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To: All Interested Persons

Re: Connection of New Generation to Distribution Systems  
Amendments to the Distribution System Code  
Board File No.: RP-2003-0113

The Ontario Energy Board (OEB or the Board) has today issued amendments to the Distribution System Code (DSC or the Code). A copy of the amendments is posted on the Board's web site.

In June 2003, the Board received a Directive from the previous Minister of Energy with respect to connecting new generation to local distribution systems (LDCs). A copy of the directive is also posted on the Board's web site.

The DSC sets out the minimum conditions that an electricity distributor must meet in carrying out its obligations. All licensed electricity distributors in the province must comply with the provisions of the Code as a condition of licence. The amendments to the code for connecting generators to the distribution systems will come into effect three months from today.

On July 16, the Board advised stakeholders of its approach to fulfilling the Minister's Directive to the OEB. The Board held intensive, broadly represented stakeholder consultations to address the issues raised by the Directive throughout August - October 2003.

Based on these consultations, the Board issued proposed amendments to the DSC on November 21, 2003 for public comment by December 5, 2003. The Board received 21 submissions which predominantly supported the thrust of the amendments and endorsed the Board's intention to address several related issues as next steps.

To meet the intent of the Directive, the amendments to the DSC will allow for standardization, consistency and clarity with regards to procedures and requirements for facilitating connection of new generation facilities to local distribution systems.

## **A. Code Amendments**

The Code amendments achieve the following:

### **Define four generation categories by-size**

The Code amendments set out four generation categories by size. These are: micro-sized, small, mid-sized and large generators. The rationale behind the different size categories stems from the technical impacts and requirements of each category on the distribution system. Where feasible, and to further facilitate connections of generators distribution systems, the amendments allow flexibility to shift a project from a larger size category process requirement to a smaller one. This helps a generator, upon mutual agreement with the LDC, to follow a process that is shorter and with fewer requirements.

The amendments mandate an expedited connection process for the micro (10 kW or less for own use) category. As this size of generation is mainly renewable or alternative in nature, the micro-sized connection process is expected to promote the addition of new generation which predominantly utilizes cleaner energy sources, including alternative and renewable energy sources, as cited in the Directive.

### **Prescribe Connection Processes and the Related Time Frames for Each Size Category**

The amendments speak to the Directive's requirement to address the need for standardization, consistency and clarity of connection procedures and requirements by outlining standardized processes for connection of new generation to LDCs. This includes setting time lines, filing and technical requirements and obligations on distributors in reviewing applications, as well as establishing a standard form of contract for micro-embedded load displacement generation facilities. For example, a distributor may be obligated to complete its activities to connect micro-sized generation within a total of 20 days of receiving a generator's application connect.

### **Standardize Technical Requirements**

The amendments also define the technical requirements to be met to connect generators to LDCs. The technical requirements aim at addressing the Directive's objective for standardization of technical requirements, including system operations, reliability, power quality, safety and measurement issues. In developing the proposed technical requirements, and to benefit from existing industry knowledge and experience, Appendix F to the Code has referenced, where applicable, other existing codes and standards. This approach aims at allowing for faster and less costly generation connections to the distribution system. As well, it introduces broader standardization of similar technical requirements involving Federal and other Ontario standards.

### **Standardize Contracts**

The amendments include a standard contract for micro-embedded load displacement generation to encourage and facilitate the connection of micro-sized new generation to the distribution system. The Board recognizes the need expressed by stakeholders for standardization of other contracts and processes that are related to the connection of new generation to the distribution system. The Board agrees that standardization of contracts pertaining to other size categories will further enhance transparency and minimize the cost and time for completing an application, entering into a contract and connecting new generation. The Board will pursue this matter in the future as discussed below.

## **B. Other Issues**

Public submissions predominantly endorsed the direction and content of the DSC amendments. In their submissions, stakeholders proposed changes mainly with respect to generator size threshold for the micro-sized generation category, liabilities, ownership of high voltage disconnection equipment, and cost and rate related issues. Stakeholders also endorsed the Board's intention to address several next step issues and provided some related comments. The Board reviewed the public submissions and notes the following:

### **Increasing the Micro Size Category**

The Board will maintain the eligibility for the micro-sized generator category at less or equal to 10kW at this point. The Board notes that these categories were developed by the broad-based working group on the basis of their technical impact on the distribution systems. The amendments also allow, based on generators' and distributors' mutual agreement, flexibility to shift a project from a larger size category to a smaller one. Based on generation connection experience gained by distributors and generators over time, the Board may consider in the future further amendments related to the size of the various generation categories.

### **Ownership of High-Voltage Disconnection Equipment**

Some stakeholders suggested that the transformer and meter should be owned and controlled by the LDC as they are expensive. These stakeholders also requested that the generator pay the LDC a monthly Board-determined "fee" which would cover the cost and maintenance of the transformer.

Setting fees is a rate-related matter. The Board is currently restricted in establishing such a fee. Currently, generators own the high voltage disconnection equipment. The Board expects that this issue, among others, would be subject to further discussions and deliberation as part of the future contract standardization initiative.

### **Liabilities**

Some generators were concerned that the new section 6.2.26 may hold them liable for actions caused by others. They would prefer that the general liability section 2.2.1 would govern all circumstances. The Board notes that section 6.2.26 is very similar to the previous section 6.2.6. However, the Board has decided that the second sentence of section 6.2.26 ("Despite section 2.2.1, if damage to the distribution system or increased operating costs result from the connection of a generation facility other than a micro-embedded load displacement generation facility, the distributor shall be reimbursed for these costs by the generator") should not apply to micro-embedded load displacement facilities. The Board expects liability-related issues will be further addressed as part of the future contract standardization initiative.

### **Cost and Rate-Related Issues**

Stakeholders have raised several distribution rate-related issues and their relationship to connection of new generation to the distribution system including, those related to cost allocation, debt retirement charge (DRC), stand-by charges, lost revenue and upstream costs. Some of these issues fall outside the mandate of the Board (e.g., Debt Recovery Charge-related issues) while others are issues of rate setting for which the Board's authority is currently constrained.

Consultations have also indicated that there is an interest in setting standardized costs for the connection of new generation to the distribution systems. Standardization of costs is not feasible at this time as this would be regarded as “setting a rate”. Distribution rate applications cannot currently be made to the Board without the approval of the Minister of Energy. As well, broader rate issues fall beyond the connection-related issues.

Given this regulatory context, the Board agreed, based on stakeholders’ consultations, that standardization of the technical requirements and processes would help define the scope and scale of costs related to the connection of generators to the distribution system. The amendments require distributors to provide detailed cost estimates to generators. This would enhance transparency.

### **C. Next Steps**

The Board has earlier indicated that it intends to address as a next step several issues related to these amendments that were identified through stakeholder consultations. Submissions also referred to the need to address several of these issues. The Board reiterates that it intends to address the following issues in the future. It may be necessary to prioritize the issues and associated initiatives.

#### **Standardization of Contracts and Applications by Size of Electricity Generation**

In addition to the standard contract for micro-embedded load displacement generation, the Board intends to standardize other contracts and processes that are related to the connection of new generation to the distribution system.

#### **Further development and maintenance of a Technical Requirements Reference**

Stakeholders prepared a draft Technical Requirements Reference document and expressed to the Board their need for a similar document which would provide additional information about the technical requirements by size category. The document is not complete in its current form. The Board will seek further input towards the future development and maintenance of this document.

#### **Determination of the level of net cumulative generation pending a net metering regulation**

This regulation, referred to in section 70(6.1) of the *Ontario Energy Board Act, 1998* deals with cumulative generation capacity which a distributor must allow to be connected to its distribution system. A regulation has yet to be made under this section. The Board will seek the input of industry to develop the minimum cumulative net metering levels once the regulation is issued or information on the requirements is available. The Board agrees with stakeholders that it would be premature to determine such levels in the absence of a net metering regulation.

#### **Determination of a queuing process**

Determining a queuing process would allow a generator that applies to be connected to the distribution system to secure a position or a priority to connect over other future applicants. Stakeholders have indicated the need to develop fair and transparent queuing requirements which would account for the different generation types and sizes as well as LDC needs. The Board will examine in the future the issue of queuing.

**Determination of an enhanced dispute resolution process**

The Board notes the issues raised during consultations with respect to the need for a timely and effective dispute resolution. The Board will review the adequacy of the current provisions and, if necessary, will develop an enhanced dispute resolution process.

**Communication of Stakeholders' Issues**

The Board will, under separate cover, review and communicate as appropriate to the Minister of Energy or other government bodies the issues raised by stakeholders during consultations which were not a part of the Directive.

Paul Pudge  
Assistant Secretary