



Sept 25, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

**Re: Revised Proposed Amendments to the Distribution System Code (DSC)
Board File No. EB-2009-0077**

Dear Ms. Walli:

We have reviewed the Board's notice.

The new regulation (O. Reg. 330/09) has removed some of the uncertainty that AMPCO and other intervenors noted as a reason for a cautious approach to enabling distributed generation. Significant uncertainty remains.

Given that the change from "user pay" to "customers pay" represents a significant departure from established principles the Board has traditionally applied, we recommend that the Board plan for regular review of its codes and guidelines to ensure that both policy and customer protection objectives can be met as circumstances change.

i. Approach to Connection Cost Responsibility

Notwithstanding the Board's satisfaction "that its regulatory oversight of distributor activities will allow it to ensure that distributor investments are prudent and reasonable in the circumstances" (at page 9 of the Board's notice), we remain concerned about the lack of specificity in the definition of important terms, and significant ambiguity regarding the level of detail that will be provided in distributor plans, the standard of review to be applied by the Board, and the processes the Board will follow, in reviewing those plans.

The Board's guidelines regarding distribution system planning (EB-2009-0087) state clearly that "issues of need, project selection, project budget and prioritization of expenditures that are addressed through the plan approval process will not be revisited in subsequent proceedings except in relation to material deviations." This reinforces the need to clarify the degree of rigour the Board will bring to its review of plans and supports our recommendation that the Board use the opportunity of revising the distribution system code to provide that clarity.

AMPCO submits that, where natural incentives for prudence are absent, the Board should set a high standard of evidence to support regulatory oversight. By example, Hydro One Distribution (EB-2009-0096) is proposing capital expenditures in the next five years of over \$1.6 billion, with the majority related to connection of renewable distributed generation. This is a very large sum to be borne by Ontario's consumers.

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Renewable Generation Cost Responsibility – AMPCO Comments re Proposed DSC Amendments

If it is the Board's intent that issues of need, budget and prioritization will not be revisited, then we recommend that the Board use the opportunity of its proposed code revisions to clarify and specify the evidentiary standard it will expect of distributors. We suggest a standard equivalent to what would be expected of a proponent in an application under Section 92 of the Ontario Energy Board Act.

iii. Determining the "Renewable Energy Expansion Cost Cap"

As stated in our comments on the original proposed revisions to the DSC, AMPCO believes the \$90,000/MW expansion cost cap to be overly generous. The Board has considered all stakeholder comments and decided to remain with this number. AMPCO agrees that the suitability of any particular level for the cap can only be determined over time. This number at present constitutes what may be termed a "best approximation". AMPCO recommends that the Board develop criteria for evaluating whether the level of the cap is properly meeting the competing objectives of protecting consumers and encouraging renewable generation and that the Board plan for a review process a year after implementation of the changes and the associated FIT process. It can be expected that, if the cap level is too low, generators will take notice and request a review. Customers, on the other hand, are not normally a part of the generator connection process and without a review process may not know if the level of the cap is too high to limit inefficient investments.

iv. Upstream Costs

AMPCO supports the Board decision that upstream costs for a host distributor or transmitter driven by the need to connect a renewable generator should remain the responsibility of the generator.

Comments – Appendix A

3.2.5A and 3.2.5B

These clauses properly preclude a distributor from charging a generator for system expansion that is already contained in a Board approved plan. This is a correct approach, but may be difficult to manage if approved plans are insufficiently detailed (see previous comments). AMPCO recommends that the Board develop guidelines for the level of detail to be included in distributors' plans, adequate to enable dispute resolution with prospective generators.

3.2.30

A clause should be added to include upgrading to higher rated protective equipment as part of an expansion. Adding generation invariably increases the available short circuit on lines, making protective upgrades a logical part of the specific expansion. (This is distinct from changing out protective equipment to handle two way power flows).

Comments: Hydro One Submission of Sept 9, 2009

Hydro One has provided the Board with a discussion of some of the more detailed issues that arise with the proposed DSC amendments.

In Section 1, Hydro one has requested specific clarification on the nature of work and system improvements that would be included under the definitions of enhancement, system expansion and renewable energy enabling improvements. From the text, it appears that the clarity that Hydro One seeks in these definitions is of a technical (equipment-related) nature. While this approach brings its own problems (a single piece of equipment can serve more than one purpose), it may be the most practical approach to determining cost responsibility for specific investments.

Renewable Generation Cost Responsibility – AMPCO Comments re Proposed DSC Amendments

A core difficulty with the proposed DSC changes is that the foundation definitions are based on intent, which is not easy to discern. By making the definitions more readily translatable into technical details, much of the potential ambiguity in the definitions may be avoided.

In Section 2, Hydro One has also provided useful suggestions for determining how the Board should determine the proportional benefits of work that is needed to connect renewable generation, but which also provides some benefit to the ratepayers of the LDC. While AMPCO may not be in specific agreement on the details of Hydro One's suggestions, we urge the Board to follow up and initiate a process that will result in clear direction to LDCs with respect to this aspect of cost allocation.

At the detail level, Hydro One has requested specific decisions with respect to the cost responsibility when large equipment assets, such as power transformers and voltage regulators need to be upgraded to connect new generation. AMPCO suggests that the Board's direction in response to this request should limit cost responsibility to the net *incremental* cost of such upgrades, when the existing equipment has significant value and can be re-used or sold.

The combination approach being recommended by Hydro One to refine definitions according to technical parameters and to apportion fairly local versus provincial benefits seems to offer a practical way to implement the changes to the DSC.

Please don't hesitate to contact me or Wayne Clark (705-728-3284) if you have further questions or require additional information.

Sincerely,

ORIGINAL SIGNED

Adam White