



Ontario  
Energy  
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de l'Ontario

**BY EMAIL AND WEB POSTING**

March 27, 2024

**NOTICE OF AMENDMENTS TO THE DISTRIBUTION SYSTEM CODE**

**AMENDMENTS 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**

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

The primary amendment will 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 system where the distributor has the technical ability to do so. These arrangements will support consumer choice by facilitating greater DER adoption and will improve utilization of the distribution system that can delay or reduce costs for new system investments. The other DSC changes are "housekeeping amendments."

These amendments will come into force on March 27, 2024.

**A. Background**

On January 29, 2024, the OEB issued a [Notice of Proposal to Amend the Distribution System Code](#) (January Notice) in which it proposed a new section 6.2.4.1A that would permit licensed electricity distributors to provide flexible hosting capacity arrangements.

Section 6.2.4.1A provides 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 also requires 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, as set out in DSC Appendix E. This requirement will help ensure clarity and transparency during the connection process.

To support the implementation of these changes, the OEB recommends that distributors inform prospective DER customers, in the DER connection sections of their websites, as to whether they offer flexible hosting capacity arrangements and if so, advise customers to discuss this option with their distributor.

The OEB also proposed “housekeeping amendments” to the DSC that would eliminate the remaining capacity allocation deposit requirements and references in the DSC, including revoking section 6.2.18H, amending section 6.2.4.1(f), and revoking section 6.2A.4(i)(ii). The OEB suggested that those requirements and references were no longer necessary, since distributors received sufficient time to comply with the March 2023 DSC amendments that eliminated capacity allocation deposit requirements and established provisions regarding the return of such deposits.

The OEB received five (5) written comments in response to the January Notice, all of which are posted on the OEB’s [Engage With Us](#) website.

Having considered the submissions, the OEB is now making amendments to the DSC as set out in the January Notice, with a small number of non-material changes as shown in Appendix B, a comparison document that shows changes relative to what was provided with the January Notice. The final amendments are set out in Appendix A (final text for DSC) of this Notice.

In implementing these amendments, the OEB is guided by its objectives as set out in section 1 of the Act. The OEB believes that the 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.

The OEB appreciates the ongoing and collaborative efforts of the DER Connections Review Working Group (Working Group), its DER Connections Subgroup, and the DER Capacity Sharing Small Group.

## **B. Stakeholder Comments**

The stakeholder comments generally supported the proposed amendments identified in the January Notice and recommended a few revisions. The OEB considered all comments and has determined that no material changes to the proposed amendments are needed.

### *Enabling flexible hosting capacity arrangements*

One stakeholder recommended conducting a cost-benefit assessment to quantitatively establish how positive net benefits will accrue to distribution system ratepayers by accommodating flexible hosting capacity arrangements, and the associated control capabilities before amending the DSC. The OEB does not agree. Working Group members and available resources indicated that the costs and benefits of the flexible hosting capacity arrangement are specific to each distribution system and each potential DER connection. The amendment is providing distributors with the option to provide flexible hosting arrangements recognizing that distributors are best positioned to assess the distributor-specific costs and benefits and make decisions on whether they should offer flexible hosting capacity arrangements. If they do so, they can also determine when and how to provide those arrangements to ensure they are safe, reliable and cost-effective. In making the amendment to provide distributors with this option, the OEB expects distributors will ensure that any flexible hosting arrangements are assessed on those criteria.

One stakeholder sought confirmation on preliminary matters a distributor should consider before offering flexible hosting capacity arrangements and regulatory treatment of potential new or incremental costs. It is the OEB's view that distributors should closely follow existing principles and processes if possible. For example, although these arrangements are exempted from the six-month capacity allocation timeline requirement, the distributor should establish a reasonable capacity allocation timeline to ensure timely connections and avoid creating new connection barriers to other prospective DER customers. As distributors explore flexible hosting capacity arrangements, the OEB anticipates that the Working Group will advise on the experiences of those distributors, and the OEB may provide further clarification and address any emerging barriers distributors face in implementing these arrangements.

One stakeholder suggested reminding connecting distributors that the flexible hosting capacity arrangements should not infringe upon any host distributor's or transmitter's ability to operate their system safely, reliably and efficiently. Since this expectation applies to all DER connections, the OEB does not consider it necessary to include this reminder in the new section 6.2.4.1A. This stakeholder also suggested reminding distributors to use their best efforts when providing all required assessments, the cost estimate, and the offer to connect in a reasonable period of time. This suggestion already aligns with the proposed wording of section 6.2.4.1A. Although this new section provides exemptions from the assessment timeline requirements in sections 6.2.12 and 6.2.13 and a distributor will have more time to process an application under a flexible hosting capacity arrangement, the distributor should still aim to provide the package to the applicant as soon as possible without affecting the timelines for other connections that are ahead of the applicant in the queue. The OEB will maintain the proposed wording.

The same stakeholder proposed other non-material changes to the proposed wording of section 6.2.4.1A. The proposed changes would:

- reinforce the view that a distributor may consider these arrangements when the distributor has the technical capability to do so;
- clarify that the distributor may establish operating requirements instead of operating conditions;
- signal there may be more than one required assessment of the impact of connecting the generating facility; and
- clarify that the cost estimate is for the proposed connection.

The OEB has accepted these proposed changes, as shown in Appendix B.

The OEB also made non-material changes to the wording in section 6.2.4.1A to consistently refer to the applicant and the proposed embedded generation facility.

### Housekeeping amendments

The OEB received support for the amendment of the DSC to eliminate the capacity allocation deposit requirements and references remaining in the DSC, as discussed in the January Notice. For the reason discussed in section A, above, those requirements and references are no longer necessary.

### **C. Anticipated Costs and Benefits**

The anticipated costs and benefits associated with the final DSC amendments are set out in the January Notice. Interested parties should refer to that Notice for further information in that regard.

**D. Coming into Force**

The amendments to the DSC, as set out in Appendix A, will come into force on March 27, 2024.

**E. Cost Awards**

Cost awards related to this consultation will be addressed in separate correspondence.

If you have any questions regarding the final amendments to the DSC described in this Notice, please contact [IndustryRelations@oeb.ca](mailto:IndustryRelations@oeb.ca). The OEB's toll-free number is 1-888-632-6273.

**DATED** at Toronto, March 27, 2024

**ONTARIO ENERGY BOARD**

Nancy Marconi  
Registrar

Attachments:

Appendix A – Final Amendments to the Distribution System Code

Appendix B – Final Amendments to the Distribution System Code – Comparison Version to the proposed amendments in January Notice

Appendix C – Final Amendments to the Distribution System Code – Comparison Version to the 2023 version of the Code

**Appendix A**  
**to**  
**Notice of Amendments to the Distribution System Code**  
**March 27, 2024**  
**EB-2019-0207**  
**Final Amendments to the Distribution System Code**

*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 for the connection 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 if technically feasible. Under a flexible hosting capacity arrangement, the distributor may establish specific system conditions, operating requirements 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 an embedded generation facility under this arrangement with all required assessments of the impact of connecting the generating facility, a cost estimate for 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 for the connection 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 conditions, operating requirements 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 March 27, 2024]

...

## **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 March 27, 2024]

...

**Appendix B**  
**to**  
**Notice of Amendments to the Distribution System Code**  
**March 27, 2024**  
**EB-2019-0207**

**Final Amendments to the Distribution System Code –**  
**Comparison Version to the proposed amendments in January Notice**

*Note: Black underlined text indicates additions to and strikethrough text indicates deletions from the proposed wordings in the January Notice.*

6.2.4.1A In the event that capacity cannot be allocated to the applicant for the connection 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 if technically feasible. Under a flexible hosting capacity arrangement, the distributor may establish specific system conditions, ~~or operating conditions~~ requirements 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 an embedded generation facility under this arrangement with ~~its~~ all required assessments of the impact of connecting the generating facility, a cost estimate ~~of~~ for 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 for the connection 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 conditions, ~~or operating conditions~~ requirements and/or contractual terms that will require the output or operation of the embedded generation facility to be varied.

...



**Appendix C**  
**to**  
**Notice of Amendments to the Distribution System Code**  
**March 27, 2024**  
**EB-2019-0207**

**Final Amendments to the Distribution System Code –  
Comparison Version to the 2023 version of the 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 for the connection 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 if technically feasible. Under a flexible hosting capacity arrangement, the distributor may establish specific system conditions, operating requirements 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 an embedded generation facility under this arrangement with all required assessments of the impact of connecting the generating facility, a cost estimate for 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 for the connection 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 conditions, operating requirements 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 March 27, 2024]~~

## **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 March 27, 2024]~~