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Ontario Energy Board

Distributed Generation: Rates and Connection

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Ontario Power Authority Comments

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BACKGROUND

The Board initiated a consultation process regarding Distributed Generation (“DG”) on July 13, 2007, with the aim of developing a rates and connection policy framework. Board staff has retained EES Consulting Inc. (“EESC”) to provide technical expertise in this area and have released EESC’s “Discussion Paper on Distributed Generation (DG) and Rate Treatment of DG” (“the EESC Paper”) for comment. Board Staff have also released its Staff Discussion Paper on Distributed Generation: Rates and Connection (“Board Staff Paper”), which identifies issues requiring comment.

Certain aspects of DG were discussed in the Board’s earlier consultation process regarding Rate Design for Electricity Distributors (EB-2007-0031). OPA was a participant in that proceeding and provided comments with regard to use-of-system rates for DG.

OPA COMMENTS AND RESPONSES

The OPA is mandated through the Electricity Act to “engage in activities to facilitate the diversification of sources of electricity supply by promoting the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources.” DG projects, when connected to the distribution system, can make a significant aggregate contribution to security of supply for Ontario consumers and to achieving the government’s objectives for clean and renewable energy supply in the future. The OPA sees this consultation process as a positive step in addressing barriers to development.

In general, the OPA is in agreement with EESC recommendations that rates charged to DG customers should be designed to reflect the true costs to provide service, net of benefits; should be simple and easy to understand and administer; and should not create artificial barriers. The OPA’s comments in this matter will encompass the issues of Recovery of Connection Costs; Separate Rate Classification; Benefits; and Other aspects.

Recovery of Connection Costs

The OPA proposes an LDC connection cost financing approach which would allow DG customers to pay their connection costs over time, in the same manner as other LDC load customers.

The Board Staff paper states that the status quo, by which generation customers pay directly and load customers pay through rates, addresses the following objectives: (1) minimizing cross-subsidization; (2) minimizing the level of connection costs; and (3) minimizing electricity distributors’ exposure to stranded costs. In EB-2007-0031, the OPA noted that the current rate treatment of DG customers can result in over-payment. This situation arises through the ongoing requirement that the generators pay their connection costs up front in addition to payment of the rates applicable to load