October 23, 2017

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario M4P 1E4

Re: Notice of Proposal to Amend A Code (TSC/DSC) to Facilitate Regional Planning – Board File No. EB-2016-0003

Dear Ms. Walli:

Cornerstone Hydro Electric Concepts Inc. (CHEC), is an association of fifteen (15) local distribution companies (LDC's) that have been working collaboratively since 2000.

Pursuant to the OEB's letter dated September 21, 2017, this letter constitutes CHEC's comments with respect to the Board's invitation to comment on the "Proposed Amendments to the Transmission System Code and the Distribution System Code to Facilitate Regional Planning". This submission addresses the several amendments outlined in the letter and related attachments, and follows the same format (see Attachment A).

We trust these comments and views are beneficial to the Board's initiative. CHEC looks forward to continuing to work with the Board in this matter.

Yours truly,

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ATTACHEMENT A

CHEC's comments on the proposed amendments are as follows:

SECTION 1 – Approaches to "Apportion" Transmission Connection Investment Costs to the Network Pool:

TSC Section 6.18A and Section 6.18B – Comments on "Beneficiary Pays Model" versus the proposed "Proportional Benefit Model".

CHEC is supportive of the "Proportional Benefit Model" as advocated in the amendment document with one caveat. As the proposal points out, there will be an incentive on behalf of both the load and the transmitter to shift as much of the costs as possible to the network charge. A full and transparent process as well as a knowledgeable and resourced party will be needed to represent the network consumer and protect their interests. Perhaps this can be part of the role of the "Consumer Advocate" that the OEB was thinking of funding.

SECTION 2 – Approaches to "Apportion" Upstream Transmission Connection Investment Costs:

DSC Section 3.2.4 – Embedded distributors are no longer exempt from providing a capital contribution when it comes to upstream investment costs.

For this amendment, a host distributor should not be permitted to impose a capital contribution on an embedded distributor for an upstream investment unless the embedded distributor has been involved in the planning process and has the opportunity to consent to the investment. This can be handled through regional planning and other coordination of needs and plans.

DSC Section 3.2.4A – Large Load Customers (3 MW or higher) are no longer exempt from providing a capital contribution when it comes to upstream investment costs.

Same a 3.2.4 above. For this amendment, a host distributor should not be permitted to impose a capital contribution on an large load customer for an upstream investment unless the customer has been involved in the planning process and has the opportunity to consent to the investment.

SECTION 3 – Approaches to "Apportion" Costs for End-of-Life Connection Replacements and Multi-Distributor Regional Solutions:

TSC Section 6.7.2 – Payment options for End-of-Life transmission assets are 1) incremental capital contribution for asset upgrades, 2) no capital contribution for same or lower capacity assets. Also requires consultation with a transmitter's customers (both distributors and commercial customers).

This amendment should note that if a customer requests a same capacity asset and a lower capacity asset is installed then, if an upgrade is subsequently required back to the initial capacity, the customer should not be charged.

DSC Section 3.1.17 – Payment options for End-of-Life distribution assets are aligned with TSC Section 6.7.2 (same payment options). Distributors must also consult with large customers (3 MW and above).

Same as above. This amendment should note that if a customer requests a same capacity asset and a lower capacity asset is installed then, if an upgrade is subsequently required back to the initial capacity, the customer should not be charged.

DSC Section 3.1.18 – LDC Feeder Transfer option encourages distributors to connect to another distributor that has excess capacity to avoid higher upstream costs.

For this amendment, someone would need to represent the network consumer to ensure a fair and equitable solution for all parties involved. Perhaps, this could be a role for the "consumer advocate" as proposed in the OEB's consumer engagement framework?

The LDC Feeder Transfer does appear to be very similar to a "load transfer" and as such is there instances where a transfer of customers may be more appropriate than the LDC Feeder Transfer option.

SECTION 4 – Facilitating Regional Plan Implementation and Mitigating Electricity Bill Impacts:

TSC Section 6.3.19 – Adds three options for distributor capital contributions, namely 1) annual installments, 2) advanced funding (through economic evaluation), and 3) rate adder.

This appears to be a solution to a problem that does not necessarily exist. Specific comments on each of the payment options are as follows:

1) Annual Installment Option – Annual installments are really about having the transmitter finance the capital instead of the distributor. The obligation to pay the

full capital cost would still be on the balance sheet of the distributor so this offers no benefit to the distributor.

2) Upstream Capacity Payment – The Upstream Capacity Payment option is unfair to customers as some would pay and other, older customers, would not. It is also based on a future scenario that may not happen. It is better to have all customers pay but not until the investment is made.
3) Upstream Connection Adder – The Upstream Connection Adder option has timing problems. Customers are paying before they are benefiting from any service. What if they move. Again, it is better to have all customers pay but not until the investment is made.

If the upstream investment is good for customers, they should not mind paying for it. The best rate mitigation is proper planning of the investment in conjunction with other capital investments.

DSC Appendix B – Economic Evaluations are modified to accommodate the "Advanced Funding" option above.

CHEC is not supportive of the Advanced Funding Options, therefore there should be no impact to the Economic Evaluation model.

SECTION 5 – Addressing Inconsistencies and Gaps:

DSC Sections 3.1.5, 3.2.4, 3.2.5, 3.2.20, and 3.2.24 – Are revised to replace "may" with "shall" to ensure the DSC is consistent with the TSC in respect to cost responsibility.

CHEC sees no issues with these proposed amendments.

DSC Sections 3.2.23, 3.2.24 and 3.2.27 – Increases the timeframe to 15 years, subject to a materiality threshold of 3 MW, for capital contribution refunds. Customers under 3 MW remain at 5 years.

CHEC sees no issues with these proposed amendments.

DSC Section 3.2.20 and 3.2.24 – For economic evaluations, expansion deposits are required except when a capital contribution is not required.

CHEC sees no issues with these proposed amendments.

TSC Section 6.3.16 – Is amended to bring it in alignment with DSC Section 3.2.27 and the "beneficiary pays" principle.

CHEC sees no issues with these proposed amendments.

DSC Section 3.1.19 – Is added to apportion costs to customers on a pro-rata basis for new or modified distributor owned assets.

CHEC sees no issues with these proposed amendments.

DSC Section 3.2.27 – Is amended to add "non-coincident peak demand" to clarify it is peak load that drives the need and size of the investment.

CHEC sees no issues with these proposed amendments.

DSC Section 3.5.1 and 3.5.3 – Are added to identify the circumstances where bypass compensation should be required.

As an alternative to bypass compensation, CHEC would propose dealing with this issue by looking at more finely tuned rate classes based on the type of equipment installed. CHEC proposed this to the OEB as part of the GS<50 rate proposals in the CI Rate Design initiative.

Further there is some question as to whether bypass compensation is required. Where assets are old their book value would be approaching zero and if they are new the customer may well have made a capital contribution for the construction. Hence is there a need or will the particulars of each case moving forward define the value of any bypass compensation to be minimal.

DSC Section 3.5.2 – Is added to specify circumstances under which the customer can avoid bypass compensation.

3.5.2 (b) is confusing. A change in load, regardless of the reason, is not a circumstance for bypass compensation.

DSC Section 3.1.20 – Is added to clarify the customers responsibility for payment when relocating assets at the customer's request.

CHEC sees no issues with these proposed amendments.

DSC Section 3.1.21 – Is added to clarify the customer does not pay when they do not request the relocation of assets.

CHEC sees no issues with these proposed amendments.

TSC Sections 6.7.5 to 6.7.11 – Are moved to Sections 11.4 to 11.10 for the purposes of bypass compensation.

CHEC sees no issues with these proposed amendments.

Definition of "Customer" – Is revised in the DSC to be more consistent with the TSC.

CHEC sees no issues with these proposed amendments.

More Optimal Solution – A distributor or transmitter would have to justify any proposed investment that deviates from the optimal solution as part of a rate application or Leave to Construct application.

CHEC agrees that the distributor or transmitter would need to justify any proposed investment that deviates from the optimal solution identified in the regional infrastructure plan as part of a rate or Leave to Construct application.