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VIA E-MAIL AND WEB POSTING

July 13, 2007

To: All Licensed Electricity Generators
All Licensed Electricity Distributors
All Other Interested Parties

**Re: Distributed Generation: Rates and Connection
Board File No.: EB-2007-0630**

Issues of rates and connection in relation to distributed generation (“DG”) have been identified by the Board as warranting further consideration.

The Board is today initiating a consultation process with respect to these issues. The consultation process is expected to culminate in a rates and connection policy framework for DG. The policy framework will in turn provide the basis for subsequent rate applications from electricity distributors on these issues, or the basis for potential proposed amendments to the Board’s regulatory instruments.

Background and Issuance of Consultant and Staff Discussion Papers for Comment

In the March 30, 2007 Staff Discussion Paper entitled “Rate Design for Electricity Distributors: Overview and Scoping”, it was noted that Board staff is currently examining standby rates and rate class issues in relation to DG, potentially with a view to developing an interim solution pending completion of the broader rate design initiative.

Board staff retained EES Consulting Inc. (“EESC”) to provide technical expertise in relation to the DG issues and, more specifically, to conduct a review of DG in selected jurisdictions across the world and make recommendations on rate design and other issues related to DG. The results of that review are set out a report prepared by EESC entitled *Discussion Paper on Distributed Generation (DG) and Rate Treatment of DG* (the “EESC Paper”)

Board staff have also prepared a Staff Discussion Paper on rates and connection in relation to distributed generation.

The Board has today released the EESC Paper and the Staff Discussion Paper for comment by interested parties.

Written Comments on Discussion Papers

The Board is inviting written comments from interested parties on the EESC Paper and the Staff Discussion Paper. Details on how to provide your comments are set out below.

The Board would be assisted by written comments on all aspects of the EESC Paper and the Staff Discussion Paper. While the Staff Discussion Paper identifies issues in relation to which stakeholder input would be particularly beneficial, stakeholders should feel free to comment on other issues as they consider appropriate.

The Board will consider the comments received from interested parties in determining the need for and form of the next steps for this consultation process.

Cost Awards

Cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998* for their participation in this initiative. The costs awarded will be recovered from all rate-regulated licensed electricity distributors based on their respective distribution revenues. The rates of licensed distributors Cornwall Street Lighting and Power Company and Dubreuil Forest Products are not currently fixed or approved by the Board, and cost awards will not be recovered from these two distributors.

Appendix A contains important information regarding cost awards for this consultation, including in relation to eligibility requests and objections. In order to facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

How to Participate and Instructions for Filing Comments

The Board encourages participation in this process by all interested parties.

Those interested in participating should indicate their intent in writing by letter addressed to the Board Secretary at the Board's mailing address set out above by **July 20, 2007**. That letter should include a statement as to whether the participant wishes to request cost eligibility. All requests for cost eligibility must be accompanied by the information identified in Appendix A under the heading "Cost Award Eligibility".

Participants who wish to provide written comments on the EESC Paper or the Staff Discussion Paper must do so by **August 24, 2007**. All filings to the Board in relation to this consultation must quote file number **EB-2007-0630** and include your name, address, telephone number and, where available, an e-mail address and fax number. Three paper copies of each filing must be provided. The Board asks that interested parties make every effort to provide electronic copies of their filings in Adobe Acrobat (PDF) or Word, either on diskette or by e-mail to boardsec@oeb.gov.on.ca.

Filings must be received by **4:30 pm** on the required date.

All materials related to this consultation will be posted on the “Key Initiatives & Consultations” portion of the Board’s web site at www.oeb.gov.on.ca. The material will also be available for public inspection at the Board’s office during normal business hours.

Any questions relating to this consultation should be directed to Beverley Jaffray at 416 440-8101, or e-mail Beverley.Jaffray@oeb.gov.on.ca. The Board’s toll-free number is 1-888-632-6273, and the Market Operations Hotline is 416-440-7604.

Yours truly,

Original signed by

Peter H. O’Dell
Assistant Board Secretary

**Appendix A
To Letter Dated July 13, 2007**

Cost Awards

Cost Award Eligibility

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person requesting cost eligibility must file with the Board a written submission to that effect by **July 20, 2007**, identifying the nature of the person's interest in this process and the grounds on which the person believes that it is eligible for an award of costs (including addressing the Board's cost eligibility criteria as set out in section 3 of the Board's *Practice Direction on Cost Awards*). An explanation of any other funding to which the person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known. All requests for cost eligibility will be posted on the Board's website.

Rate-regulated licensed electricity distributors will be provided with an opportunity to object to any of the requests for cost award eligibility. If an electricity distributor has any objections to any of the requests for cost eligibility, such objections must be filed with the Board Secretary by **August 3, 2007**. Any objections will be posted on the Board's website. The Board will then make a final determination on the cost eligibility of the requesting parties.

Groups representing the same interests or class of persons are expected to make every effort to communicate and co-ordinate their participation in this process. Costs may be pooled when groups with common viewpoints collaborate and pool their resources.

Eligible Activities

Cost awards will be available in relation to the following activity:

Written comments on:

Discussion Paper on Distributed Generation (DG) and Rate Treatment of DG (EES Consulting, June 2007);
and
Staff Discussion Paper on Distributed Generation: Rates and Connection (Ontario Energy Board, July 13, 2007)

Up to 30 hours

Cost Awards

When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied.

The Board will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the Board will act as a clearing house for all payments of cost awards in this process.

For more information on this process, please see the Board's *Practice Direction on Cost Awards* and the October 27, 2005 letter regarding the rationale for the Board acting as a clearing house for the cost award payments. These documents can be found on the Board's website at www.oeb.gov.on.ca on the "Rules, Codes, Guidelines and Forms" webpage.