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January 29, 2024

NOTICE OF PROPOSAL TO AMEND A CODE

**PROPOSED AMENDMENTS TO THE DISTRIBUTION SYSTEM CODE TO ENABLE
FLEXIBLE HOSTING CAPACITY ARRANGEMENTS**

BOARD FILE NO.: EB-2019-0207

**To: All Licensed Electricity Distributors
All Licensed Electricity Generators
All Licensed Electricity Storage Companies
All Participants in Consultation Process EB-2019-0207
All Other Interested Parties**

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

The primary amendment being proposed is to enable electricity distributors to offer **flexible hosting capacity arrangements**. These arrangements will allow an electricity distributor to connect distributed energy resources (DERs) that may, in aggregate, exceed feeder and/or substation technical capacity limits on the distributor's distribution system where the distributor has the technical capability to do so. These arrangements will support providing options for consumers by facilitating greater DER adoption and will improve utilization of the distribution system that can reduce costs for new system investments.

The other proposed DSC amendments are "housekeeping amendments".

A. Background

Flexible Hosting Capacity Arrangements

On August 13, 2019, the OEB issued a letter initiating a policy consultation to review its requirements regarding the connection of DERs (DER Connections Review). The purpose of the DER Connections Review has been to identify and address barriers to the connection of DERs through, where appropriate, standardization and improvement of the connection process.

As part of the DER Connections Review initiative,¹ the OEB established a Working Group comprised of various stakeholders.² Recommendations from the Working Group have formed the basis of many DSC amendments that have provided further clarity and consistency in the process for connecting a DER. The Working Group has recently provided suggestions to the OEB regarding further DSC amendments to enable flexible hosting capacity arrangements to create opportunities to connect DERs on constrained feeders. Materials related to the Working Group, including presentations and meeting notes, are available on the OEB's [Engage with Us](#) project website.

Currently, a distributor allocates capacity on the distribution system for DER connections in accordance with its capacity allocation process. Section 6.4.2.1 of the DSC sets out the requirements to be met by that process. Since October 1, 2022, distributors have been required to include in their generation connection information packages a list of restricted feeders that cannot accommodate new generation facility connections. The restriction on connecting new DERs is due to either thermal or short circuit constraints. In certain distributors' service areas, the list of restricted feeders is growing. Potential DER applicants can only move forward with their connections on these feeders after significant system upgrades to create additional capacity.

In the course of its work on connection issues on constrained feeders, the Working Group noted that existing DERs may not be generating at full capacity all the time, or often enough, to make effective use of the distribution capacity already allocated. The OEB understands that although some DERs may be operating very few times in a year, the capacity allocated to that customer on the distribution system remains allocated throughout the year.

After conducting research and engaging in discussions on multiple approaches, the Working Group recommended that distributors explore flexible hosting capacity arrangements using enabling technologies such as DER management systems (DERMs). Distributors may then offer this option to prospective DER customers when the entire requested capacity is not available in the normal capacity allocation process, and when it is cost effective and feasible to proceed. Under a flexible hosting arrangement, the proposed DER's output or operation can be varied according to system operating conditions as agreed to by the distributor and DER customer. This arrangement will enable distributors to optimize the capacity available on the distribution system and support greater DER adoption, through greater use of technologies such as DERMs that have been deployed by distributors to manage the system operations.

The Working Group advised OEB staff of the potential complexity of these arrangements and suggested that they would require more analysis and discussion

¹ EB-2019-0207, OEB [Letter](#), August 13, 2019.

² DER Connections Review Working Group members include DER providers, electricity distributors, electric vehicle charging providers, government agencies, industry associations and non-for-profit groups.

between the distributor and DER customer. Given these considerations, it suggested the need for connection timeline exemptions to allow sufficient time for assessment and implementation of a flexible capacity arrangement to ensure minimal impact on the distribution system and existing customers.

The OEB has considered the Working Group's recommendations, and the OEB believes that the amendments proposed in this Notice will enable more DER connections and more effective management of capacity on distribution feeders. The OEB also agrees that some changes to the connection timelines in the DSC are warranted.

To support the implementation of these changes, it is recommended that distributors inform prospective DER customers, on the DER connection section of their websites, if they offer flexible hosting capacity arrangements and if so, advise them to discuss this option with their distributor.

The OEB appreciates the efforts of the members of the Working Group, its DER Connections Subgroup and DER Capacity Sharing Small Group in developing the recommendation.

Amendments Incidental to March 7, 2023 DSC Amendments

On March 7, 2023, the OEB made certain amendments to the DSC that included the elimination of "capacity allocation deposit" requirements. Those amendments came into force on June 7, 2023. The OEB is proposing several minor amendments to remove other references to capacity allocation deposits in the DSC.

B. Proposed amendments to the DSC

This section details the proposed amendments to the DSC, including the OEB's rationale for the changes. Appendix A to this Notice contains the proposed amendments showing both additions (underlined) and deletions (strikethrough text). Appendix B contains a clean version of the subject portions of the DSC as they would appear if the proposed amendments are adopted.

Enabling flexible hosting capacity arrangements

With this Notice, the OEB proposes to add a new section 6.2.4.1A to the DSC, enabling flexible hosting capacity arrangements. The provision of flexible hosting capacity arrangements is not mandatory for distributors at this time.

The proposed section 6.2.4.1A will also give distributors and DER applicants sufficient time to establish connection requirements and terms and conditions to ensure there is minimal impact to the distribution system and existing customers, through exemptions from the following timeline requirements:

- Connection impact assessment (CIA) requirements under sections 6.2.12 and 6.2.13
- Capacity allocation timeline or CIA validation timeline requirements under section 6.2.4.1(e)(i)
- Requirements related to the optional detailed cost estimate for mid-sized and large DERs under sections 6.2.16 and 6.2.17.

Section 6.2.4.1A will also require distributors to clearly outline all operating terms and conditions that will require the DER output or the operation of the DER to be varied in Schedule D of the connection agreement set out in DSC Appendix E.

In proposing these amendments, the OEB is guided by its objectives as set out in section 1 of the Act. The OEB believes that the proposed amendments will facilitate innovation in the electricity sector, support increased distribution system capacity optimization and cost effectiveness in distribution, and assist in accommodating additional DER facilities. The OEB also expects that these amendments will provide customers with greater opportunities to take advantage of DERs.

Housekeeping amendments

In March 2023, the OEB amended various DSC sections to eliminate capacity allocation deposit requirements and established provisions regarding the return of such deposits. The OEB maintained the refund requirement under section 6.2.18H and revised this section in the June 2023 DSC to clarify the inclusion of interest in the refund and to establish a new refund timeline: the earlier of 30 calendar days after the applicant receives the distributor's permission to operate or December 4, 2023. The OEB believes distributors have had sufficient time to execute the refund process and proposes to amend the DSC to eliminate the capacity allocation deposit requirements and references entirely, including revoking section 6.2.18H, amending section 6.2.4.1(f), and revoking section 6.2A.4(i)(ii).

C. Anticipated Costs and Benefits

The OEB is of the view that the flexible hosting capacity arrangement will benefit prospective DER proponents as well as distributors. The arrangement will allow more DER connections that are not normally possible within the feeder and/or substation technical capacity limits of the distributor's distribution system and will help distributors manage capacity on the distribution system effectively. To prepare the distribution system for the flexible hosting capacity arrangement, a distributor will likely have to incur some additional costs to conduct any required in-depth assessments, including cost-benefit analyses, and carry out potential system changes. The OEB believes the benefits from greater DER integration and optimization of distribution system capacity through flexible capacity arrangements will outweigh any costs required for the development and implementation of such arrangements.

D. Coming into Force

The OEB proposes that the amendments to the DSC, as set out in Appendix A, will come into force on the date that the final Code amendments are published on the OEB's website.

E. Invitation to Comment

The OEB invites comments from any interested stakeholder on the proposed amendments. Anyone interested in providing written comments on the proposed DSC amendments in Appendix A are invited to submit them to the Registrar by 4:45 p.m. on **February 13, 2024**.

Instructions for Submitting Comments

Stakeholders are responsible for ensuring that any documents they file with the OEB **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number, **EB-2019-0207** for all materials filed and submit them in a searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming convention and documentation submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found on the [Filing Systems page](#) of the OEB's website.
- Stakeholders are encouraged to use RESS. Those who have not yet [setup an account](#) or require assistance using the online filing portal should contact registrar@oeb.ca for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the OEB's website for more information on how to [File documents online](#). All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

This Notice, including the proposed DSC amendments in Appendix A, and all related written comments received by the OEB will be available for public viewing on the OEB's [DER Connections Review Engage with Us](#) website.

F. Cost Awards

Cost awards will be available under section 30 of the Act to those who are eligible to receive them in relation to written comments provided on the proposed DSC amendments in this Notice. Any participant previously found eligible for an award of costs in either **EB-2019-0207** (the DER Connections Review) or **EB-2021-0117**

(Amendments to the DSC to facilitate DER connections) is determined to be eligible for an award of costs in relation to comments on these proposed DSC amendments.

Costs will be recovered from all rate-regulated licensed electricity distributors apportioned based on respective customer numbers.

Appendix C contains important information regarding cost awards for this Notice and comment process, including in relation to eligibility requests and objections. The deadlines for filing cost eligibility requests and objections will be strictly enforced to facilitate a timely decision on cost eligibility.

If you have any questions regarding the proposed amendments to the Code described in this Notice, please contact IndustryRelations@oeb.ca. The OEB's toll-free number is 1-888-632-6273.

DATED at Toronto, January 29, 2024

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar

Attachments:

Appendix A - Proposed Amendments to the Distribution System Code – Comparison Version to the Current Code

Appendix B - Proposed Amendments to the Distribution System Code-Clean Version

Appendix C - Cost Awards

Appendix A
to
Notice of Proposed Amendments to the Distribution System Code
January 29, 2024
EB-2019-0207

Proposed Amendments to the Distribution System Code -
Comparison Version to the Current Code

Note: Black underlined text indicates additions to the Distribution System Code and strikethrough text indicates deletions from the Code. Numbered titles are for convenience of reference only.

Where only a portion of a section of the Code is shown below, the balance of the section remains unchanged.

6.2 Responsibilities to Generators

6.2.4.1 Subject to section 6.2.4.2, a distributor shall establish and maintain a capacity allocation process under which the distributor will process applications for the connection of embedded generation facilities. The capacity allocation process shall meet the following requirements:

...

(f) If any applicant has its capacity allocation removed in accordance with paragraph (e), ~~the amount of any capacity allocation deposit and or additional capacity allocation deposit paid pursuant to the connection cost agreement requirements in section 6.2.18 shall be forfeited by the applicant and retained by the distributor in a deferral account for disposition by the Board.~~ The amount of any unspent connection cost deposit shall be returned to the applicant in accordance with the requirements of section 6.2.18 G.

...

6.2.4.1A In the event that capacity cannot be allocated to the applicant of a proposed embedded generation facility in accordance with section 6.2.4.1 (b), a distributor may offer a flexible hosting capacity arrangement to the applicant. Under a flexible hosting capacity arrangement, the distributor may establish specific system or operating conditions and/or contractual terms that will require the output or operation of the proposed embedded generation facility to be varied. The distributor shall provide an applicant proposing to connect a generation facility under this arrangement with its assessment, a cost estimate of the proposed connection and an offer to connect as soon as possible. Sections 6.2.4.1(e)(i), 6.2.12, 6.2.13, 6.2.16 and 6.2.17 of the connection process do not apply where a flexible hosting capacity arrangement is being considered for a proposed embedded generation facility.

- a) When a distributor and the applicant of a proposed embedded generation facility enter into a flexible hosting capacity arrangement, the distributor shall clearly outline in Schedule D of the connection agreement set out in Appendix E for that size of generation facility all system or operating conditions and/or contractual terms that will require the output or operation of the embedded generation facility to be varied.

...

~~6.2.18H The distributor shall refund to the applicant the amount of any capacity allocation deposit or additional capacity allocation deposit, including interest as calculated according to section 6.2.18I, provided by the applicant to the distributor no later than the earlier of 30 calendar days after the applicant receives the distributor's permission to operate or December 4, 2023. [Revoked by amendment, effective [DATE]]~~

6.2A Connection Process for Distributor-owned Generation Facilities

6.2A.4 The following shall apply in relation to the connection of a generation facility that will be owned by the distributor to whose distribution system the generation facility will be connected.

...

- (i) In lieu of section 6.2.18, the following shall apply:
- i) the distributor shall ensure that all of the requirements that must be included in a connection cost agreement as set out in section 6.2.18, other than in section 6.2.18 (g), as well as all other applicable requirements contained in the distributor's standard connection cost agreement applicable to the type and size of its generation facility are met by or in relation to its generation facility; ~~and~~
 - ii) ~~for the purposes of paragraph (i), the timelines expressed in section 6.2.18(c) by reference to the execution of a connection cost agreement shall instead be calculated by reference to the date that is 150 days from the date of deemed receipt of the application to connect, determined in accordance with section 6.2A.3(e); [Revoked by amendment, effective [DATE]]~~

Appendix B
to
Notice of Proposed Amendments to the Distribution System Code
January 29, 2024
EB-2019-0207

Proposed Amendments to the Distribution System Code – Clean Version

Note: The wording of this appendix presents the text of the sections of the DSC that have been amended, as they will appear once the amendments come into force. Numbered titles are for convenience of reference only.

Where only a portion of a section of the Code is shown below, the balance of the section remains unchanged.

6.2 Responsibilities to Generators

6.2.4.1 Subject to section 6.2.4.2, a distributor shall establish and maintain a capacity allocation process under which the distributor will process applications for the connection of embedded generation facilities. The capacity allocation process shall meet the following requirements:

...

(f) If any applicant has its capacity allocation removed in accordance with paragraph (e), the amount of any unspent connection cost deposit shall be returned to the applicant in accordance with the requirements of section 6.2.18 G.

...

6.2.4.1A In the event that capacity cannot be allocated to the applicant of a proposed embedded generation facility in accordance with section 6.2.4.1 (b), a distributor may offer a flexible hosting capacity arrangement to the applicant. Under a flexible hosting capacity arrangement, the distributor may establish specific system or operating conditions and/or contractual terms that will require the output or operation of the proposed embedded generation facility to be varied. The distributor shall provide an applicant proposing to connect a generation facility under this arrangement with its assessment, a cost estimate of the proposed connection and an offer to connect as soon as possible. Sections 6.2.4.1(e)(i), 6.2.12, 6.2.13, 6.2.16 and 6.2.17 of the connection process do not apply where a flexible hosting capacity arrangement is being considered for a proposed embedded generation facility.

a) When a distributor and the applicant of a proposed embedded generation facility enter into a flexible hosting capacity arrangement, the distributor shall clearly

outline in Schedule D of the connection agreement set out in Appendix E for that size of generation facility all system or operating conditions and/or contractual terms that will require the output or operation of the embedded generation facility to be varied.

...

6.2.18H [Revoked by amendment, effective [DATE]]

...

6.2A Connection Process for Distributor-owned Generation Facilities

6.2A.4 The following shall apply in relation to the connection of a generation facility that will be owned by the distributor to whose distribution system the generation facility will be connected:

...

(i) In lieu of section 6.2.18, the following shall apply:

i) the distributor shall ensure that all of the requirements that must be included in a connection cost agreement as set out in section 6.2.18, other than in section 6.2.18 (g), as well as all other applicable requirements contained in the distributor's standard connection cost agreement applicable to the type and size of its generation facility are met by or in relation to its generation facility;

ii) [Revoked by amendment, effective [DATE]]

...

Appendix C
to
Notice of Proposed Amendments to the Distribution System Code
January 29, 2024
EB-2019-0207
Cost Awards

Cost Award Eligibility

The OEB will determine eligibility for cost awards in accordance with its Practice Direction on Cost Awards. Any participant in this process intending to request cost awards (and that has not already been determined eligible for cost awards in the OEB's EB-2019-0207 Decisions issued on September 10, 13, or 23, 2019 or on January 13, 2020 or EB-2021-0117 Decision issued on September 3, 2021) must file a written submission with the OEB by **February 6, 2024**, identifying the nature of their interest in this process and the grounds on which they are eligible for cost awards (addressing the OEB's cost eligibility criteria in section 3 of the OEB's Practice Direction on Cost Awards). An explanation of any other funding to which the participant has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known. All requests for cost eligibility will be posted on the OEB website.

Licensed electricity distributors will be provided with an opportunity to object to any of the requests for cost award eligibility. If an electricity distributor has any objections to any of the cost eligibility requests, those objections must be filed with the OEB by **February 9, 2024**. Any objections will be posted on the OEB website. The OEB will then make a final determination on the cost eligibility of the requesting participants.

Eligible Activities

Cost awards will be available in relation to providing comments on the proposed DSC amendment in Appendix A, to a maximum of 6 hours.

Cost Awards

The OEB will apply the principles in section 5 of its Practice Direction on Cost Awards, when determining the amount of the cost awards. The maximum hourly rates in the OEB's Cost Awards Tariff will also be applied. The OEB expects that groups representing the same interests or same type of participant will make every effort to communicate and co-ordinate their participation in this process. Cost awards are made available on a per eligible participant basis, regardless of the number of professional advisors that an eligible participant may wish to retain.

The OEB will use the process in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards; i.e., the OEB will act as a clearing house for all cost award payments in this process. For more information on this process, please see the OEB's Practice Direction on Cost Awards and the October 27, 2005 letter regarding the rationale for the OEB acting as a clearing house for the cost award payments. These documents can be found on the OEB website at www.oeb.ca on the "Rules, Codes, Procedures & Forms" webpage.