

**SYNOPSIS OF KEY PROPOSED CHANGES TO
THE TRANSMISSION SYSTEM CODE
BOARD FILE NO.: RP-2004-0220**

This synopsis describes, by subject-matter, some of the key proposed changes that are reflected in the Revised Code.

The purpose of this document is to provide a brief synopsis of the salient aspects of the proposed Revised Code in an accessible format. It is intended to provide only an overview of the proposed changes that are reflected in the Revised Code, and all comments made in this document are restricted to that context and purpose. For the specific proposed changes to the Revised Code, recourse must always be made to the Revised Code itself and all matters of interpretation are dependent on the words of the Revised Code proper and not this synopsis.

Part 1: Proposed Changes Arising from the Phase One Decision

Available Capacity

In its Phase One Decision, the Board determined that the process for managing available capacity on transmission connection facilities should be transparent. The Board also determined that there should be a mechanism for the assignment of capacity on connection facilities to load customers, and that the ability of the parties to re-assign or cancel assigned capacity should be restricted.

The provisions of the Revised Code that address available capacity are largely contained in section 6.2 of the Revised Code. This section includes new provisions that:

- incorporate the concepts of “assigned capacity” (based on use) and of “contracted capacity” (based on load forecasts) (sections 6.2.2 and 6.2.5)
- deal with available capacity and assigned capacity on line connections and transformation connections in the same manner;
- allow transmitters the flexibility to maximize the use of connection facilities by defining “available capacity” as capacity that is not assigned at any given time while requiring them to remain in a position to comply with contracted capacity commitments made to their customers at the relevant time (sections 6.2.2 to 6.2.5);
- require transmitters to monitor available capacity as required and to make related information available to customers (sections 6.2.6 to 6.2.9 and others);

- require that transmitters establish and, in specified cases, implement an available capacity procedure (sections 6.2.11 and 6.2.12);
- restrict the ability of parties to re-assign or cancel assigned capacity (sections 6.2.18 to 6.2.20);
- minimize opportunities for the inefficient reservation of capacity by transmitters and their affiliates by requiring notification to customers (sections 6.2.13 and 6.2.21); and
- require that assignments of capacity generally be made on a first-come first-served basis and on the basis of demonstrable need (sections 6.2.10 and 6.2.12).

These new sections are also reflected in part in Schedule J of version A of Appendix 1 of the Revised Code.

Transmission System Bypass

In its Phase One Decision, the Board established the circumstances in which a transmitter may require bypass compensation where its connection facilities are stranded, as well as the basis on which such compensation would be determined. The specific instance of bypass in relation to the subsequent connection of facilities to generation facilities was also addressed. The Board also recognized that, in the case of embedded generation, compensation should be by way of the grossing up of the connection service revenues of the associated load in accordance with the transmitter's rate order.

The Revised Code deals with transmission system bypass in the same way for line connection facilities as it does for transformation connection facilities. In other words, bypass of line connection facilities is not prohibited by the Revised Code, although it may trigger the need to pay bypass compensation to the transmitter in the same way as would bypass of transformation connection facilities. The underlying principle that the duplication of assets should not be prohibited in circumstances where it is economic should apply equally to both types of connection facilities.

The provisions of the Revised Code that address transmission system bypass are largely contained in sections 6.7.6 to 6.7.9 and 11 of the Revised Code. These sections include new provisions that:

- permit a transmitter to require bypass compensation in relation to a customer's existing load for both line and transformation connection facilities, with such bypass compensation to be determined based on the net book value of the bypassed connection facility (section 6.7.6);

- provide for circumstances in which bypass compensation cannot be required (sections 6.7.7 and 6.7.8)
- require notice to the Board of proposed bypass by a distributor (section 6.7.9);
- establish when a generation facility is considered to be embedded relative to a load, including in circumstances where the load is no longer connected to the transmission system (section 11.1);
- permit a transmitter to require bypass compensation where a load customer subsequently connects its facilities to a generation facility, with such bypass compensation to be determined based on the net book value of the bypassed connection facility (section 11.2.1); and
- clarify that bypass compensation cannot be required for reductions in load that result from renewable embedded generation, energy conservation or load management (section 11.2.2).

These new sections are also reflected in part in Schedule J of version A of Appendix 1 of the Revised Code.

Cost Responsibility and Economic Evaluation Requirements

In its Phase One Decision, the Board clarified the rules relating to capital contributions by customers for new or modified connection facilities constructed by transmitters, as well as the rules for determining cost responsibility associated with those new or modified facilities. The Board also adopted a true-up process by which a transmitter and a load customer must periodically revisit the load forecasts used in the initial economic evaluation and adjust their financial obligations accordingly.

The provisions of the Revised Code that address cost responsibility and economic evaluations are largely contained in sections 6.2.24, 6.2.25, 6.3 and 6.5 and Appendices 4 and 5 of the Revised Code. These sections and Appendices include new provisions that:

- confirm that a capital contribution is required by a load customer for new or modified transmitter-owned connection facilities (sections 6.3.1 and 6.3.2);
- confirm that generator customers are generally to provide their own connection facilities but require a capital contribution by a generator customer for modified transmitter-owned connection facilities where

modifications are required to meet a generator customer's needs (sections 6.3.3 and 6.3.4);

- allow for a rebate or refund of a customer's capital contribution in certain cases (sections 6.2.24, 6.2.25, 6.3.9, 6.3.17 and 6.3.18);
- establish rules for the allocation of costs to and among customers (sections 6.3.12 to 6.3.16);
- require that a transmitter establish an economic evaluation procedure (to be approved by the Board) and establish rules for the manner in which a transmitter must carry out an economic evaluation in relation to a new or modified connection; and (sections 6.5.1 and 6.5.2 and Appendix 5)
- govern the true-up process, including the manner in which the risk associated with connections will be classified for purposes of determining the frequency of true-ups (sections 6.5.3 to 6.5.11 and Appendix 4).

These new sections are also reflected in part in Schedule J of version A of Appendix 1 of the Revised Code.

Contestability

In its Phase One Decision, the Board determined that contestability in relation to transmission connection facilities would be expanded.

The provisions of the Revised Code that address contestability are largely contained in section 6.6 of the Code. This section includes new provisions that:

- allow a customer the choice of providing its own dedicated connection facilities or of requiring that connection facilities be provided by a transmitter (section 6.6.1); and
- require a transmitter to establish a contestability procedure (to be approved by the Board) to address issues relating to contestability, including the transfer price payable where a customer must or may transfer dedicated connection facilities to the transmitter (section 6.6.2).

Customer Impact Assessments

In its Phase One Decision, the Board determined that a transmitter should undertake a customer impact assessment or CIA in association with each new or modified connection. The Board also determined that customers should be

responsible for upgrading their own equipment to the minimum baseline performance requirements established by a CIA.

The provisions of the Revised Code that address customer impact assessments and related upgrades are contained in section 6.4 and in section 24.3 of Appendix 1.

Other

In its Phase One Decision, the Board determined that transmitters should not be permitted to enforce contractual provisions that are inconsistent with the principles established in the Phase One Decision, regardless of the date on which the contract in question came into effect. This is reflected in section 3.6 of the Revised Code.

The Board also addressed the need for the implementation of an efficient dispute resolution process to ensure the timely resolution of disputes between transmitters and customers, particularly in relation to disputes that arise during the connection construction process. This is reflected in section 12 of the Revised Code.

Part 2: Other Proposed Changes

The Revised Code reflects changes over and above those associated with the Board's Phase One Decision. This part contains a synopsis of those changes.

Definitions and Interpretation

The "definitions" sections of the Revised Code (including those contained in both versions of Appendix 1) have been revised to (a) add new definitions to reflect new concepts; (b) delete definitions that were superfluous; and (c) amend existing definitions to provide greater clarity.

The "interpretation" provisions of the Revised Code (including those contained in both versions of Appendix 1) have been expanded to cover additional concepts, some of which are standard and others of which are designed to deal with new concepts.

Transmitter Procedures and Facility Compliance

The Revised Code contains several provisions that expand upon or clarify a transmitter's obligation to put various procedures into place:

- additional elements have been included in relation to the content of a transmitter's delivery point performance standards (section 4.5.1);

- a requirement for Board approval (as opposed to Board review) has been added in relation to a transmitter's rules and procedures for requiring that facilities come into compliance and in relation to a transmitter's connection procedures (sections 4.6.3 and 6.1.5); and
- the scope of a transmitter's connection procedures has been expanded to include procedures relating to matters such as security deposits, customer impact assessments, contestability, reconnection and dispute resolution (section 6.1.4).

In addition, a transmitter would be required to bring its own facilities into compliance where the criteria for requiring customer facilities to become compliant are met in relation to the transmitter's facilities (section 4.6.5).

Exchange and Confidentiality of Information

The Revised Code clarifies and streamlines the obligations of transmitters and customers in relation to the exchange and confidentiality of information. The provisions of the Revised Code that address the exchange and confidentiality of information are largely contained in section 4.7 and in section 21 and Schedule I of Appendix 1. Special provisions relating to confidentiality in relation to available capacity have also been included (section 6.2.27).

Agreements with Neighbouring Transmitters

Section 6.8 of the Revised Code imposes a new obligation on a transmitter to enter into an agreement with each neighbouring licensed transmitter in Ontario. This agreement would be functionally equivalent to the connection agreement between a transmitter and a customer, and is required to address some of the same issues.

Appendix 1: Connection Agreement

New Versions for Different Customers

As indicated in the notice accompanying the Revised Code, the Revised Code contains both a load customer and a generator customer version of the standard form Connection Agreement. The two versions are substantially the same save for the following:

- provisions that are relevant to load customers only are not included in the generator customer version. These provisions include sections relating to load shedding, assigned capacity, true-ups and bypass compensation;

- the generator version of Appendix 1 contains special provisions relating to liability (Schedule J); and
- the rules relating to costs in relation to the isolation and reconnection of facilities are different.

Reorganization and Clarification

The versions of Appendix 1 that are contained in the Revised Code have been significantly reorganized relative to the standard form Connection Agreement that is presently Appendix 1 to the July 2000 Code. The reorganization was effected in part to facilitate the division of the Connection Agreement into two versions, and in part to consolidate like sections together.

In addition, substantial revisions have been proposed to improve clarity, resolve inconsistencies and ambiguities and eliminate duplicative provisions.

Highlight of Changes

Revisions that have been proposed to the standard form Connection Agreement include:

- elimination of some of the prescriptive detail from the dispute resolution provisions (section 17);
- streamlining of the termination and disconnection provisions. Among other things, the process for termination where there has been a default by a party has been simplified and the associated timelines shortened (sections 18 to 20);
- clarification of the provisions relating to the exchange and confidentiality of information (section 21 and Schedule I);
- consolidation of the technical and operating provisions (sections 24 to 28);
- addition of provisions that reflect changes to the body of the Revised Code, such as the bypass, assigned capacity and true-up provisions of Schedule J of the load version of the Connection Agreement; and
- addition or modification of provisions that arise from the Board's decision in RP-1999-0057/EB-2002-0501.