

# Transmission Connection Cost Responsibility

## OEB Policy Review

**EB-2008-0003**

***Summary of Initial Submission  
of Hydro One Networks Inc.***

***Generation Connections***

***February 14, 2008***



# Transmission Connection Cost Responsibility

## *Hydro One Welcomes this Review*

**A decision on connection cost responsibility is needed ASAP.**

- Important initiatives depend on it
- Connection projects at various stages
- Stakeholders need certainty to proceed

**Scope needs to be focused and contained.**

- This is not the time for rate redesign.
- This is about “Who pays?”, not “Who builds?”

# Transmission Connection Cost Responsibility

## Principle #1

**Cost responsibility must not impede needed transmission reinforcement**

### Generation:

Facilitate the Province's energy policy.

Impact of Distribution-connected generation on transmission must be addressed here.

# Transmission Connection Cost Responsibility

## Principle #2

**Promote regulatory certainty, administrative efficiency, and effective transmission planning**

- Cost responsibility rules must be clear and unambiguous.
- Rules must not require case-by-case interpretation.
- Rules must set out an efficient process.
- Regulatory certainty is required to facilitate the transmission planning process.

# Transmission Connection Cost Responsibility

## *Implications of “not getting it right”*

- Delays in planning, approvals and construction
- Regulatory overhead
- Needed infrastructure is not built
- Viable alternatives are dismissed
- Suboptimal solutions adopted
- Reliability suffers

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## Key Message 1

**Need overall system-wide assessment of the “economics” of certain proposed transmission enhancements**

- The OPA would be the best entity to do the assessments.
- This role is needed to enable Government policy on generation.

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## Key Message 2

### **Pre-defined criteria should guide cost responsibility for reliability assessments**

- Pre-defined criteria needed (e.g. IESO's *Ontario Resources and Transmission Assessment Criteria*) and should be administered by the Board via an amended TSC.
- Criteria and associated rules would be used by OPA, IESO and transmitters for reliability assessments and cost assignment for local area supply.

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## Key Message 3

### **Basic and premium service categories could be established**

- Modeled after DSC concept, for load and generation
- To provide a mechanism for fair and reasonable risk-sharing between transmitters and customers
- Costs for connection facilities that constitute Basic Service would be pooled
- Incremental costs for facilities that exceed Basic Service would not be pooled but would be recovered from connecting customers as “Premium Service”



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## Generation Connections

Generation connections require assessments on the merits of pooling their costs, considering the economics, avoided costs, and social good associated with the connection proposal.

The OPA could:

- define global thresholds, criteria/rules, to be applied by transmitter
- perform local studies
- perform case-by-case project reviews [*Not desirable*]

OPA assessment must not be limited to IPSP (ongoing need).

Outcome of assessment should be reflected in the TSC, and might lead to definitions of “Basic Service” and “Premium Service”.

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## Issues – Generation Connections

- **Should Generation be treated same as Load?**
  - *No.* Government policy is focused on supply.
- **Should policy differentiate between renewables and non-renewables?**
  - *Yes.* Rules should be consistent with Government policy.
- **Should the location of load/generation be a factor?**
  - *Yes.* OPA should include this factor in its assessments.