

OCC-10

Company: Direct Energy Services, LLC
Santa Buckley Energy
Houston Energy Services Company

Witnesses: H. Edwin Overcast
Timothy K. Costello
Joseph Cartwright

Docket No.: 05-05-10

Page 1 of 1

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OCC-10Q. Distinguish between "adequate protection" and the primary firm capacity that the Department currently requires for firm customers.

OCC-10A. The LDC, regardless of the status of the SOLR obligation, is the most reasonable entity to plan for the design day capacity requirements of the system. However, this does not imply that the utility must hold 100 percent primary firm capacity for the design day because this may not be the most cost effective capacity plan. For example, LNG peaking facilities may be more cost effective than pipeline capacity. For the portion of the design day served by pipeline supplies, primary firm capacity must be maintained to assure system reliability. However, the utility should also recognize that the release of this capacity to serve competitive customers is consistent with effective competition. By releasing capacity to marketers, system reliability need not be compromised and needless cost duplication is avoided. There are no stranded costs for this capacity because the capacity is released to marketers at the full rate. The DPUC continues to regulate the LDC related to its prudence regarding design day capacity requirements and the mix of assets to serve those requirements.

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