

# **ATTACHMENT (7)**

## **Sub-Working Group Identification Of Out of Scope Issues**

*Prepared by Stakeholders  
Last Revised, October 2003*

**August, 2003**  
**Connection Directive Working Group**

**Summary of Recommendation**  
**Tracking of Generation Facilities**

Issue Statement

The hope of the market is to increase the number of small generators across the province. This will require the LDC's to identify and easily locate such installations at various times both for safety and supply reasons.

Options Possible

1. Mandate through the codes some form of pole identification or tracking.
2. Recommend through Codes that LDC's should keep track of all installations in their Emergency preparedness documents.
3. Remain silent in the codes and allow LDC's to establish their own requirements.

Implementation Issues

- A code mandate would provide for consistency across the province.
- A code mandate could force adoption of a process that is not compatible with existing systems.
- Tracking information on Generator Locations may not be the only tracking requirement in the future as the government attempts to track environmental credits.
- Customers have a responsibility to notify LDC's when they install a Generator, but have no responsibility to inform if the disconnect.

**August, 2003**  
**Connection Directive Working Group**

**Summary of Recommendation**  
**General Pamphlet for Public Dissemination of Information**

Issue Statement

The requirement for LDC's to provide general information to potential Generators upon initial request for information is being addressed through a combination of the various sub-groups with regards to the connection, settlement, and metering issues specific to LDC's. Additional information should be provided at that time to all interested parties outlining the variety of Manufacturers, Suppliers, technologies, approval agencies, etc. This information falls outside of the responsibility of LDC's yet is deemed to be of importance. Who should create and disseminate this information.

Options Possible

1. The Government could prepare a generic information pamphlet.
2. A Public Relations firm could be hired by the government to produce the generic information pamphlet.
3. Each LDC could be responsible for providing the information as required.

Implementation Issues

- The Government could best inform the consumers in the province of all the various incentives and tax breaks they are making available for new generation projects.
- Dissemination of a common message is best done when compiled by a common entity.
- Information provided by Manufacturers would be limited to their product offerings.
- Generator Manufacturing Associations may and likely will provide their own messages regardless of what the market brings to the table.
- LDC's should not be perceived as having any bias to one form of Generation over another and limited local sales offices for various generation options could lead to this type of perception.
- LDC's do not have budgets available for creating this type of pamphlet.
- Having the LDC's or the Manufacturers responsible for this generic pamphlet would not ensure a common message across the Province.

**August, 2003**  
**Connection Directive Working Group**

**Summary of Recommendation**  
**Insurance Requirements for Generators**

Issue Statement

Contractual arrangements between Generators and Distributors have some requirement for liability insurance. The level of insurance requirement is something that is difficult to estimate, while at the same time the insurance industry is not fully cognizant of the types of impacts and level of coverage that could be required in the case of improper operation of a generation unit and subsequent damages which may occur. Either through the code, or through some form of guidance to the industry, both the potential impacts and required coverage should be established.

Options Possible

1. Hold a special session with all three industries represented (Generators, LDC's and the Insurance industry), to discuss and attempt to establish an appreciation of the potential risks which need to be addressed.
2. Allow the LDC's to establish a level of required insurance to reduce any risk to their shareholder.
3. Prescribe a level of insurance requirement for each of the four categories of Generation in concert with the Process and Technical charts with the Government acting as a back-stop for any shortfall.

Implementation Issues

- Attempting to establish an arbitrary level of insurance could leave one party or another in a detrimental position
- Allowing the LDC's to establish their own level of insurance requirement would assign the decision with the company facing the risk, however it could also be a deterrent to promoting new Generation construction.
- Establishing a venue where all parties could review the issue together would assist all parties in understanding the issues and potential impacts involved.

**August, 2003**  
**Connection Directive Working Group**

**Summary of Recommendation**  
**Metering Requirements for Units greater than 1 Mw**

Issue Statement

Hydro One Networks requires the information on Generation facilities greater than 1 meg in size to properly allocate Transmission charges. At present, they have the IMO reading the meters to gather the data. This has led to a requirement of installing Metering that is significantly higher in cost than necessary for this size of load as the IMO metering requirements are higher than any other in the industry.

Options Possible

1. Allow the metering data to be collected by the LDC's in their normal practices, and provide the data to Hydro One networks.
2. Allow the Generators (that are not Market Participants) to use metering installations of lower standards than those set by the IMO as long as the meters can be read using the IMO software.
3. Leave things as they are for it meets the needs of Hydro One Networks.
4. Eliminate the requirement for the Embedded Generators to pay the additional charges to Hydro One Networks.

Implementation Issues

- Leaving things as they are imposes high costs on the Generators reducing the financial viability of their installations.
- Forcing Hydro One Networks to accept readings from LDC's imposes difficulties for them to totalize readings from separate entities.
- The market has established a proven process for passing data from LDC's to Retailers, and the XML systems are already in place at all LDC's.
- Allowing Generators to use non-IMO compliant Metering installations could lead to difficulties for the IMO in their requirement to meet their Wholesale obligations.
- Eliminating the requirement for H1 Networks to totalize the data would mean some form of rate adjustment mechanism.

**August, 2003**  
**Connection Directive Working Group**

**Summary of Recommendation**  
**Public Communication on Load Displacement**

Issue Statement

The concept of Net Billing and Load Displacement Generation is relatively new to a large majority of the general public. To get wide acceptance of the concept, the process and benefits need to be communicated to the public.

Options Possible

1. Let the manufacturers take on the role of promoting their products.
2. Leave it to the Government to publicize the new opportunities with their energy platforms.
3. Have all participants in the market share in the promotion of Load Displacement.

Implementation Issues

- The Government could best inform the consumers in the province of all the various incentives and tax breaks they are making available for new generation projects.
- The Manufacturers have a significant vested interest in increasing their sales and would therefore be a natural outlet for dissemination of information.
- The Manufacturers Sales outlets would be a prime candidate for disseminating the information on load displacement generation as they could use the Government incentives as a sales tool.
- LDC's have a "trusting relationship" built up over many years of service that carries with it a certain amount of credibility that is hard to duplicate and could be a good conduit for information.
- All customers interested in pursuing Load Displacement Generation must talk to LDC's, Manufacturers, and Sales Reps, so a common message would be seen as an added value.

**August, 2003**  
**Connection Directive Working Group**

**Summary of Recommendation**  
**Rates**

Issue Statement

LDC Rate setting process used in establishing existing Rates penalizes LDC's when customers install Load Displacement Generation. What can the Market do to limit the impact on LDC's while at the same time encourage new generation in the Province.

Options Possible

1. Leave Rates "as is" and have the LDC track lost revenue in variance accounts.
2. Make LDC's "whole" for lost revenues through OEFC or Government funding.
3. Charge all customers on a "gross load" basis for Distribution Charges.
4. Perform Net-Billing on Energy Portion of bill only.

Implementation Issues

- Rates are currently frozen, and require Government approval prior to submission to OEB.
- LDC Rates were established on a "cost recovery" basis with 1999 as the base year.
- New Generation on "existing customer load" cuts into required operating revenues for LDC's
- Load Displacement Generation is not cost effective (at the present wholesale price) without additional incentive.
- Load Displacement Generation on "new customer connections" is not lost revenue.
- Customers require sufficient line capacity for "total load" when generation is off for maintenance, failure, or when Fuel Price exceeds Spot Price.
- Standby Charges would be a new rate for many LDC's
- Energy is the competitive commodity and the market is designed to allow customers to make their own energy purchase decisions. Self Generation is one of those options.

**August, 2003**  
**Connection Directive Working Group**

**Summary of Recommendation**  
**SQL's**

Issue Statement

The entire Market benefits from new generation coming on line quickly. LDC's tend to work with all connections on a first-come – first-serve basis when allocating staff and resources. The Connection processes establish "maximum" timelines for Generation facility connections. It was suggested that LDC's be given a "performance bonus" based on exceeding maximum timelines.

Options Possible

1. Do not provide performance incentives and accept the adopted timelines as sufficient.
2. Provide performance incentives based on % of connections completed ahead of code timelines.
3. Track performance as part of overall SQL tracking for PBR.

Implementation Issues

- Some people feel that LDC's will naturally wait until the last minute to complete their work, effectively making the timelines into "Fixed" rather than "Maximum".
- Existing Codes require that LDC's provide "undiscriminatory" access to their facilities.
- Providing incentives for fast-tracking generation connections could delay Load connections effectively establishing "discriminatory" access.
- LDC's may not be in a rush to connect Generators to Net Billing in order to delay the loss of income as long as possible.
- Providing Incentives assumes that there is a pot of money from which to draw upon.
- Opportunities for incentives are limited by generator choice of location. LDC's ability to meet timelines may be limited due to choices made by generators involving significant construction.



**October, 2003**  
**Connection Directive Working Group**

**Summary of Recommendation**  
**Standardized Charges for Assessments**

Issue Statement

Should there be a standardized charge for performing System Impact Assessments ?

Options Possible

2. Establish a flat fee that is high enough to ensure the LDC is kept whole.
5. Establish a flat fee that is low enough not to discourage Generator participation.
6. Establish a charge that is used as a down payment on the actual costs that is balanced as the process moves forward.
7. Require the LDC to provide an estimate to the Generator at the time of the “free consultation” to give the generator a figure they can take to the bank when arranging financing for their project.

Implementation Issues

- a. Rates are currently frozen, and require Government approval prior to submission to OEB.
- b. Establishing a flat fee would inevitably mean that there will be some winners and some losers in the process. This would only work in instances where there are enough projects where the law of averages has an opportunity to balance out the number of winners and losers.
- c. Establishing a high fee could discourage new generators from entering the market.
- d. Establishing a low fee places LDC's in a position where their business is subsidizing another.
- e. Requiring the LDC to provide an estimate could give the generator a level cost that they could take to their financier, as long as the estimate is close to being accurate.

**August, 2003**  
**Connection Directive Working Group**

**Summary of Recommendation**  
**Stand-by Charges**

Issue Statement

Load Displacement Generation could leave LDC's in a position where they need to maintain distribution facilities in place of sufficient capacity to supply a Load Customer at times when the Generators are not running. Providing significant distribution infrastructure for customers with a low load factor is not seen as cost efficient under existing rate setting processes. For this reason LDC's have entertained the thought of requesting stand-by charges.

Options Possible

1. Establish a process for quantifying a Stand-by charge for such installations.
2. Load entities with Displacement Generation could agree to not consume power beyond their average consumption during times when the generation is off line.
3. Do not allow for Stand-by charges for such load entities.

Implementation Issues

- The current rate freeze leave little opportunity for such charges to be established without Government approval.
- Load entities may not be in a position to shut down production when their generation is off line
- Load entities may choose to use the grid power when it is cheaper than operating the generation facilities.
- Not allowing for some form of stand-by cost recovery penalizes LDC's and limits economic investment in Distribution facilities.
- Stand-by charges limit the financial benefit for investing in Load Displacement Generation.