



**Ontario Energy Board**

Commission de l'énergie de l'Ontario

# **DEVELOPMENT OF TRANSMISSION CONNECTION COST RESPONSIBILITY**

**Board Consultation Process  
(EB-2008-0003)**

# Principles for Transmission Connection Cost Responsibility

- Cost responsibility for customer-driven connection facilities should rest with the customer.
- This is also the case where the connection facilities are triggered by the needs of more than one customer.
- There is an exception that applies where a connection facility was otherwise planned by the transmitter to meet load growth and maintain system reliability and integrity.
- Cost responsibility for network facilities that are required to accommodate a new or modified connection rests with the transmitter, unless the Board determines that exceptional circumstances require that cost allocation be dealt with differently.
- Detail as to how these principles have been applied has evolved over time.

## Transmission System Pools

- Network Pool [Rev. Req. about **56%** of Total]  
serves all customers
- Line Connection Pool [Rev. Req. about **15%** of Total]  
each radial transmission line serves one or more identifiable customers
- Transformation Connection Pool [Rev. Req. about **29%** of Total]

High Voltage (HV) transformation down to Low Voltage (Delivery Facilities)

## Transmission Services Charges

- Load Customers (Distributors and Consumers) pay for the Services they use.
- Generators do not pay for use of system charges, but pay for and own their Connection Facilities (Radial Line Connection and Transformation Connection)

# DEVELOPMENT OF TRANSMISSION CONNECTION COST RESPONSIBILITY

- **Year 2000 Transmission Cost Allocation and Rate Design**  
May 26, 2000 (RP-1999-0044)
- **Transmission System Code (TSC)**  
July 14, 2000 (RP-1999-0057)
- **Policy Decision, Phase 1 : TSC Review**  
June 8, 2004 (RP-2002-0120)
- **Revised TSC**  
July 25, 2005 (RP-2004-0220)
- **Connection Procedures Review (TSC Requirement)**  
for Hydro One and Great Lakes Power  
September 6, 2007 (EB-2006-0189 / EB-2006-0200)  
November 26, 2007 – Decision on Motion to Review (EB-2007-0797)



## **RP-1999-0044: Cost Responsibility for Connection Facilities**

### **Load Customers-Distributors and Consumers**

- Expressed principle that financial contribution is required to hold the Connection Pools harmless – User Pay Principle
- Rules for Capital Contribution to be outlined in the TSC

### **Generation Customers**

- New generators and existing generators requiring new investment in Connection Facilities, to pay for such connection facilities - User Pay Principle.  
[generators often require in addition to dedicated connection facilities, reinforcements of Connection Facilities serving more than one customer, and are owned by the licensed transmitter]
- Rules for Capital Contribution to be outlined in the TSC

## **RP-1999-0057: Cost Responsibility for Connection Facilities** **Load Customers-Distributors and Consumers**

- Methodology for calculation of Capital Contribution is spelled out
- The amount of capital contribution is based on economic evaluation to be the amount equal to the difference between the capital expenditures of a project and the present value of rate revenues from the customer over the study horizon .
- Principle of Sole Beneficiary was interpreted to result in adding the costs of reinforcement of the Network assets in the financial evaluation, but not the "Network" rate revenues.

### **Generation Customers**

- New generators and existing generators to pay for investments in new connection facilities
- Transmission reinforcements that required Network assets upgrades, lead to an interpretation that the party that triggered the need for any transmission investment (Network or Connection) is the "Sole Beneficiary". This interpretation was disputed by generators.

## **RP-2002-0120: Cost Responsibility for Connection Facilities**

- Review of TSC and ensuing Policy Decision addressed various issues including those related to Cost Responsibility for Connection Facilities identified in the previous Slide;
- Board indicated its intention to revise the TSC to reflect this Policy Decision.

## **RP-2004-0220: Cost Responsibility for Connection Facilities**

### All Customers

Network investment benefits all customers and would not be attributed to connecting customers unless exceptional circumstances exist and the Board would so direct.

### Generation Customers

- New generators and existing generators to pay for investments in new connection facilities
- The criteria for attributing costs of transmission reinforcements between Network and Connection made clearer e.g. Communication Equipment that serves a customer but is located in a Network Station.



## **RP-2004-0220: Cost Responsibility for Connection Facilities**

### **Load Customers-Distributors and Consumers**

- The load customer that triggers the need for a new or modified connection facility bears responsibility for the relevant costs - User Pay Principle.
- The same principle applies where the work is triggered by more than one customer.
- For Load customers, the Capital Contribution and the rules for truing up (actual load vs load forecast) are equally implemented to transmitter and customer.
- Fairness to customers who contributed capital for a connection facility, by providing reimbursements to these customers for a period up to 5 years, if an additional new customer requests connect to that same connection facility.

## Connection Procedures Review (TSC Requirement) for Hydro One and Great Lakes Power September 6, 2007 (EB-2006-0189 / EB-2006-0200)

- Connection procedures review proceeding raised issues about cost responsibility and transmission planning, particularly in relation to facilities required to meet “local area supply” needs or regional load growth
- Board decision (September 6, 2007) confirmed “user pay principle” that underlies cost responsibility provisions of the Code, and identified attributes of a transmission plan that could trigger the exception in the Code which states that no capital contribution would be required for facilities that were already planned by the transmitter
- Board decision (November 26, 2007) denied a motion to review the connection procedures decision but noted that the questions of transmission policy raised by the Board are better addressed in a policy process, which is now being considered in this proceeding.

