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**BY EMAIL ONLY**

November 1, 2006

**To:** All Licensed Distributors  
All Licensed Generators  
All Licensed Retailers  
All Participants in Proceeding EB-2005-0463  
All Participants in Proceeding EB-2006-0226  
All Other Interested Parties

**Re: Determination Under Sections 1.8 and 3.2 of the Retail Settlement Code Regarding the Settlement Rules for Embedded Retail Generators  
Board File No. EB-2006-0226**

On October 11, 2006, the Ontario Energy Board (the "Board") released for comment a proposed determination under sections 1.8 and 3.2 of the Retail Settlement Code (the "RSC") in order to clarify how distributors should settle embedded retail generators that have standard offer contracts.

The proposed determination was intended to address matters with respect to payments to embedded retail generators with an OPA contract that are indirectly connected to distributor's distribution system. Indirectly connected embedded retail generators are generation facilities that are connected on the customer side of a connection point to the distribution system (i.e., they are "behind-the-meter" generators).

The Board received four submissions in relation to the proposed determination. The submissions stated that the commenting parties preferred what was termed "gross load billing" for indirectly connected generation facilities. The gross load billing option would see the load customers charged by the distributor on the basis of all of the energy consumed by the load regardless of whether the energy was provided by the embedded retail generator or the distributor.

As was stated in its October 11, 2006 letter, the Board does not believe that now is the time to change the way load customers are charged for their distribution service even if the load customers have a generation facility connected behind their meter. The Board has announced that it will investigate matters concerning distributed generation as part of its Fundamental Rate Design initiative. The Board does not want to pre-empt the work of the Fundamental Rate Design initiative nor does it want to allow embedded retail generators to be treated differently than other distributed generators. Therefore, the Board has decided that the current provisions of the RSC in relation to load customers and the amendments to the RSC contained in the Board's Notice of Amendments to the Distribution System Code and the Retail Settlement Code, issued on October 31, 2006, are appropriate at this time. Embedded retail generators with an OPA contract will be paid in accordance with the contract. Load customers (including load customers with a "behind-the-meter" generator) will be charged by distributors for the electricity that the load customer consumes (as registered by the load customer's meter).

The determination attached to the Board's October 11, 2006 letter remains unchanged. The Board is not proposing to change the determination. The Board's determination is attached to this letter as Attachment A and applies as of the date the above-mentioned RSC amendment comes into force.

This letter, including the attached determination, will be available for public viewing on the Board's website at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca) and at the office of the Board during normal business hours.

Any questions relating to the determination should be directed to Russ Houldin at 416-440-8112 or by email to [russ.houldin@oeb.gov.on.ca](mailto:russ.houldin@oeb.gov.on.ca). The Board's toll-free number is 1-888-632-6273.

Yours truly,

*Original Signed By*

Peter H. O'Dell  
Assistant Board Secretary

Attachment A - Determination Relating to Section 3.2 of the Retail Settlement Code

## **Attachment A**

### **Proposed Determination Relating to Section 3.2 of the Retail Settlement Code: Clarification of Rules for Embedded Retail Generators with an OPA Contract that are Indirectly Connected to a Distribution System**

The Ontario Energy Board (the “Board”) has made this determination under sections 1.8 and 3.2 of the Retail Settlement Code (the “RSC”).

#### **Definitions**

“billing period” means the customary or usual period of time for which a distributor bills a load customer for the consumption of electricity provided by the distributor;

“embedded retail generator” has the same meaning as in the RSC;

“indirectly connected generator” means a generation facility that is connected on the customer side of a connection point to the distribution system whose owner has a contract with the OPA;

“load customer” means a person that consumes electricity provided by a distributor; and

“OPA” means the Ontario Power Authority.

#### **Clarification Regarding Section 3.2 of the RSC**

The following provision applies to any load customer that has an indirectly connected generator attached to it:

If in a billing period the recorded meter amounts for a load customer results in a negative payment by the load customer to the distributor (or equivalently, a credit to the load customer), the distributor shall treat the negative amounts as zero. The distributor shall not make any payment or provide any credit to the load customer. For greater clarity, this applies to any type of meter and any recorded quantity.