FOCA’s Supplementary Comments on Board Staff Discussion Paper re Framework for Determining Direct Benefits for LDC customers under O/Reg 330/09, Board File EB-2009-0349

Background Comments

These comments reflect discussion at the stakeholder consultation session on February 26, 2010.

We remain concerned that an inordinate amount of GEA investments may be borne by customers of Hydro One, since the majority of renewable generation will be connected to their system either directly or in the service territory of embedded LDCs.

We are also concerned about apparent inconsistencies in the various components of the OEB’s GEA implementation plans.

For example, there was no attempt to quantify direct benefits in the EB-2009-0326 microFIT proceeding. Also, the current proceeding does not recognize the considerable $90,000/MW consumer subsidy for connection of renewable generation. A separate class was established so LDC costs attributable to microFIT generators could be collected from them. There is no mention of establishing a separate class for larger FIT generators and collecting at least a portion of increased LDC costs from them.

There is no urgency to finalize the Direct Benefit or other OEB GEA initiatives since at this point in time, there are no Ontario manufacturers of solar panels, inverters or wind turbines necessary to meet the made in Ontario rules in the Act and regulations and they are not likely to materialize in 2010. At least 3 competitive manufacturers of all these components are needed to have a viable Green Energy industry in Ontario.

Comments on Issues;

Reduced Transmission and WMSC Charges

We support the position advanced by Hydro One and the Coalition of Large Distributors (CLD) that this issue should be parked for future consideration. Reasons for support are:

1. Due to the unpredictability of wind generation, it is virtually impossible to calculate demand reduction on an “ex-ante” basis, Wind generation may not occur anywhere near the LDC peak demand in many months, but could appear right on the peak in other months.
2. As the Paper observes, this is further complicated because network charges are based on the higher of coincident peak demand and 85% of non-coincident peak demand.
3. While the DSC defines qualifying renewable generation as those for whom LDC costs are incurred after Oct 20, 2009, the question remains about how to treat generation connected prior to that date, some of which go back many decades.
4. If the principle of charging the LDC customers for reduced transmission and WMSC charges is valid, it should also be applied to demand reductions attributable to CDM, plant closings, microFIT generation, smart metering and the like..

It is suggested this issue be left alone, along with loss reduction, until it can be examined in a different proceeding such as the re-opening of rules established in the RP-1999-0044 proceeding. It could be that network and WMSC charges should be allocated directly to end-use consumers on a per kwh basis as part of the commodity charge.

Connection charges will have to be handled as a special issue, since many LDCs own their transmission connected stations; hence save nothing as a result of load reduction.

This is further reason to defer the issue.

Service Quality and Smart Grid Issues

Most Smart Grid investments are necessitated by the presence of generation on the distribution system and associated 2 way power flows for which the system was not designed. These investments are unlikely to improve service quality to load customers. Rather they are intended to prevent serious declines in service quality and customer equipment damage that could result from generators attempting to feed into a distribution line that has become disconnected from the grid. It is necessary to have relays and protection systems in place that disconnect the generator from the grid immediately upon a feeder outage that could be caused by trees, vehicle accidents and the like. Therefore these investments are of no direct benefit to load customers, and should be charged to all provincial customers.

The exception is SCADA systems that provide the ability to restore service more quickly in the event of an outage. SCADA benefits both load customers and generators. Since there is no provision in the regulations or Act to charge a portion of these costs to generators, the entire cost must be borne by load customers. Most large urban LDCs have had SCADA systems in place for many years. Hydro One is somewhat further behind because of the high cost of equipping a very large number of smaller geographically dispersed distribution stations.

Merchant Generators as a Separate Class

It was suggested at the meeting that merchant generators should be set up as a separate class and bear some or all of the new costs they cause for the LDC. This has been done for microFIT (mostly PV) generators who bear all incremental costs they bring to the distribution system, without compensation for the benefits of reduced losses during the summer peak and deferral of distribution system capacity upgrades.

Hydro One has set up a class for historic merchant generators, most of which produce renewable power within the definition in the Act. Their charges appear to cover only energy consumed for station service and a nominal monthly service charge.

It was indicated at the meeting that the Board has already decided there will be no charge to new renewable merchant generators for the costs of their use of the distribution system.

This decision appears incompatible with treatment of microFIT generators and brings into question Hydro One’s treatment of historic merchant generators.

If at least part of the eligible investment could be recovered from them, it would reduce the amount to be transferred to the provincial pool..

LDC Recovery of Rate Protection from the IESO

In clause 2 of the regulation the past tense is used in description of prescribed consumers. That is, the LDC has to have incurred eligible investments to include them in the Rate Protection formula. Clearly the calculation cannot be based on a projection of eligible for a forward test year. And eligible investments will no doubt be subjected to a prudence review.

This presumably is to avoid inflated expenditures to accommodate renewable generation that may or may not materialize. That is it prevents Enabler Lines built on the thought that “ if you build it, they will come”.

Use of Eligible Investments by Load Customers

If a line or station financed by provincial ratepayers is subsequently used to supply load customers, there has to be some mechanism to reimburse the provincial pool for that use. This could be done by means of an appropriate capital contribution by the new load customer(s) that would be passed on directly by the LDC to the IESO for the pool.

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