.9, occurs on or after the date the amendments come into force.

### 3 CONNECTIONS AND EXPANSIONS

The text set out below will replace the text currently in Chapter 3 of the Code.

#### 3.1 Connections

- 3.1.1 In establishing its connection policy as specified in its Conditions of Service, and determining how to comply with its obligations under section 28 of the *Electricity Act*, a distributor may consider the following reasons to refuse to connect, or continue to connect, a customer:
- (a) contravention of the laws of Canada or the Province of Ontario including the Ontario Electrical Safety Code;
  - (b) violation of conditions in a distributor's licence;
  - (c) materially adverse effect on the reliability or safety of the distribution system;
  - (d) imposition of an unsafe worker situation beyond normal risks inherent in the operation of the distribution system;
  - (e) a material decrease in the efficiency of the distributor's distribution system;
  - (f) a materially adverse effect on the quality of distribution services received by an existing connection; and
  - (g) if the person requesting the connection owes the distributor money for distribution services, or for non-payment of a security deposit. The

distributor shall give the person a reasonable opportunity to provide the security deposit consistent with section 2.4.20.

- 3.1.2 A distributor shall ensure that all electrical connections to its system meet the distributor's design requirements, unless the electrical connections are separated by a protection device that has been approved by the distributor. If an electrical connection does not meet the distributor's design requirements, a distributor may refuse connection.
- 3.1.3 If a distributor refuses to connect a customer, the distributor shall inform the person requesting the connection of the reason(s) for not connecting and, where the distributor is able to provide a remedy, make an offer to connect. If the distributor is unable to provide a remedy to resolve the issue, it is the responsibility of the customer to do so before a connection may be made.
- 3.1.4 For residential customers, a distributor shall define a basic connection and recover the cost of the basic connection as part of its revenue requirement. The basic connection for each customer shall include, at a minimum:
- (a) supply and installation of overhead distribution transformation capacity or an equivalent credit for transformation equipment; and
  - (b) up to 30 meters of overhead conductor or an equivalent credit for underground services.
- 3.1.5 For non-residential customers, a distributor may define a basic connection by rate class and recover the cost of connection either as part of its revenue requirement, or through a basic connection charge to the customer.
- 3.1.6 All customer classes shall be subject to a variable connection charge to be calculated as the costs associated with the installation of connection assets above and beyond the basic connection. A distributor may recover this amount from a customer through a connection charge or equivalent payment.

## 3.2 Expansions

- 3.2.1 If a distributor must construct new facilities to its main distribution system or increase the capacity of existing distribution system facilities in order to be able to connect a specific customer or group of customers, the distributor shall perform an initial economic evaluation based on estimated costs and forecasted revenues, as described in Appendix B, of the expansion project to

determine if the future revenue from the customer(s) will pay for the capital cost and on-going maintenance costs of the expansion project.

3.2.2 If the distributor's offer was an estimate, tThe distributor shall carry out a final economic evaluation once the facilities are energized~~construction of the expansion is completed~~. The final economic evaluation shall be based on forecasted revenues, actual costs incurred (including, but not limited to, the costs for the uncontestable work, ~~any administration, inspection, testing, and commissioning costs for the contestable work~~ and any transfer price paid by the distributor to the customer) and the methodology described in Appendix B.

3.2.3 If the distributor's offer was a firm offer, and if the alternative bid option was chosen and the facilities are transferred to the distributor, the distributor shall carry out a final economic evaluation once the facilities are energized. The final economic evaluation shall be based on the amounts used in the firm offer for costs and forecasted revenues, any transfer price paid by the distributor to the customer, and the methodology described in Appendix B.

3.2.~~4~~3 The capital contribution that a distributor may charge a customer other than a generator or distributor to construct an expansion ~~to the distributor's distribution system~~ shall not exceed that customer's share of the difference between the present value of the projected capital costs and on-going maintenance costs for the facilities and the present value of the projected revenue for distribution services provided by those facilities. The methodology and inputs that a distributor shall use to calculate this amount are ~~presented~~ described in Appendix B.

3.2.~~5~~4 The capital contribution that a distributor may charge a generator to construct an expansion to connect a generation facility to the distributor's distribution system shall not exceed the generator's share of the present value of the projected capital costs and on-going maintenance costs for the facilities. Projected revenue and avoided costs from the generation facility shall be assumed to be zero, unless otherwise determined by rates approved by the Board. The methodology and inputs that a distributor shall use to calculate this amount are ~~presented~~ described in Appendix B.

3.2.~~5~~6 If a shortfall between the present value of the projected costs and revenues is calculated under section ~~3.2.13.2.3 or 3.2.4~~, the distributor may propose to collect all or a portion of that amount from the customer in the form of a capital contribution, in accordance with the distributor's documented policy on capital contributions by customer class.

3.2.67 If the capital contribution amount resulting from the final economic evaluation provided for in section 3.2.2 or 3.2.3 differs from the capital contribution amount resulting from the initial economic evaluation calculation, the distributor shall obtain from the customer, or credit the customer for, any difference between the two calculations.

3.2.78 If an expansion ~~of the distributor's main distribution system~~ is needed in order for a distributor to connect a customer, the distributor shall make an initial offer to connect the customer and build the expansion. A distributor's initial offer shall include, at no cost to the customer:

- (a) ~~a description and estimate of the connection charges that would be payable under the offer as referred to in section 3.1;~~
- ~~(b)~~ a statement as to whether the offer is a firm offer or is an estimate of the costs ~~as set out in section 3.2.1~~ that would be revised in the future to reflect actual costs incurred;
- ~~(c)~~ a reference to the distributor's Conditions of Service and information on how the customer requesting the connection may obtain a copy of them; ~~and~~
- ~~(d)~~ a statement as to whether a capital contribution will be required from the customer; ~~and-~~
- (d) a statement as to whether an expansion deposit will be required from the customer and if the distributor will require an expansion deposit from the customer, the amount of the expansion deposit that the customer will have to provide.

3.2.98 If the distributor will require a customer to pay a capital contribution, the distributor must, in addition to complying with section 3.2.87, also include in its initial offer, at no cost to the customer:

- (a) ~~an estimate~~ the amount of the capital contribution that the customer will have to pay for the expansion;
- (b) the calculation used to determine the ~~estimate~~ amount of the capital contribution to be paid by the customer including all of the assumptions and inputs used to produce the economic evaluation as described in Appendix B;
- (c) a statement as to whether the offer includes work for which the customer may obtain an alternative bid and, if so, the process by which the customer may obtain the alternative bid; ~~and~~

- (d) a description of, and ~~costs~~ estimates for, the contestable work and the uncontestable work associated with the expansion broken down into the following categories:
- (i) labour (including design, engineering and construction);
  - (ii) materials;
  - (iii) equipment; and
  - (iv) ~~direct~~ overhead (including administration); and
  - ~~(v) indirect overhead.~~
- (e) an amount for any additional costs that will occur as a result of the alternative bid option being chosen (including, but not limited to, inspection costs); and
- (f) a description of, and the amount for, estimate of the connection charges that would be payable under the offer as referred to in section 3.1 that have been factored into the economic evaluation.

3.2.109 Once the customer has accepted the distributor's offer, and if the customer requests it, the distributor shall provide to the customer, at cost, if the distributor's offer is an estimate, the distributor shall provide to the customer, at cost, a revised cost estimate based on changes in the customer's plans, additional design work, or as a result of the customer choosing to pursue the alternative bid option. The revised cost estimates that result from the customer choosing to pursue the alternative bid option may include, but are not limited to, the items listed in section 3.2.16. The revised cost estimate shall an itemized list of the costs for the major items in each of the categories listed in section 3.2.98(d) and shall be done in the following manner:

- (a) if the customer has not chosen to pursue an alternative bid, the distributor shall provide the itemized list ~~detailed estimates~~ for all of the work; or
- (b) if the customer has chosen to pursue the alternative bid option, the distributor shall only be required to provide the itemized list ~~detailed estimates~~ for the uncontestable work.

3.2.110 If the ~~distributor's initial offer was a firm offer and the~~ customer submits revised plans or requires additional design work, or chooses the alternative bid option, the distributor may provide, at cost, a new ~~firm~~ offer based on the revised plans or the additional design work or as a result of the decision to pursue the alternative bid option.

3.2.1~~24~~<sup>24</sup> ~~If the distributor's offer was not a firm offer, t~~he distributor shall provide the customer with the calculation used to determine the final capital contribution amount including all of the assumptions and inputs used to produce the final economic evaluation as provided for in sections ~~s~~ 3.2.2 ~~and~~ 3.2.3. The distributor shall provide the final economic evaluation and final capital contribution amount to the customer at no cost to the customer.

3.2.1~~32~~<sup>32</sup> ~~Section 3.2.10 and t~~he last sentence of section 3.2.1~~24~~<sup>24</sup> ~~does~~ not apply to a customer who is a generator or is proposing to become a generator unless the customer's proposed or existing generation facility is an emergency backup generation facility.

3.2.1~~43~~<sup>43</sup> Where the distributor requires a capital contribution from the customer, the distributor shall allow the customer to obtain and use alternative bids for the contestable work. The distributor shall require the customer to use a qualified contractor ~~approved by the distributor~~ for the contestable work. ~~The distributor shall approve the qualified contractors in a non-discriminatory, fair, and reasonable manner.~~

3.2.1~~54~~<sup>54</sup> The following work shall be uncontestable:

- (a) the preliminary planning, design and engineering specifications of the work required for the distribution system expansion and connection (specifications shall be made in accordance with the distributor's design and technical standards and specifications); and
- (b) work involving existing distributor assets.

3.2.1~~65~~<sup>65</sup> If a customer chooses to pursue an alternative bid and uses the services of a qualified contractor ~~approved by the distributor~~ for the contestable work, the distributor shall:

- (a) require the customer to complete all of the contestable work;
- (b) require the customer ~~to~~:
  - (i) ~~select, and~~ hire ~~the contractor~~;
  - (ii) ~~and~~ pay the contractor's costs for the contestable work; and
  - (iii) ~~to~~ assume full responsibility for the construction of that aspect of the expansion;



- (c) require the customer to be responsible for administering the contract (including the acquisition of all required permissions, permits and easements) or have the customer pay the distributor to do this activity;
- (d) require the customer to ensure that the contestable work is done in accordance with the distributor's design and technical standards and specifications; and
- (e) ~~reserve the right to~~ inspect and approve, at cost, all aspects of the constructed facilities as part of a system commissioning activity, prior to connecting the constructed facilities to the existing distribution system.

3.2.176 In addition to the capital contribution amounts in sections 3.2.43 and 3.2.54, the distributor may also charge a customer that chooses to pursue an alternative bid any costs incurred by the distributor associated with the expansion including, but not limited to, the following:

- (a) costs for additional design, engineering, or installation of facilities required to complete the project;
- (b) costs for administering the contract between the customer and the contractor hired by the customer if the distributor is asked to do so by the customer; and
- (c) costs for inspection or approval of the work performed by the contractor hired by the customer.

~~When~~ ~~if~~ the customer ~~chooses to~~ transfer the expansion facilities to the distributor in accordance with section 3.2.187 and 3.2.198, the charges referred to above shall be included as part of the customer's costs for the purposes of determining the transfer price.

3.2.187 ~~When the~~ ~~if~~ a customer ~~selected the alternative bid option and chooses to~~ transfer the expansion facilities ~~that were constructed under the alternative bid option~~ to the distributor, and provided that the ~~right of the~~ distributor ~~has inspected and approved the constructed facilities under section 3.2.15(e) has been exercised should the distributor choose to exercise that right,~~ the distributor shall pay the customer a transfer price. The transfer price shall be the lower of the cost to the customer to construct the expansion facilities or the ~~amount set out in the~~ distributor's ~~initial offer to do the contestable~~ estimated cost to do the same work ~~(as set out in the distributor's initial offer).~~ If the customer does not provide the distributor with the customer's cost information in a timely manner, then the distributor may use the amount for the contestable

work as set out in its initial offer for the transfer price instead of the customer's cost.

3.2.1~~98~~ Where a distributor is required to pay a transfer price under section 3.2.1~~87~~, the transfer price shall be considered a cost to the distributor for the purposes of completing the final economic evaluation.

3.2.~~20~~19 A distributor may require the customer to provide an expansion security deposit for up to 100% of the present value of the forecasted revenues as described in Appendix B.~~difference between the present value of the projected capital costs and on-going maintenance costs for the facilities and the capital contribution required from the customer under section 3.2.3.~~

3.2.21 The expansion deposit referred to in 3.2.20 shall be collected to cover both the forecast risk (the risk associated with whether the projected revenue for the expansion will materialize as forecasted) and the asset risk (the risk associated with ensuring that the expansion is constructed, that it is completed to the proper design and technical standards and specifications, and that the facilities operate properly when energized) related to the expansion.

3.2.2~~0~~ If the alternative bid option was chosen, aA distributor shall be allowed to retain and use the expansion security deposit to cover the distributor's costs if the distributor must complete, repair, or bring up to standard the facilities. Complete, repair, or bring up to standard includes costs the distributor incurs to ensure that the expansion is completed to the proper design and technical standards and specifications, and that the facilities operate properly when energized.

3.2.23 Once the facilities are energized and subject to sections 3.2.2~~24~~ and 3.2.24, ~~if the distributor's offer was an estimate,~~ the distributor shall annually return the percentage of the expansion security deposit in proportion to the forecasted actual connections (for residential developments) or forecasted-actual demand (for commercial and industrial developments) that materialized in that year (i.e., if twenty percent of the forecasted connections or demand materialized in that year, then the distributor shall return to the customer twenty percent of the expansion security deposit). This annual calculation shall only be done for the duration of the customer connection horizon as defined in Appendix B. If at the end of the customer connection horizon the forecasted connections (for residential developments) or forecasted demand (for commercial and industrial developments) have not materialized, the distributor shall be allowed to retain the remaining portion of the expansion security deposit.

3.2.2~~42~~ ~~In addition to section 3.2.21, under a firm offer, if the alternative bid option was chosen,~~ the distributor may retain up to ten percent of the expansion security deposit for a warranty period of up to two years. This portion of the expansion security deposit can be applied to any work required to repair the expansion facilities within the two year warranty period. The two year warranty period begins:

(a) -when the last forecasted connection in the expansion project materializes (for residential developments) or the last forecasted demand materializes (for commercial and industrial developments); or

(b) at the end of the customer connection horizon,

whichever is first.~~when the facilities are energized.~~ The distributor shall return any remaining portion of this part of the expansion security deposit at the end of the two year warranty period.

~~3.2.23 Subject to sections 3.2.21 and 3.2.22, under a firm offer, the distributor shall return the security deposit to the customer when the facilities are energized.~~

3.2.2~~54~~ Any expansion security deposit required under section 3.2.~~20~~49 shall be in the form of cash, letter of credit from a bank as defined in the Bank Act, or surety bond. The distributor shall allow the customer to select the form of the expansion security deposit.

3.2.2~~65~~ Where any expansion security deposit is in the form of cash, the distributor shall return the expansion security deposit to the customer together with interest in accordance with the following conditions:

- (a) interest shall accrue monthly on the expansion security deposits commencing on receipt of the total deposit required by the distributor; and
- (b) the interest rate shall be at the Prime Business Rate set by the Bank of Canada less 2 percent.

3.2.2~~76~~ Unforecasted customers that connect to the distribution system during the customer connection horizon as defined in Appendix B will benefit from the earlier expansion and should contribute their share. In such an event, the initial contributors shall be entitled to a rebate from the distributor. A distributor shall collect from the unforecasted customers an amount equal to the rebate the

distributor shall pay to the initial contributors. The amount of the rebate shall be determined as follows:

- (a) for a period of up to the customer connection horizon as defined in Appendix B, the initial contributor shall be entitled to a rebate without interest, based on apportioned benefit for the remaining period; and
- (b) the apportioned benefit shall be determined by considering such factors as the relative load level and the relative line length (in proportion to the line length being shared by both parties).

3.2.287 A distributor shall prepare all estimates and offers required by section 3.2 in accordance with good utility practice and industry standards.

3.2.29 The distributor shall perform all of its responsibilities and obligations under section 3.2 in a timely manner.

### **3.3 Enhancements**

3.3.1 A distributor shall continue to plan and build the distribution system for reasonable forecast load growth. A distributor may perform enhancements to its distribution system for purposes of improving system operating characteristics or for relieving system capacity constraints. In determining system enhancements to be performed on its distribution system, a distributor shall consider the following:

- (a) good utility practice;
- (b) improvement of the system to either meet or maintain required performance-based indices;
- (c) current levels of customer service and reliability and potential improvement from the enhancement; and
- (d) costs to customers associated with distribution reliability and potential improvement from the enhancement.

### **3.4 Relocation of Plant**

3.4.1 When requested to relocate distribution plant, a distributor shall exercise its rights and discharge its obligations in accordance with existing legislation such as the *Public Service Works on Highways Act*, regulations, formal agreements, easements and common law. In the absence of existing arrangements, a

distributor is not obligated to relocate the plant. However, the distributor shall resolve the issue in a fair and reasonable manner. Resolution in a fair and reasonable manner shall include a response to the requesting party that explains the feasibility or infeasibility of the relocation and a fair and reasonable charge for relocation based on cost recovery principles.

## APPENDIX B

The amendments set out below will be made to Appendix B of the Code.

In Appendix B.1, entitled “COMMON ELEMENTS OF THE DISCOUNTED CASH FLOW MODEL”, the following section will be added under the heading “Capital Costs”:

- (d) A per kilowatt enhancement cost estimate – the per kilowatt enhancement cost estimate shall be set annually and shall be based on a historical three to five - year rolling average of actual enhancement costs incurred in system expansions.
- (e) The amount of the connection charges referred to in section 3.1 of the Code.

### Specific Parameters/Assumptions

Specific parameters of the common elements include the following:

- (a) A maximum customer connection horizon of five (5) years, calculated from the energization date of the facilities.<sup>1</sup>

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<sup>1</sup> For customer connection periods of greater than 5 years an explanation of the extension of the period will be provided to the Board.

## **Attachment C - Proposed Amendments to the Distribution System Code (clean)**

### **1 GENERAL AND ADMINISTRATIVE PROVISIONS**

Section 1.7 of the Code will be amended by adding the following sentence to the end of the section:

The amendments to this Code made by the Board on [insert date of final amendments] will come into effect 180 days after that date. The amendments will only apply to expansions where the distributor's initial offer to connect the customer and build the expansion, as set out in sections 3.2.8 and 3.2.9, occurs on or after the date the amendments come into force.

### **3 CONNECTIONS AND EXPANSIONS**

The text set out below will replace the text currently in Chapter 3 of the Code.

#### **3.1 Connections**

- 3.1.1 In establishing its connection policy as specified in its Conditions of Service, and determining how to comply with its obligations under section 28 of the *Electricity Act*, a distributor may consider the following reasons to refuse to connect, or continue to connect, a customer:
- (a) contravention of the laws of Canada or the Province of Ontario including the Ontario Electrical Safety Code;
  - (b) violation of conditions in a distributor's licence;
  - (c) materially adverse effect on the reliability or safety of the distribution system;
  - (d) imposition of an unsafe worker situation beyond normal risks inherent in the operation of the distribution system;
  - (e) a material decrease in the efficiency of the distributor's distribution system;
  - (f) a materially adverse effect on the quality of distribution services received by an existing connection; and
  - (g) if the person requesting the connection owes the distributor money for distribution services, or for non-payment of a security deposit. The

distributor shall give the person a reasonable opportunity to provide the security deposit consistent with section 2.4.20.

- 3.1.2 A distributor shall ensure that all electrical connections to its system meet the distributor's design requirements, unless the electrical connections are separated by a protection device that has been approved by the distributor. If an electrical connection does not meet the distributor's design requirements, a distributor may refuse connection.
- 3.1.3 If a distributor refuses to connect a customer, the distributor shall inform the person requesting the connection of the reason(s) for not connecting and, where the distributor is able to provide a remedy, make an offer to connect. If the distributor is unable to provide a remedy to resolve the issue, it is the responsibility of the customer to do so before a connection may be made.
- 3.1.4 For residential customers, a distributor shall define a basic connection and recover the cost of the basic connection as part of its revenue requirement. The basic connection for each customer shall include, at a minimum:
- (a) supply and installation of overhead distribution transformation capacity or an equivalent credit for transformation equipment; and
  - (b) up to 30 meters of overhead conductor or an equivalent credit for underground services.
- 3.1.5 For non-residential customers, a distributor may define a basic connection by rate class and recover the cost of connection either as part of its revenue requirement, or through a basic connection charge to the customer.
- 3.1.6 All customer classes shall be subject to a variable connection charge to be calculated as the costs associated with the installation of connection assets above and beyond the basic connection. A distributor may recover this amount from a customer through a connection charge or equivalent payment.

## **3.2 Expansions**

- 3.2.1 If a distributor must construct new facilities to its main distribution system or increase the capacity of existing distribution system facilities in order to be able to connect a specific customer or group of customers, the distributor shall perform an initial economic evaluation based on estimated costs and forecasted revenues, as described in Appendix B, of the expansion project to

determine if the future revenue from the customer(s) will pay for the capital cost and on-going maintenance costs of the expansion project.

- 3.2.2 If the distributor's offer was an estimate, the distributor shall carry out a final economic evaluation once the facilities are energized. The final economic evaluation shall be based on forecasted revenues, actual costs incurred (including, but not limited to, the costs for the uncontestable work, and any transfer price paid by the distributor to the customer) and the methodology described in Appendix B.
- 3.2.3 If the distributor's offer was a firm offer, and if the alternative bid option was chosen and the facilities are transferred to the distributor, the distributor shall carry out a final economic evaluation once the facilities are energized. The final economic evaluation shall be based on the amounts used in the firm offer for costs and forecasted revenues, any transfer price paid by the distributor to the customer, and the methodology described in Appendix B.
- 3.2.4 The capital contribution that a distributor may charge a customer other than a generator or distributor to construct an expansion shall not exceed that customer's share of the difference between the present value of the projected capital costs and on-going maintenance costs for the facilities and the present value of the projected revenue for distribution services provided by those facilities. The methodology and inputs that a distributor shall use to calculate this amount are described in Appendix B.
- 3.2.5 The capital contribution that a distributor may charge a generator to construct an expansion to connect a generation facility to the distributor's distribution system shall not exceed the generator's share of the present value of the projected capital costs and on-going maintenance costs for the facilities. Projected revenue and avoided costs from the generation facility shall be assumed to be zero, unless otherwise determined by rates approved by the Board. The methodology and inputs that a distributor shall use to calculate this amount are described in Appendix B.
- 3.2.6 If a shortfall between the present value of the projected costs and revenues is calculated under section 3.2.1, the distributor may propose to collect all or a portion of that amount from the customer in the form of a capital contribution, in accordance with the distributor's documented policy on capital contributions by customer class.



- 3.2.7 If the capital contribution amount resulting from the final economic evaluation provided for in section 3.2.2 or 3.2.3 differs from the capital contribution amount resulting from the initial economic evaluation calculation, the distributor shall obtain from the customer, or credit the customer for, any difference between the two calculations.
- 3.2.8 If an expansion is needed in order for a distributor to connect a customer, the distributor shall make an initial offer to connect the customer and build the expansion. A distributor's initial offer shall include, at no cost to the customer:
- (a) a statement as to whether the offer is a firm offer or is an estimate of the costs that would be revised in the future to reflect actual costs incurred;
  - (b) a reference to the distributor's Conditions of Service and information on how the customer requesting the connection may obtain a copy of them;
  - (c) a statement as to whether a capital contribution will be required from the customer; and
  - (d) a statement as to whether an expansion deposit will be required from the customer and if the distributor will require an expansion deposit from the customer, the amount of the expansion deposit that the customer will have to provide.
- 3.2.9 If the distributor will require a customer to pay a capital contribution, the distributor must, in addition to complying with section 3.2.8, also include in its initial offer, at no cost to the customer:
- (a) the amount of the capital contribution that the customer will have to pay for the expansion;
  - (b) the calculation used to determine the amount of the capital contribution to be paid by the customer including all of the assumptions and inputs used to produce the economic evaluation as described in Appendix B;
  - (c) a statement as to whether the offer includes work for which the customer may obtain an alternative bid and, if so, the process by which the customer may obtain the alternative bid;
  - (d) a description of, and costs for, the contestable work and the uncontestable work associated with the expansion broken down into the following categories:
    - (i) labour (including design, engineering and construction);
    - (ii) materials;

- (iii) equipment; and
    - (iv) overhead (including administration);
  - (e) an amount for any additional costs that will occur as a result of the alternative bid option being chosen (including, but not limited to, inspection costs); and
  - (f) a description of, and the amount for, the connection charges referred to in section 3.1 that have been factored into the economic evaluation.
- 3.2.10 Once the customer has accepted the distributor's offer, and if the customer requests it, the distributor shall provide to the customer, at cost, an itemized list of the costs for the major items in each of the categories listed in section 3.2.9(d) and shall be done in the following manner:
- (a) if the customer has not chosen to pursue an alternative bid, the distributor shall provide the itemized list for all of the work; or
  - (b) if the customer has chosen to pursue the alternative bid option, the distributor shall only be required to provide the itemized list for the uncontestable work.
- 3.2.11 If the customer submits revised plans or requires additional design work, the distributor may provide, at cost, a new offer based on the revised plans or the additional design work.
- 3.2.12 The distributor shall provide the customer with the calculation used to determine the final capital contribution amount including all of the assumptions and inputs used to produce the final economic evaluation as provided for in sections 3.2.2 and 3.2.3. The distributor shall provide the final economic evaluation and final capital contribution amount to the customer at no cost to the customer.
- 3.2.13 The last sentence of section 3.2.12 does not apply to a customer who is a generator or is proposing to become a generator unless the customer's proposed or existing generation facility is an emergency backup generation facility.
- 3.2.14 Where the distributor requires a capital contribution from the customer, the distributor shall allow the customer to obtain and use alternative bids for the

contestable work. The distributor shall require the customer to use a qualified contractor for the contestable work.

3.2.15 The following work shall be uncontestable:

- (a) the preliminary planning, design and engineering specifications of the work required for the distribution system expansion and connection (specifications shall be made in accordance with the distributor's design and technical standards and specifications); and
- (b) work involving existing distributor assets.

3.2.16 If a customer chooses to pursue an alternative bid and uses the services of a qualified contractor for the contestable work, the distributor shall:

- (a) require the customer to complete all of the contestable work;
- (b) require the customer to:
  - (i) select and hire the contractor;
  - (ii) pay the contractor's costs for the contestable work; and
  - (iii) assume full responsibility for the construction of that aspect of the expansion;
- (c) require the customer to be responsible for administering the contract (including the acquisition of all required permissions, permits and easements) or have the customer pay the distributor to do this activity;
- (d) require the customer to ensure that the contestable work is done in accordance with the distributor's design and technical standards and specifications; and
- (e) inspect and approve, at cost, all aspects of the constructed facilities as part of a system commissioning activity, prior to connecting the constructed facilities to the existing distribution system.

3.2.17 In addition to the capital contribution amounts in sections 3.2.4 and 3.2.5, the distributor may also charge a customer that chooses to pursue an alternative bid any costs incurred by the distributor associated with the expansion including, but not limited to, the following:

- (a) costs for additional design, engineering, or installation of facilities required to complete the project;
- (b) costs for administering the contract between the customer and the contractor hired by the customer if the distributor is asked to do so by the customer; and
- (c) costs for inspection or approval of the work performed by the contractor hired by the customer.

When the customer transfers the expansion facilities to the distributor in accordance with section 3.2.18 and 3.2.19, the charges referred to above shall be included as part of the customer's costs for the purposes of determining the transfer price.

- 3.2.18 When the customer transfers the expansion facilities that were constructed under the alternative bid option to the distributor, and provided that the distributor has inspected and approved the constructed facilities, the distributor shall pay the customer a transfer price. The transfer price shall be the lower of the cost to the customer to construct the expansion facilities or the amount set out in the distributor's initial offer to do the contestable work. If the customer does not provide the distributor with the customer's cost information in a timely manner, then the distributor may use the amount for the contestable work as set out in its initial offer for the transfer price instead of the customer's cost.
- 3.2.19 Where a distributor is required to pay a transfer price under section 3.2.18, the transfer price shall be considered a cost to the distributor for the purposes of completing the final economic evaluation.
- 3.2.20 A distributor may require the customer to provide an expansion deposit for up to 100% of the present value of the forecasted revenues as described in Appendix B.
- 3.2.21 The expansion deposit referred to in 3.2.20 shall be collected to cover both the forecast risk (the risk associated with whether the projected revenue for the expansion will materialize as forecasted) and the asset risk (the risk associated with ensuring that the expansion is constructed, that it is completed to the proper design and technical standards and specifications, and that the facilities operate properly when energized) related to the expansion.
- 3.2.22 If the alternative bid option was chosen, a distributor shall be allowed to retain and use the expansion deposit to cover the distributor's costs if the distributor

must complete, repair, or bring up to standard the facilities. Complete, repair, or bring up to standard includes costs the distributor incurs to ensure that the expansion is completed to the proper design and technical standards and specifications, and that the facilities operate properly when energized.

3.2.23 Once the facilities are energized and subject to sections 3.2.22 and 3.2.24, the distributor shall annually return the percentage of the expansion deposit in proportion to the actual connections (for residential developments) or actual demand (for commercial and industrial developments) that materialized in that year (i.e., if twenty percent of the forecasted connections or demand materialized in that year, then the distributor shall return to the customer twenty percent of the expansion deposit). This annual calculation shall only be done for the duration of the customer connection horizon as defined in Appendix B. If at the end of the customer connection horizon the forecasted connections (for residential developments) or forecasted demand (for commercial and industrial developments) have not materialized, the distributor shall be allowed to retain the remaining portion of the expansion deposit.

3.2.24 If the alternative bid option was chosen, the distributor may retain up to ten percent of the expansion deposit for a warranty period of up to two years. This portion of the expansion deposit can be applied to any work required to repair the expansion facilities within the two year warranty period. The two year warranty period begins:

- (a) when the last forecasted connection in the expansion project materializes (for residential developments) or the last forecasted demand materializes (for commercial and industrial developments); or
- (b) at the end of the customer connection horizon,

whichever is first. The distributor shall return any remaining portion of this part of the expansion deposit at the end of the two year warranty period.

3.2.25 Any expansion deposit required under section 3.2.20 shall be in the form of cash, letter of credit from a bank as defined in the *Bank Act*, or surety bond. The distributor shall allow the customer to select the form of the expansion deposit.

3.2.26 Where any expansion deposit is in the form of cash, the distributor shall return the expansion deposit to the customer together with interest in accordance with the following conditions:

- (a) interest shall accrue monthly on the expansion deposit commencing on receipt of the total deposit required by the distributor; and
- (b) the interest rate shall be at the Prime Business Rate set by the Bank of Canada less 2 percent.

3.2.27 Unforecasted customers that connect to the distribution system during the customer connection horizon as defined in Appendix B will benefit from the earlier expansion and should contribute their share. In such an event, the initial contributors shall be entitled to a rebate from the distributor. A distributor shall collect from the unforecasted customers an amount equal to the rebate the distributor shall pay to the initial contributors. The amount of the rebate shall be determined as follows:

- (a) for a period of up to the customer connection horizon as defined in Appendix B, the initial contributor shall be entitled to a rebate without interest, based on apportioned benefit for the remaining period; and
- (b) the apportioned benefit shall be determined by considering such factors as the relative load level and the relative line length (in proportion to the line length being shared by both parties).

3.2.28 A distributor shall prepare all estimates and offers required by section 3.2 in accordance with good utility practice and industry standards.

3.2.29 The distributor shall perform all of its responsibilities and obligations under section 3.2 in a timely manner.

### **3.3 Enhancements**

3.3.1 A distributor shall continue to plan and build the distribution system for reasonable forecast load growth. A distributor may perform enhancements to its distribution system for purposes of improving system operating characteristics or for relieving system capacity constraints. In determining system enhancements to be performed on its distribution system, a distributor shall consider the following:

- (a) good utility practice;
- (b) improvement of the system to either meet or maintain required performance-based indices;

- (c) current levels of customer service and reliability and potential improvement from the enhancement; and
- (d) costs to customers associated with distribution reliability and potential improvement from the enhancement.

### **3.4 Relocation of Plant**

- 3.4.1 When requested to relocate distribution plant, a distributor shall exercise its rights and discharge its obligations in accordance with existing legislation such as the *Public Service Works on Highways Act*, regulations, formal agreements, easements and common law. In the absence of existing arrangements, a distributor is not obligated to relocate the plant. However, the distributor shall resolve the issue in a fair and reasonable manner. Resolution in a fair and reasonable manner shall include a response to the requesting party that explains the feasibility or infeasibility of the relocation and a fair and reasonable charge for relocation based on cost recovery principles.

## **APPENDIX B**

The amendments set out below will be made to Appendix B of the Code.

In Appendix B.1, entitled "COMMON ELEMENTS OF THE DISCOUNTED CASH FLOW MODEL", the following section will be added under the heading "Capital Costs":

- (d) A per kilowatt enhancement cost estimate – the per kilowatt enhancement cost estimate shall be set annually and shall be based on a historical three to five year rolling average of actual enhancement costs incurred in system expansions.
- (e) The amount of the connection charges referred to in section 3.1 of the Code.

### **Specific Parameters/Assumptions**

Specific parameters of the common elements include the following:

- (a) A maximum customer connection horizon of five (5) years, calculated from the energization date of the facilities.<sup>1</sup>

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<sup>1</sup> For customer connection periods of greater than 5 years an explanation of the extension of the period will be provided to the Board.