

Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



EB-2006-0327

Ontario Energy Board Staff Draft Proposal

Filing Requirements for Service Area Amendment Applications

To be included as Chapter 7
of the Filing Requirements for Transmission and
Distribution Applications

December 20, 2006

CHAPTER 7: FILING REQUIREMENTS FOR SERVICE AREA AMENDMENT APPLICATIONS

TABLE OF CONTENTS

7.0	INTRODUCTION	3
7.1	BASIC FACTS	4
7.2	EFFICIENT RATIONALIZATION OF THE DISTRIBUTION SYSTEM	6
7.3	IMPACTS ARISING FROM THE PROPOSED AMENDMENT	7
7.4	CUSTOMER PREFERENCE	8
7.5	ADDITIONAL INFORMATION REQUIREMENTS FOR CONTESTED APPLICATIONS	9

7.0 Introduction

This chapter aims to provide a single source of information to guide distributors in filing applications that involve service area amendments (“SAA”).

The development of these filing requirements is guided by the Board’s objectives in electricity namely, economic efficiency, consumer protection and the maintenance of a financially viable electricity industry. The filing requirements are also based on the general principles articulated in the Board’s Decision on the Combined Service Area Amendments Proceeding (“RP-2003-0044”).

In RP-2003-0044, the Board articulated certain principles on consumer protection and economic efficiency in relation to SAAs. These include:

- Notification to all affected parties, obtaining consent where possible
- Assessment of impacts on affected parties, including distributors, customers, and landowners and a demonstration of efforts to address these impacts
- Economic efficiency is a primary consideration as to whether the proposal represents the most optimal use of resources and reflects the long run economic cost of service to all parties, not necessarily the lowest cost to any particular party.

The Board stated in RP-2003-0044 that the protection of consumer interests and the achievement of long run economic efficiency and cost effectiveness are obtained through the rational optimised development of the existing distribution system.

An application for an SAA may arise for a number of reasons, including as a result of mergers, amalgamations, acquisitions, and divestitures, or to phase out an existing load transfer arrangement between distributors, or for a general expansion owing to the development of a new sub-division.

An SAA is a licence amendment to Schedule 1 of a distributor’s licence which defines the distributor’s service area. Section 74(1) of the Act allows the Ontario Energy Board to amend distributors’ licences where the amendment is in the public interest.

The RP-2003-0044 decision also provided that applications that are consented to by the contiguous distributors and individual customers involved can be processed expeditiously. Consent applications would need to be in conformity with the principles outlined in that decision. That is, they should address economic efficiency, customer preference and impacts on distributors and customers. The level of detail required for consent applications would be less than that required for contested applications, i.e. where there is no agreement among the parties.

The information below must be provided for all SAA applications. For contested applications, information relating to the incumbent distributor that cannot be provided by the applicant may be sought by the Board from the incumbent distributor during the course of a proceeding. Additional information must also be provided in contested applications as set out in section 7.5.

For the purposes of these filing requirements, it is assumed that the applicant is a distributor who requires a service area amendment to its licence.

7.1 Basic Facts

The information in this section is required to provide basic information about the application and an understanding of the details of the proposed SAA.

The application must include the following components:

General

- 7.1.1 Clearly identify the parties to, or affected by, the application:
- a) Names of the applicant, incumbent supplier, and any affected customers
 - b) Contact information, which includes the address, telephone and fax numbers for the applicant, incumbent utility and each affected customer
 - c) Name, email address, and fax number of the contact person/representative of the applicant for this application
 - d) Contact information, which includes the name, address, telephone and fax numbers, (as well as the name, email address, and fax number of the contact person/representative) for a customer, landowner or developer, where the application is initiated by interest in service from a customer, landowner or developer
 - e) Contact information, which includes the name, address, telephone and fax numbers, (as well as the name, email address, and fax number of the contact person/representative) of the alternate suppliers, where a SAA application is made and there is one or more alternate suppliers bordering on the amendment area.

7.1.2 Indicate the reasons why this amendment should occur.

Description of Proposed Service Area

7.1.3 Provide a detailed description of the lands in the proposed SAA. For individual customers, this should include the lot and concession number(s) and municipal address including street number, municipality and /or county, and postal code. For proposed general expansion areas, this should include a clear description of the area on the basis of relevant geographical features.

7.1.4 Provide one or more maps of the proposed amendment area, which:

- a) Identifies the borders of the applicant's service area, the incumbent utility's service area and the surrounding area for which the applicant is making the SAA application. This map should reflect geophysical features such as rivers and lakes, property borders, roads, major public facilities, etc relevant to defining the boundaries of the service area or the amendment. Identification of the borders of the service area(s) of an alternate supplier(s) must be provided, if applicable.
- b) Shows the location of the proposed connection(s), the existing electrical facilities supplying the amendment area, including distribution lines, transformers, substations etc. The map should clearly identify the electrical infrastructure of the applicant and of each distributor (incumbent utility and alternate supplier(s), if applicable) in the proposed amendment area as well as in the contiguous areas of each distributor that is adjacent to the amendment area.
- c) Shows existing and proposed facilities which will be utilized by the applicant to supply the area for which the amendment is sought, as well as to provide for expansion of load in the amendment area.

Distribution Infrastructure in and around the Proposed Amendment Area

7.1.5 Provide a description of the proposed type of physical connection (e.g. individual customer; residential subdivision, commercial or industrial development, general service area expansion).

7.1.6 If the application is generated by an interest in service from one or more customers or developers in the area for which an amendment is sought, provide any "offer to connect" documentation which has been provided to the developer.

- 7.1.7 Provide a description of the applicant's plans (if any) for similar expansions in areas adjacent to the location of the proposed SAA. Provide a map showing the areas where expansions are planned in relation to the area which is the subject of the application.

7.2 Efficient Rationalization of the Distribution System

The proposed SAA will be evaluated in terms of rational and efficient service area realignment. This evaluation will be undertaken from the perspective of economic (cost) efficiency as well as engineering (technical) efficiency. Applicants must demonstrate how the proposed amendment optimizes the use of existing infrastructure. In addition, applicants must indicate the long term impacts of the proposed SAA on reliability in the area to be served and on the ability of the system to meet growth potential in the area. Amendments promote economic efficiency if they represent the most effective use of existing resources and reflect the long run economic cost of service to all parties, not necessarily the lowest cost to any particular party.

- 7.2.1 In light of the above, provide a comparison of the economic and engineering efficiency of service by each of the applicant and the incumbent. The comparison should include the following:
- a) The location of the point of delivery and the point of connection
 - b) The proximity of the proposed connection to an existing, well-developed electricity distribution system
 - c) Fully loaded connection costs for supplying the customer (e.g. individual customers or developers)
 - d) If applicable, costs for stranded equipment e.g. lines, cables, transformers etc. that would need to be removed or would be de-energized
 - e) If applicable, costs of customer transfers, including any customer rate smoothing or mitigation
 - f) Demonstration that the SAA enhances/does not decrease reliability of infrastructure over the long term
 - g) Demonstration that the proposed infrastructure enables cost-efficient expansion if there is growth potential, or improvements and upgrades when needed.

7.3 Impacts Arising from the Proposed Amendment

Description of Impacts

- 7.3.1 Identify any affected customers or landowners.
- 7.3.2 Provide a description of any cost, rate, and service quality and reliability impacts on customers **in** the amendment area, arising from the proposed SAA.
- 7.3.3 Provide a description of any cost, rate, and service quality and reliability impacts on customers of the distributors **outside** the amendment area, arising from the proposed SAA.
- 7.3.4 Provide a description of the impacts on each distributor involved in the SAA.
- 7.3.5 Provide a description of any assets which may be stranded or become redundant if the amendment proceeds.
- 7.3.6 Identify any assets that are proposed to be transferred to or from the applicant.
- 7.3.7 Identify any customers that are proposed to be transferred to or from the applicant.
- 7.3.8 Provide a description of any existing load transfers or retail points of supply that will be eliminated.
- 7.3.9 Provide a description of any additional load transfers or retail points of supply that will be created.

Evidence of Consideration and Mitigation of Impacts

- 7.3.10 Written confirmation by the applicant that all affected parties have been provided with factual information about the SAA. The evidence should include details of any consultations that may have occurred between distributors regarding the proposed SAA.
- 7.3.11 Provide a letter from the incumbent utility in which it is clearly indicated that they concur with, or at least do not oppose, the application.
- 7.3.12 Where available, a written response from customers, or landowners regarding the application.

- 7.3.13 Evidence of attempts to mitigate impacts, where customer and/or asset transfers are involved, e.g. customer rate smoothing or mitigation, compensation for any stranded assets.
- 7.3.14 Identify and describe which impacts result from the elimination of load transfers.

7.4 Customer Preference

The Board, in the RP-2003-0044 decision, stated that customer preference is an important, but not overriding consideration when assessing the merits of an SAA.

An applicant who brings forward an application where customer choice may be a determining factor must provide the following:

- 7.4.1 Written statement of customer preference signed by the customer.

DRAFT

7.5 Additional Information Requirements for Contested Applications

This section sets out the additional information that is required when there is no agreement among affected parties regarding the proposed SAA. The applicant must file the following additional information.

- 7.5.1 Evidence that the incumbent distributor was provided an opportunity to make an offer to connect.
- 7.5.2 Evidence that the customer has had the opportunity to obtain an offer to connect from the applicant and alternate suppliers bordering on the amendment area.
- 7.5.3 A summary of the information and copies of offer to connect documentation and associated financial evaluations in accordance with Appendix B of the Distribution System Code. The financial evaluations should indicate costs associated with the connection including on-site capital, capital required to extend the distribution system to the customer location, incremental up-stream capital investment required to serve the load, the present value of incremental OM&A costs and incremental taxes, as well as the expected incremental revenue, the amount of revenue shortfall and the capital contribution requested.
- 7.5.4 If available, provide a comparison of the new or upgraded electrical infrastructure necessary for each distributor to serve the proposed connection.
- 7.5.5 If available, provide evidence of service quality, including reliability specific to the proposed service area for each distributor.

Customer Preference

The Board, in the RP-2003-0044 decision, stated that customer preference is an important, but not overriding consideration when assessing the merits of an SAA.

In addition to section 7.4.1, an applicant who brings forward an application where customer choice may be a determining factor must also provide the following:

- 7.5.6 A comparison of the competing offers to the customer.