



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2018-0295

2019 RENEWABLE GENERATION CONNECTION RATE PROTECTION COMPENSATION AMOUNT

EFFECTIVE JANUARY 1, 2019

BY DELEGATION BEFORE: Theodore Antonopoulos

January 24, 2019

TABLE OF CONTENTS

1 INTRODUCTION AND SUMMARY..... 1

2 THE PROCESS 3

3 2019 COMPENSATION AMOUNT AS OF JANUARY 1, 2019 4

4 IMPLEMENTATION 8

5 ORDER 9

APPENDIX A

APPENDIX B

1 INTRODUCTION AND SUMMARY

Subsection 79.1 (1) of the *Ontario Energy Board Act, 1998* (the Act) states that the Ontario Energy Board (OEB) may provide Renewable Generation Connection Rate Protection (RGCRP) compensation amounts to eligible distributors. Ontario Regulation 330/09 (the Regulation) prescribes the methodology which the OEB uses to determine the amount to be collected for any given year.

Ontario distributors are required to plan their systems based on their expectations of new electricity generation projects connecting to their systems. Based on their plans, distributors can apply to the OEB for funding to recover the cost of assets to enable and to connect generators to their distribution systems, including generators using renewable sources of energy such as wind or solar. The OEB is permitted to take steps to ensure that all Ontario customers, not just the ratepayers of the individual distributor, contribute to the costs of investments to connect renewable generators in accordance with applicable legislation.

The OEB determines the eligibility of the connection investment made by each distributor in their distribution rate decisions and issues an order to the Independent Electricity System Operator (IESO) to collect and disburse specific amounts based on the approved entitlements. These decisions are made pursuant to the Regulation. The OEB has issued these decisions since May 1, 2010. The latest such decision was issued on May 24, 2018¹, effective May 1, 2018, providing ten distributors with funding.

This Decision and Order (Decision) provides an updated order to the IESO regarding the amounts to be collected from all market participants and remitted to eligible distributors. In addition to continuing the applicable funding amounts ordered for five distributors in the May 24, 2018 decision, this Decision amends the previously ordered amounts consistent with decisions regarding three distributors: Alectra Utilities Corporation (Alectra) (Enersource, PowerStream and Brampton rate zones); Toronto Hydro-Electricity System Limited; and Waterloo North Hydro Inc.

For two distributors, the payments will now cease: Guelph Hydro Electric Systems Inc. (Guelph Hydro) and Alectra (Horizon rate zone).

The OEB reminds the distributors who receive the payments to follow the regulatory accounting set out in the Accounting Procedures Handbook Guidance issued in March

¹ EB-2018-0150

2015. Specifically, the distributors should use Account 1533 Renewable Generation Connection Funding Adder Deferral Account, Sub-account Provincial Rate Protection Payment Variances, to record the variance between the distributor's revenue requirement associated with the portion of the actual capital and/or operating costs that are eligible for rate protection and provincial rate protection payments as approved by the OEB and received from the IESO.

2 THE PROCESS

The OEB has made its determination of the compensation amount, effective January 1, 2019, to be collected by the IESO in accordance with the Regulation and the requirements of the Act. The Regulation prescribes the methodology that the OEB uses to determine the amount to be collected for any given year.

The total amount to be collected by the IESO effective January 1, 2019 is derived from previous decisions of the OEB in which compensation amounts were determined for qualifying distributors.² The findings in this Decision involve only the implementation of findings in previous rates decisions. This Decision is being issued by delegated authority, without a hearing, under subsection 6(4) of the OEB Act.

²EB-2012-0160, EB-2013-0130, EB-2013-0147, EB-2013-0174, EB-2014-0116, EB-2015-0108, EB-2016-0110, and EB-2018-0016.

3 2019 COMPENSATION AMOUNT AS OF JANUARY 1, 2019

The OEB has determined the amount to be distributed to the eligible distributors by the IESO as of January 1, 2019 as \$271,740 per month. This Decision extends amounts reflected in the OEB's previous Decision and Order that persist for the current year, and includes amended compensation amounts in accordance with subsequent rate decisions.

Amended amounts are:

For **Alectra – PowerStream**: an amended recovery of \$260,517 for January 1, 2019 (Partial Decision and Order, dated December 20, 2018³):

- The monthly amount of \$21,710 is derived by dividing the 2019 annual recovery of \$260,517 by 12 months, for the rate year starting January 1, 2019.

For **Alectra – Enersource**: an amended recovery of \$153,726 for January 1, 2019 (Partial Decision and Order, dated December 20, 2018⁴):

- The monthly amount of \$12,811 is derived by dividing the 2019 annual recovery of \$153,726 by 12 months, for the rate year starting January 1, 2019.

For **Alectra – Brampton**: an amended recovery of \$145,922 for January 1, 2019 (Partial Decision and Order, dated December 20, 2018⁵):

- The monthly amount of \$12,160 is derived by dividing the 2019 annual recovery of \$145,922 by 12 months, for the rate year starting January 1, 2019.

For **Waterloo North Hydro Inc.**: an amended recovery of \$8,965 for January 1, 2019 (Decision and Rate Order dated November 26, 2015⁶):

- The monthly amount of \$747 is derived by dividing the 2019 annual recovery of \$8,965 by 12 months, for the rate year starting January 1, 2019.

³ EB-2018-0016

⁴ *ibid*

⁵ *ibid*

⁶ EB-2015-0108

For **Toronto Hydro Electric-System Limited**: an amended recovery of \$2,627,506 for January 1, 2019 (Decision on Draft Rate Order dated February 25, 2016⁷):

- The monthly amount of \$218,959 is derived by dividing the 2019 annual recovery of \$2,627,506 by 12 months, for the rate year starting January 1, 2019.

For two distributors, the payments will now cease: Guelph Hydro Electric Systems Inc. (Guelph Hydro) and Alectra (Horizon rate zone).

Guelph Hydro

In a letter to the OEB dated November 29, 2018, Guelph Hydro made a request to discontinue the collection of provincial funding for the eligible investments that were approved in its 2012 cost of service decision.⁸ In addition, Guelph Hydro proposed returning to the IESO the provincial payments in the total amount of \$208,502 received in 2015, 2017 and 2018. Guelph Hydro stated that it had received a total of \$350,844 from 2013 to 2018 regarding the provincial funding for the eligible investments that were approved in its 2012 cost of service decision.⁹ Guelph Hydro stated that it had not incurred any capital costs for these investments since all costs were offset by customers' capital contributions. As a result, Guelph Hydro was not entitled to any RGCRP payments from the IESO for the subject investments.

Guelph Hydro proposed returning only three of the six years' payments received because it had returned the other years' payments to its own customers: 2013 and 2014 payments were included in Account 1533 Renewable Generation Connection Funding Adder and refunded to Guelph Hydro's customers through the disposition of the account in its 2016 cost of service decision¹⁰; and the 2016 payment was included in Account 1580 RSVA – Wholesale Market Services and refunded to Guelph Hydro's customers through the disposition of the account in its 2018 IRM decision.¹¹

Alectra (Horizon Rate Zone)

In a letter dated December 20, 2018, Alectra requested that the current IESO renewable generation payments of \$707 per month (approved in Horizon Utilities Corporation's

⁷ EB-2014-0116

⁸ EB-2011-0123

⁹ *ibid*

¹⁰ EB-2015-0073

¹¹ EB-2017-0044

2011 cost of service decision)¹² cease as of December 31, 2018. Alectra confirmed in the letter that Horizon rate zone did incur the expenditures for the renewable generation investments that were approved in Horizon Utilities' 2011 cost of service rate application. Horizon Utilities included 100% of the net book value of the renewable eligible investments in the rate base of Horizon Utilities' 2015 Custom IR application despite the fact that the investments were still subject to RGCRP treatment.¹³ As a result, the recovery of the IESO provincial payments was collected twice. Therefore, Horizon Utilities refunded the over recovery to its customers through the recording of the payment amounts in Account 1588 RSVA Power and the subsequent disposition of the account.

Conclusion

The OEB approves the discontinuation of provincial funding for eligible investments for both Guelph Hydro and Alectra (Horizon rate zone). Based on the additional information provided by Guelph and Alectra, both distributors appeared to have deviated from the accounting guidance provided by the OEB for the accounting treatment of RGCRP revenues. The OEB will, however, defer its consideration of the return of previous payments received by Guelph Hydro¹⁴ and by Alectra for the Horizon rate zone, to Alectra's application for 2020 distribution rates, including the appropriateness of the methods used by Guelph Hydro and Alectra for returning payments to their own customers that were initially recovered from provincial ratepayers.

All other funding remains in place as set out in the OEB's previous RGCRP decision. These amounts are summarized in the next section.

The monthly amount to be collected by the IESO from all market participants effective January 1, 2019 is \$271,740. The monthly charge for each market participant will vary with the actual consumption of the market participant in that month.

In making this determination, the OEB acknowledges that the above-noted distributors will pass on their share of this charge to their electricity distribution customers through the Wholesale Market Service Rate (WMSR), currently approved by the OEB at \$0.0034 per kilowatt-hour.¹⁵ It is the OEB's view that at its current level, this change will

¹² EB-2010-0130

¹³ EB-2014-0002

¹⁴ The OEB, in its Decision and Order EB-2018-0014 dated October 18, 2018, approved the amalgamation of Alectra Utilities and Guelph Hydro.

¹⁵ EB-2018-0294

have a negligible impact on balances in the Wholesale Market Service - Retail Services Variance Account (Account 1580) and the OEB will not adjust the WMSR at this time.

4 IMPLEMENTATION

The monthly amount to be collected by the IESO shall be \$271,740 per month effective January 1, 2019 from all market participants.

The following monthly amounts are to be forwarded to the qualifying distributors, by the IESO:

• Toronto Hydro-Electricity System Limited	\$ 218,959
• Waterloo North Hydro Inc.	\$ 747
• Alectra Utilities Corporation	
○ Enersource	\$ 12,811
○ PowerStream	\$ 21,710
○ Brampton	\$ 12,160
• Veridian Connections Inc.	\$ 2,917
• Peterborough Distribution Inc.	\$ 1,065
• Fort Frances Power Corporation	\$ 181
• Kitchener-Wilmot Hydro Inc.	\$ 759
• Welland Hydro-Electric System Corp.	\$ 431
Total to be forwarded	\$ 271,740

Attached to this Decision and Order are the communications to the IESO (Appendix A) and to distributors (Appendix B) regarding the 2019 monthly payments as of January 1, 2019.

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Effective January 1, 2019, the IESO shall collect \$271,740 per month from all market participants until such time as the OEB revises this amount.
2. Effective January 1, 2019, the IESO shall distribute the amounts for each qualifying distributor on a monthly basis as set out in section 4 of this Decision and Order.

DATED at Toronto January 24, 2019

ONTARIO ENERGY BOARD

Original Signed By

Theodore Antonopoulos
Vice-President, Applications

APPENDIX A

2019 RENEWABLE GENERATION CONNECTION RATE PROTECTION

**Communication to the IESO on Collection of Compensation Amounts under
Ontario Regulation 330/09 as of January 1, 2019**

EB-2018-0295

DECISION AND ORDER

JANUARY 24, 2019

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY EMAIL

January 24, 2019

Devon Huber
Senior Manager Regulatory Affairs
Independent Electricity System Operator
Station A, Box 4474
Toronto ON M5W 4E5

Dear Mr. Huber:

Re: Collection of Compensation Amounts under Ontario Regulation 330/09 for 2019 as of January 1, 2019

Ontario Regulation 330/09 under the *Ontario Energy Board Act, 1998*, regarding cost recovery for eligible investments for the purpose of connecting or enabling the connection of a qualifying generation facility to a distribution system, requires the Ontario Energy Board (OEB) to calculate the monthly amount to be collected by the Independent Electricity System Operator (IESO) to provide compensation to qualifying distributors for rate protection provided to consumers.

The OEB has issued previous orders, setting the compensation amount twice each year from 2010 to 2018, authorizing the IESO to implement the charge for each of those years. On January 24, 2019 the OEB issued its Decision and Order¹ updating the 2019 compensation amounts as of January 1, 2019. The Decision and Order is attached.

Amount to be charged by the IESO as of January 1, 2019

In its January 24, 2019 Decision and Order, the OEB determined that effective January 1, 2019 and until such time as the OEB orders otherwise, the amount to be collected by the IESO shall be \$271,740 per month from all market participants.

¹ EB-2018-0295

The OEB expects the IESO to implement this charge as soon as possible with monthly amounts adjusted, if necessary, to ensure the entire amount is collected and remitted to the qualifying distributors in a timely manner.

The following monthly amounts are to be forwarded to the following qualifying distribution utilities:

• Toronto Hydro-Electricity System Limited	\$ 218,959
• Waterloo North Hydro Inc.	\$ 747
• Alectra Utilities Corporation	
○ Enersource	\$ 12,811
○ PowerStream	\$ 21,710
○ Brampton	\$ 12,160
• Veridian Connections Inc.	\$ 2,917
• Peterborough Distribution Inc.	\$ 1,065
• Fort Frances Power Corporation	\$ 181
• Kitchener-Wilmot Hydro Inc.	\$ 759
• Welland Hydro-Electric System Corp.	\$ 431
 Total to be forwarded	 \$ 271,740

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

cc: Alectra Utilities Corporation
Toronto Hydro-Electricity System Limited
Waterloo North Hydro Inc.
Fort Frances Power Corporation
Kitchener-Wilmot Hydro Inc.
Veridian Connections Inc.
Peterborough Distribution Inc.
Welland Hydro-Electric System Corp.

Attachment

APPENDIX B

2019 RENEWABLE GENERATION CONNECTION RATE PROTECTION

**Communication to Distributors on Collection of Compensation Amounts under
Ontario Regulation 330/09 as of January 1, 2019**

EB-2018-0295

DECISION AND ORDER

JANUARY 24, 2019

Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY EMAIL

January 24, 2019

To: All Licensed Electricity Distributors

Re: Collection of Compensation Amounts under Ontario Regulation 330/09 for 2019, as of January 1, 2019

Ontario Regulation 330/09 under the *Ontario Energy Board Act, 1998*, regarding cost recovery for eligible investments for the purpose of connecting or enabling the connection of a qualifying generation facility to a distribution system, requires the Ontario Energy Board (OEB) to calculate the monthly amount to be collected by the Independent Electricity System Operator (IESO) to provide compensation to qualifying distributors for rate protection provided to consumers. On January 24, 2019 the OEB issued its Decision and Order directing the IESO to adjust the charge effective January 1, 2019¹. The Decision and Order is attached.

Amount to be Charged by the IESO as of January 1, 2019

This Decision and Order established the 2019 compensation amounts (as of January 1, 2019) for the following qualifying distributors, based on the rate decisions setting annual amounts for those distributors:

- Alectra Utilities Corporation
 - Enersource (EB-2018-0016)
 - PowerStream (EB-2018-0016)
 - Brampton (EB-2018-0016)
- Toronto Hydro-Electric System Inc. (EB-2014-0116)

¹ EB-2018-0295

- Waterloo North Hydro Inc. (EB-2015-0108)
- Fort Frances Power Corporation (EB-2013-0130)
- Kitchener-Wilmot Hydro Inc. (EB-2013-0147)
- Veridian Connections Inc. (EB-2013-0174)
- Peterborough Distribution Inc. (EB-2012-0160)
- Welland Hydro-Electric System Corp. (EB-2016-0110)

Commencing January 1, 2019, an amount of \$271,740 per month will be collected from all market participants. The amounts collected shall be distributed to qualifying distributors.

The monthly amount billed to each distributor in the province will vary depending on the energy withdrawn from the IESO-controlled grid for each month.

Amount to be Charged by Distributors in 2019

In determining the amount to be collected by the IESO, the OEB acknowledged that distributors will be passing on this charge to their electricity distribution customers through the Wholesale Market Service Rate (WMSR) currently approved by the OEB at \$0.0034 per kWh. It is the OEB's view that at its current level, the change of the Renewable Generation Compensation Rate Protection would have a minimal impact on balances in the Wholesale Market Service - Retail Services Variance Account (Account 1580), and therefore the OEB did not adjust the WMSR at this time.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Attachment