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NOTICE TO AMEND A CODE

AMENDMENTS TO THE DISTRIBUTION SYSTEM CODE

BOARD FILE NO.: EB-2008-0102

VIA E-MAIL AND WEB POSTING

To: All Licensed Electricity Distributors
All Participants in Consultation Process EB-2006-0226
All Participants in Consultation Process EB-2008-0102
All Other Interested Parties

Re: Process for Connecting Small Generation Facilities

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

I. Background

The process by which generation facilities are connected to a distribution system varies depending on the size of the connecting generation facility. Currently, the DSC contains a very simple and expedited connection process for "micro-embedded generation facilities", defined as embedded generation facilities with a name-plate rated capacity of 10 kW or less. By contrast, a more complex and lengthier connection process applies for larger generators. Among other things, the connection process for larger generation facilities includes a first-come/first-served queuing mechanism under which generation connection applicants are placed into a queue following completion of a connection impact assessment by the distributor. Micro-embedded generation facilities are not subject to the queuing requirement.

On May 16, 2008, the Board issued a Notice of Proposal (the “May Notice”) in which it proposed amendments to the DSC to simplify the process for connecting smaller-sized generation facilities that utilize a non-intermittent technology (the “May Proposed Amendments”). Specifically, the May Proposed Amendments were intended to implement a more expeditious process for connecting generation facilities that have a name-plate rated capacity in the range of >10 kW and ≤ 250 kW and that utilize solar, water, biomass/biofuel or fuel cell technology. They did so by extending to these facilities the same simplified and expedited connection process that currently applies to micro-embedded generation facilities. The Board also proposed that the simplified and expedited process apply both to existing generation projects that are awaiting connection as well as to future projects.

On December 9, 2008, the Board issued a Notice of Revised Proposal (the “December Notice”) in response to stakeholder comments received on the May Notice.

In the December Notice the Board proposed revised amendments (the “December Proposed Amendments”) to the DSC that would expedite the connection of smaller generation facilities while taking into account concerns voiced by distributors regarding the implications of the May Proposed Amendments for system reliability and power quality. Under the December Proposed Amendments, “exempt small embedded generation facilities” would be exempt from the first-come/first-served generation queuing process. For this purpose, the Board proposed to define an “exempt small embedded generation facility” as a small embedded generation facility rated 250 kW or less if connected to a distribution line operating at less than 15 kV and a small embedded generation facility rated 500 kW or less if connected to a distribution line operating at 15 kV or greater. The Board also proposed provisions that would allow for the appropriate management of the risk that implementation of the December Proposed Amendments might displace a small number of projects that are currently in the queue.

In response to the December Notice, the Board received written comments from 8 interested parties. These are available for viewing, along with the December Notice, on the Board’s website at www.oeb.gov.on.ca on the “Distribution System Code Proposed Amendment” webpage on the “OEB Key Initiatives” portion of the “Industry Relations” section of the website.

The Board has considered the comments received in response to the December Notice, and has determined that no material changes need to be made to the December

Proposed Amendments. However, in light of the comments received the Board has made minor revisions to the December Proposed Amendments as described below. The text of the amendments to the DSC as adopted by the Board is set out in Attachment A to this Notice.

II. Comments on and Minor Revisions to the December Proposed Amendments

In their written comments, stakeholders were generally supportive of the December Proposed Amendments. However, a certain number of issues and concerns were raised in relation to the December Proposed Amendments, which may be summarized as follows:

- Two interested parties suggested that, since the Board's proposed approach relates specifically to an exemption from the queuing requirement, it would be clearer to define an exempt facility as a "queue exempt small embedded generation facility".

The Board agrees that this revised defined term would more clearly describe the approach, and has therefore revised the relevant sections (1.2, 6.2.4.2, 6.2.4.3, 6.2.8A, 6.2.8B and 6.2.12) accordingly.

- Several interested parties representing distributors and generators requested that the Board provide greater clarity regarding the administration of sections 6.2.8 A and 6.2.8 B of the DSC as set out in the December Proposed Amendments.

The Board is of the view that these sections provide adequate guidance and also allow for the flexibility that is necessary at this time to enable the Board to address specific situations on a case-by-case basis. The Board notes that, to date, generation projects in the range of 10 kW – 500 kW have been few in number and that many (if not most) distribution facilities in the Province currently have sufficient available capacity to accommodate most of these projects, even when accounting for capacity associated with projects that are in the queue.

- Some stakeholders proposed that the Board revert to the approach set out in the May Proposed Amendments, but also suggested that projects up to and including 500 kW could be exempt if connected to lines operating at 12 kV or above.

The Board remains of the view that the approach reflected in the December Proposed Amendments represents an appropriate balance between the desire to expedite the connection of smaller generation facilities and the need to address system reliability and power quality issues.

- One stakeholder proposed that generators have more than 60 days to accept a distributor's offer to connect.

The Board remains of the view that a ceiling on the duration of a distributor's offer to connect is appropriate for the efficient management of the connection process, and considers that 60 days is appropriate for projects of this size category. The Board also notes that the amendment to section 6.2.12 of the DSC is cast in permissive terms, and that a distributor retains the discretion to extend the duration of an offer to connect in appropriate cases.

- One stakeholder suggested that the amendments to the DSC should not be applied retroactively to cover existing projects and another suggested that the amendments to the DSC should not come into force immediately.

The Board is aware that there are currently a small number of projects in the range of >10 kW and ≤ 500 kW whose applications for connection are pending. The Board remains of the view that such projects should now be processed outside of the queue and does not believe that there are compelling reasons for delaying implementation of the amendments to the DSC.

- One stakeholder suggested that it would be beneficial if proponents could be informed, at least on a preliminary basis, prior to applying for a connection impact assessment as to whether the distributor can manage connection of the proposed facility without displacing another generation facility from the queue.

The Board believes that distributors should in most cases be able to provide such information as part of the initial feasibility assessment and expects distributors to do so where they can.

- Several stakeholders representing generators expressed concerns about the technical requirements imposed by distributors and the generally high costs of connection.

These comments do not relate specifically to the subject-matter of this consultation. The Board will remain mindful of these concerns and may address them at a later date if warranted.

- In addition to the amendments noted above to revise the defined term to read “queue exempt small embedded generation facility”, the amendments to the DSC that are being adopted by the Board also reflect the following additional minor corrections:
 - In section 6.2.6, the proposal to add the phrase “In either case, the” to the beginning of the first sentence of that section has been dropped. Instead, the phrase has been included at the beginning of a later sentence of that section.
 - In section 6.2.8A, the reference to section 6.2.4.2 has been changed to 6.2.4.1.

III. Anticipated Costs and Benefits of the Amendments

The anticipated costs and benefits of the amendments to the DSC were set out in the December Notice and interested parties should refer to the December Notice for further information in that regard.

IV. Coming Into Force

As indicated in the December Notice, the amendments to the DSC set out in Attachment A to this Notice will come into force on today’s date, being the date on which they are published on the Board’s website after having been made by the Board.

If you have any questions regarding the amendments described in this Notice, please contact Gordon Ryckman at 416-440-8109 or by e-mail at Gordon.Ryckman@oeb.gov.on.ca. The Board's toll free number is 1-888-632-6273.

DATED at Toronto, February 12, 2009.

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Attachment A: Amendments to the Distribution System Code

Attachment A

Amendments to the Distribution System Code

Note: The text of the proposed amendments is set out in italics below, for ease of identification only.

1. Section 1.2 of the Distribution System Code is amended by adding the following immediately after the definition of "point of supply":

"queue exempt small embedded generation facility" means an embedded generation facility which is not a micro-embedded generation facility and which has a name-plate rated capacity of 250 kW or less in the case of a facility connected to a less than 15 kV line and 500 kW or less in the case of a facility connected to a 15 kV or greater line;

2. Section 6.2.4.2 of the Distribution System Code is amended by adding the following to the end of the first sentence:

or a queue exempt small embedded generation facility;

3. Section 6.2.4 of the Distribution System Code is amended by adding the following immediately after section 6.2.4.2:

6.2.4.3 Any application to connect a queue exempt small embedded generation facility that was received by a distributor prior to the date of coming into force of this section shall be processed by the distributor in accordance with the provisions of this Code applicable to such generation facilities as though the application to connect had been received by the distributor on the date of coming into force of this section.

4. Section 6.2.6 of the Distribution System Code is amended as follows:

- i. by adding the following immediately after the first sentence:

Where the proposed micro-embedded generation facility will be located other than at an existing customer connection, the distributor shall, within 60 days of receiving the application, make an offer to connect or provide reasons for refusing to connect the proposed generation facility.

- ii. by deleting the word "The" at the beginning of the sentence that starts "The distributor shall give..." and replacing it with the following:

In either case, the

5. Section 6.2.7 of the Distribution System Code is amended as follows:
- i. by deleting the phrase “make any necessary metering changes and”; and
 - ii. by deleting the phrase “for the costs of any necessary metering changes” and replacing it with the following:

for the connection costs, including costs for any necessary new or modified metering.

6. Section 6.2 of the Distribution System Code is amended by adding the following immediately after section 6.2.8:

6.2.8A Notwithstanding any other provision of this Code, a distributor shall, for the purposes of determining the connection feasibility of a queue exempt small embedded generation facility and of determining the impact of such facility on the distributor’s distribution system and on any customers of the distributor, treat any capacity associated with a generation facility that is in a queue referred to in section 6.2.4.1 as available capacity.

6.2.8B Where a distributor believes that, by virtue of the operation of section 6.2.8A, the connection of a queue exempt small embedded generation facility cannot reasonably be managed by the distributor without adversely affecting the queue position of a generation facility, the distributor shall promptly so notify the Board in writing. In such a case, and notwithstanding any other provision of this Code, the distributor shall not take any further steps to connect the queue exempt small embedded generation facility without further direction from the Board.

7. Section 6.2.12 of the Distribution System Code is amended by adding the following immediately after paragraph b:

An offer to connect made to an applicant proposing to connect a queue exempt small embedded generation facility may be revoked by the distributor if not accepted by the applicant within 60 days.