EDA
The Voice of Ontario's Electricity Distributors

January 25, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto Ontario M4P 1E4

Via Board's web portal and by courier

Dear Board Secretary:

Re: Board File No. EB-2010-0246
Board Staff Discussion Paper on Issues Related to the Connection of Micro-Embedded Generation Facilities

The Electricity Distributors Association (EDA) appreciates the opportunity to provide feedback on the Board Staff Discussion Paper as it relates to issues with the connection of micro-embedded generation facilities.

Please find the attached submission which was developed in consultation with LDC members.

The EDA is the voice of Ontario's electricity distribution utilities, the publicly and privately owned companies which safely and reliably deliver electricity to all Ontario through 4.8 million homes, businesses, and public institutions.

Yours truly,

Teresa Sarkesian
VP, Policy and Government Affairs

Attached: EDA submission

Electricity Distributors Association
3700 Steeles Ave. W., Suite 1100, Vaughan, Ontario L4L 8K8 Tel 905.265.5300 1.800.668.9979 Fax 905.265.5301 email@eda-on.ca www.eda-on.ca

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EDA Submission
OEB Staff Discussion Paper: On Issue Related to the connection of Micro-Embedded Generation Facilities (EB-2012-0246)

1. Offer to Connect Process

Questions

1.1. Of the options listed above, which one, if any, represents the best way for distributors to manage the Offer to Connect process? Are there other options? Please explain your answer.

The EDA submits that option #2, amending the DSC to allow LDCs to charge for the provision of an offer to connect, is preferable. By amending the DSC to allow distributors, if they so choose, to charge for the provision of an Offer to Connect, will help deter speculative applications (where it is an issue) and allow the more serious ones to proceed in a timely manner.

Some of our members have experienced issues with speculative applications. One LDC estimates that 80-90% of the applications they receive do not actually connect.

As for the amount charged it should be enough to ensure LDC costs are covered for processing the applications.

1.2. Are there any other issues (e.g., distributor resources allocated to processing applications) associated with the Offer to Connect process that needs to be addressed? If yes, please describe them.

One issue that an LDC raised involves communication with the OPA and the desire for improved access to the OPA in the form of an "Account Rep". In some instances there appears to be an issue of accessing and receiving responses from the OPA in a timely and efficient manner. It is thought that the lack of a central LDC contact adds considerable time (and costs) to move through the application and Offer to Connect process.

In addition, the OPA portal has been found to be difficult to work with and efforts to simplify and make the portal more functional and "user friendly" would be beneficial. Generally, a central point of contact to facilitate timely

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communication/responses and improvements to the OPA portal would assist LDCs in meeting timelines set out in the DSC.

While the EDA recognizes that these items may not be in the OEB's direct control, they are impacting the cost and timeliness of the Offer to Connect process. LDC's appreciate any communications and efforts from the OEB to promote improvements in these areas.

2. Appropriateness of Timelines in the DSC (sections 6.2.6 and 6.2.7) for Micro-Embedded Generation Facilities

Questions

2.1. What non-regulatory factors (e.g., the amount of resources distributors have allocated to processing applications) are preventing distributors from developing and executing a process to meet the DSC requirements?

Some of the non-regulatory factors facing LDCs include the issue mentioned above with speculative requests or with "bulk requests" where one customer is submitting applications for multiple locations. Another issue that prevents LDCs from meeting DSC requirements has to do with incomplete applications and in some cases, recurring incomplete applications. To address this last issue, it would be helpful to codify the wording in the exemption provided to Hydro One on this matter (as a result of its application EB-2011-0118), i.e., "Processing timelines for all projects under 6.2.6 shall only begin once the distributor receives a complete application for micro-embedded generation connections. The distributor shall log the date that each application is received, including incomplete applications, as well as the date when an incomplete application is deemed complete".

Other issues outside the LDCs' control include the unpredictable volume of applications and frequent changes to the OPA's MicroFit program that are causing confusion from the consumer's end. The "lumpiness" created by these issues does not lend itself to efficient processing of MicroFit applications and connections. In this context, the OEB's requirement for 100% compliance on these aspects of DG work can force the LDC to focus excessive attention on them, to the detriment of its other obligations.

Finally, it is submitted that section 6.2.7 of the DSC should be read "5 business days" instead of "5 days".

2.2. Are the current timelines in the DSC (sections 6.2.6 and 6.2.7) appropriate for the connection of micro-embedded generation facilities?

The timeline requirements of the DSC are very difficult to meet 100% of the time for the reasons listed above. Furthermore, the OPA recently re-launched the MicroFit program in the form of annual procurements, which will result in a large volume of applications to LDCs once a year. This will present a challenge to LDCs as they attempt to plan appropriate staffing levels and schedules, which, in turn, creates difficulties in meeting fixed timelines

2.3. Of the three options listed above, which is preferred by stakeholders? Please explain the reasons for the preferred option.

Our members feel the flexibility provided for in option #3 is preferred. By amending the DSC to allow DSCs to meet the timelines required in the DSC 90% of the time and allowing LDCs to have a longer period of time to make an offer to connect in certain circumstances will provide LDCs greater operational flexibility. This option would allow the LDCs to take into account factors that are outside of their control – such as those listed above in question 2.1.

2.4. What changes, if any, could be made to the timelines to better enable distributors to process the volume of applications being received for the connection of micro-embedded generation facilities?

The EDA has consulted and agrees with Hydro One that, as a result of its exemption application on this matter, the pertinent issues have been considered in the public forum. The EDA is of the opinion that the terms granted to Hydro One in that application are appropriate for codification, given the volume of MicroFit application that LDCs may continue to expect. More specifically, the EDA supports:

a) Distinguishing between three groups of micro-embedded generation, with corresponding timelines to provide an offer to connect to each group. These are:

- Group A - An indirect connection, where a site assessment is not required – 15 days.
- Group B - An indirect connection, where a site assessment is required – 30 days.
- Group C - A direct connection, where a site assessment is always required – 60 days.

b) A compliance threshold for all three timelines of at least 90 percent of the time on a yearly basis, which acknowledges the broader load of LDCs' work priorities.

c) Timelines for physical connections equivalent to those in the Code's sec. 7.2 (including the ability to negotiate a mutually agreeable date with proponents and the 90% annual compliance threshold).

2.5. Is there a reason the timelines should be different for micro-embedded generation facilities and other customers? If so, explain why.

No, the timelines should be the same. With respect to physical connections, the DSC's conditions should allow LDCs to balance its priorities between generator connections and other work. Implementing the same compliance threshold for both DG and load customers enables more efficient planning, scheduling and completion of work in the field, with further benefits of reduced transportation and other costs.

3. Standard Form Connection Agreement in the DSC (Appendix E)

Questions

3.1. What modifications, if any, need to be made to the standard form micro-embedded generation facility connection agreement in Appendix E of the DSC? Please describe the modifications and provide the rationale and supporting documentation for why these modifications are necessary.

There are two requirements that the EDA believes should be included in the standard form, those are indemnification and insurance provisions primarily involving third parties.

Currently, LDCs are at risk from third party liability claims that are a result of MicroFit equipment malfunction that is not caused by LDC's actions.

For example, if a solar panel installation on a residence malfunctions and causes damage to a neighbouring property that third party may seek damages from the LDC since it is the one that connected the equipment and not just the owner of the MicroFit installation.

The EDA submits that in order to protect LDCs from such third party claims, provisions indemnifying LDCs from all claims associated with the connection of the micro embedded generation facility should be included in the standard form.

Similar language as is found in Article 13.3 of the OPA's FIT Contract can be relied on to protect LDCs from such actions.

For example: "The customer shall indemnify, defend and hold the LDC and their respective Affiliates, and respective employees, shareholders, etc (collectively, the "Indemnitees") harmless from and against any and all claims,

demands, suits, losses, damages, liabilities, penalties, obligations, etc (each, an "Indemnifiable Loss") from any party asserted against or suffered by the Indemnitees relating to the connection of the micro embedded generation facility in question".

3.2. Given that the connection agreement in Appendix E of the DSC for small and mid-sized embedded generation facilities include requirements for insurance, should insurance provisions be included in the micro-embedded generation facility connection agreement? Please explain.

The second requirement that the EDA believes should be included in the standard form are insurance provisions, applied at the LDC's discretion. To further reduce the potential risk to LDCs, it would be prudent to provide the option for LDCs to require that customers provide LDCs with a certificate of insurance stating that the customer will be responsible for any third party claims.

Currently LDCs are exposed to joint and several liability risk if the consumer does not take out insurance to protect against any third party claims. If the LDC would want to fully protect themselves against such claims they should be provided the option of requiring such insurance.

4. Experience with the Monthly Service Charge (established in EB-2009-0326)

Questions

Monthly Service Charge

4.1. Given that distributors have the ability to request a distributor-specific MicroFit charge as part of their cost of service applications, does the underlying methodology currently used to set the province-wide fixed monthly charge need to be changed? If so, please explain the rationale for any proposed changes.

The EDA believes that the underlying methodology does not need to be changed.

4.2. Is a new specific rate class for non-MicroFit micro-embedded generation facilities warranted? Should non-MicroFit micro-embedded generation facilities be added to the rate class for MicroFit micro-embedded generation facilities?

The EDA is of the opinion that non-MicroFit micro-embedded generation facilities should not have a new specific rate class and should be added to the rate class for MicroFit micro-embedded generation facilities as the same amount of resources are expended by LDCs to handle those facilities.

Charging for Consumption

4.3. How much electricity are micro-embedded generation facilities that are part of the OPA's MicroFit program consuming and what are the related costs?

LDCs have experienced varying levels, where some LDCs have determined that the consumption from micro-embedded generation facilities is quite significant where other LDCs have found that it has not been as issue. However, LDCs are in agreement that as the volume of MicroFit customers grows the total impact will undoubtedly increase.

4.4. Is there a reason micro-embedded generation facilities that are part of the OPA's MicroFit program should not be charged for their own consumption and, instead, the related costs should be recovered from a distributor's load customers? If so, please explain why.

Consumption charges should be recovered from the generator, at LDCs discretion. An argument in favour of charging for consumption from the generator is that a customer may notice that if their costs are becoming higher that it could be an indicator that there is something faulty with the MicroFit equipment. Without such an indicator the issue may never be resolved.

4.5. Do similar consumption-related issues exist for non-MicroFit micro-embedded generation facilities?

Non-MicroFit customers could be net metered customers in which case they pay for net consumption. However, those non-MicroFit customers that are not net metered, similar issues do exist.

4.6. How should the charges for the consumption of electricity be recovered from micro-embedded generation facilities (i.e., the same as a regular customer, through the province wide-fixed monthly service charge for MicroFit micro-embedded generation facilities, through some other manner)?

The charge for consumption should be the same as a load customer and that the LDC should have some discretion to determine whether the consumption from a micro-embedded generation facility is "material" or not in order to avoid any administrative burden. If the consumption amount is found to be "material" then the LDC will charge the facility. The determination of the materiality threshold should be also left to the discretion of the LDC.

5. Variability of Connection Charges

Questions

5.1. Is the impact of the variability of connection charges across distributors sufficiently material, from the perspective of the micro-embedded generation

customers and the distributor, such that the Board should consider establishing a more prescriptive approach to the methodology for determining connection charges and manner of recovery of connection costs for micro-embedded generation facilities?

The EDA is of the opinion that there should not be a movement toward the OEB establishing a methodology to determine connection charges as costs will vary depending on location and circumstances. LDCs should be able to fully recover costs and generation customers should view this as a cost of doing business at that location.

5.2. Should the Board prescribe a methodology for delineating basic versus variable connection costs for micro-embedded generation facilities?

If so, what work is associated with the connection of a micro-embedded generation facility?

The work involved includes, preparing a service layout, preparing an Offer to Connect, managing a Connection Agreement, managing the OPA process, receiving the ESA Connection Authorization and setting up a metered account. However, these costs can vary from location to location and LDC costs should be fully recoverable.

What should a basic connection include?

Generally, the "physical" connection involves installing a bi-directional meter, all of the other work is undertaken by the customer and inspected by the Electrical Safety Authority. If an "application charge" is not allowed separately (up front) this cost should be considered part of the overall basic connection cost or should otherwise be recoverable.

5.3. If the Board were to take a more prescriptive approach to connection costs for micro-embedded generation facilities, should the Board:
(a) set a standard amount for a basic connection for a distributor to use;

(b) use an approach similar to that which is set out in section 3.1.4 of the DSC (i.e., identify a minimum basic connection for a micro-embedded generation facility); or

(c) adopt a formulaic approach similar to the approach used in the establishment of Specific Service Charges (i.e., the methodology is the same for all distributors but the costs and the resulting charge are different for each distributor)

As per 5.1., a prescriptive approach should not be considered as costs will vary depending on location and circumstances. LDCs should be able to fully

recover costs and generation customers should view this as a cost of doing business at that location.

5.4 What other approaches, if any, should the Board consider in relation to the charging and recovery of costs related to the connection of micro-embedded generation facilities?

As mentioned, a MicroFit customer has made a business decision to undertake generation. As such the LDC should remain whole and be allowed to fully recover any costs associated with the application process, meter and connection of the customer.

6. Cost Responsibility in Relation to Upstream Infrastructure Upgrades to a Transmitter or Host Distributor

Questions

6.1. Should cost responsibility in relation to upstream infrastructure upgrades to a transmitter or host distributor be codified?

There is confusion around the definition of "upstream infrastructure upgrades" as it relates to "enhancement" and "expansion" costs are both contained in the definition? Further information is required before commenting as to whether it should be codified.

6.2. Under the current MicroFit rules, have there been any cases of a specific micro-embedded generation facility (or aggregation of micro-embedded generation facilities) triggering the need for an upstream upgrade? If so, how were they resolved?

The EDA understands that to date, Hydro One is the only distributor which has experienced this issue, having to reject connection applications from about 1,000 proponents due to issues such as short circuit limits at TSs. It addressed this issue by explaining the technical constraints in correspondence with the affected proponents. This could become an issue for more LDCs, however, as more MicroFit applications are considered and processed.

6.3. Should micro-embedded generation facilities be treated differently than larger generation facilities connected to the distribution system with respect to upstream upgrades?

Clarification on the definition of "upstream infrastructure upgrades" will be of assistance but generally LDCs are of the view that micro-embedded generation facilities should not be treated differently than larger generation facilities and that there should be symmetry with the provisions in the TSC.

6.4. How should the upstream cost impact of micro-embedded generation facilities be addressed (i.e., "trigger" pays, "beneficiary" pays, a fixed cost to every micro-embedded generation facility, rates, or socialize costs)?

EDA believes that in general, the beneficiary should pay since it is not practical to determine who the "trigger" is especially involving micro-embedded generation facilities.

6.5. How should the review of upstream cost responsibility for micro-embedded generation facilities be best addressed (i.e., wait until the RRFE process is concluded, a separate initiative for all embedded generation, or done as part of this consultation)?

As much work has been in put into the RRFE process to date by EDA members that process should continue unfettered and we should wait until it is concluded.