

**Proposed Amendments to the Transmission System Code  
(Transmission Connection Cost Responsibility Review)  
(EB-2008-0003)**

***Comments of the Power Workers' Union ("PWU")***

**I. INTRODUCTION**

1. By a letter dated January 4, 2008, the Ontario Energy Board ("OEB" or "the Board") launched a consultation with respect to policies regarding cost responsibility for generation and load connections to transmission systems.

2. On July 8, 2008, the Board released for comment a Board staff Discussion Paper ("Discussion Paper") that identified and analyzed issues and options associated with the connection of generation facilities to transmission systems, specifically relating to Enabler Lines. Stakeholders filed their comments on the Discussion Paper on August 11, 2008.

3. In its comment on the Discussion Paper, the PWU indicated that it agreed that there was a need for changing the current policies for the provision of generation connections relating to Enabler Lines. The PWU also clearly pointed out that the main reason for changing the status quo was the need to designate a transmitter to solve the problem of coordination where Enabler Lines are required to connect to the transmission grid and when more than one generation proponent is involved. The PWU also expressed its preference of the Shared Option to the other three options proposed in the Discussion Paper, namely, Pooling, Hybrid and Status Quo. In doing so, the PWU's comment was guided by two principles/objectives:

1. ***The Board should, to the extent possible, refrain from encouraging policies that amount to a departure from the principle of cost causality.***
2. ***Changes in transmission Connection policy should not result in unfair discrimination between generators.***

4. The PWU submitted that the Shared Option struck the proper balance in that it retained the cost causality principle while providing the opportunity for the Board to mandate the implementation of the Enabler Lines by designating a transmitter to construct, own and operate the Enabler Lines in a transparent and public regulatory forum.

5. On October 29, 2008, the Board released a Notice of Proposal asking for written comments on proposed amendments to the Transmission System Code (the "Code") regarding cost responsibility associated with the transmission connection of generation facilities that form part of renewable resource clusters.

6. The following PWU comments are organized into two parts: The first part constitutes general comments on the Board's review and comments about the issues addressed in the Discussion Paper as well as its proposed approach. The second part deals with specific code amendments proposed by the Board.

## **II. GENERAL COMMENTS**

### **The Board's Proposed Approach:**

#### **A. Is the Status Quo the Optimal Option?**

7. The Board notes that its existing connection cost responsibility policies generally do not present an obstacle to the connection of generation facilities to transmission infrastructure as significant generator connection activity has occurred under the existing policy framework, including the connection of renewable generation facilities. The Board also notes that existing connection policies have been successful at connecting renewable generation by single

proponents and at less remote areas. On the other hand, the Board notes that the need for a coordinating mechanism is “the principal issue to be resolved in order to better ensure the timely and efficient realization of the government’s policy goals relating to the connection of renewable resources, as expressed in the Supply Mix Directive and the 2008 IPSP Directive.”<sup>1</sup> The PWU agrees with the Board’s view which is consistent with the PWU’s comment on the Discussion Paper submitted on August 11, 2008. In its submission, the PWU identified the coordination problem as the major reason why the current policy with respect to the connection of generators to the transmission grid requires a review.<sup>2</sup>

## **B. Solving Coordination Problems**

8. The Board notes that in Ontario’s case, it is of the view that transmitters must play a leading role in the design, development, and construction of enabler facilities for the connection of renewable resource clusters involving multiple proponents. The Board states that this will ensure that a party with a high degree of expertise will take lead responsibility for the enabler facilities.

9. The PWU agrees. In its submission on the Discussion Paper, the PWU submitted that there was significant merit to the designation by the Board of a transmitter that would facilitate the building of the Enabler Line as is the case in other jurisdictions cited in the Discussion Paper (i.e. Texas and California).

## **C. Where Should Cost Responsibility Lie?**

10. The PWU notes that the Board believes that maintaining generator cost responsibility is appropriate for all generation connections, including enabler facilities associated with renewable resource clusters. The Board is also of the view that while transmitters should have lead responsibility for enabler facilities, it

---

<sup>1</sup> OEB: Notice of Proposal to Amend a Code: Proposed Amendments to the Transmission System Code (EB-2008-0003), October 29, 2008, Page 8

<sup>2</sup> Power Workers’ Union, Comments on Staff Discussion Paper on Generation Connection, August 11, 2008, page 4

does not necessarily follow that transmission ratepayers should ultimately bear cost responsibility for these facilities.<sup>3</sup> The PWU shares the Board's view which is consistent with its submission on the Discussion Paper.

11. The PWU also notes the Board's preference in this respect for the Shared and the Hybrid Options:

**By making generators responsible for their share of the connection costs, each of the hybrid and shared options maintain a more level playing field for all generators, regardless of size or of whether they are or are not part of a renewable resource cluster. They also allow for a more transparent comparison of the costs of all renewable resources, whether or not part of a cluster, in the OPA's contracting process.**

#### **D. Shared vs. Hybrid**

12. The Board comments while it sees merit in each of these two options, it states that it is concerned that the Shared Option carries with it incremental administrative complexity and uncertainty relative to the Hybrid Option whereas "the Hybrid option holds the greatest promise in terms of economic efficiency, regulatory predictability and administrative efficiency, and is accordingly the preferred approach."<sup>4</sup> The Board's reason for rejecting the Shared Option is explained as:

**... under the shared option potentially complex provisions would be required to determine the amount of the refund to be paid to generators that connected early as and when subsequent generators seek to connect to the enabler facility. The complexity is due in part to the fact that the earlier generators would have been compensated for their respective shares of the total connection costs through their OPA contracts. A number of implementation questions would arise. For example, would there be successive rounds of adjustments affecting all then-connected generators each time a new generator seeks to connect? Or would only the initial generators be affected by successive rounds of new connections? The former may give rise to complex settlement issues and increase the likelihood of disputes, and the latter may raise concerns over fairness.<sup>5</sup>**

13. As indicated earlier, the PWU, in its submission on the Discussion Paper, had supported the Shared Option as one that keeps the current policy when it

---

<sup>3</sup> OEB: Notice of Proposal to Amend a Code: Proposed Amendments to the Transmission System Code (EB-2008-0003), October 29, 2008, Page 9

<sup>4</sup> OEB: Notice of Proposal to Amend a Code: Proposed Amendments to the Transmission System Code (EB-2008-0003), October 29, 2008, Page 11

<sup>5</sup> Ibid

comes to cost responsibility (principle of cost causality) but solves the problem of coordination through the designation of a licensed transmitter that plays a leading role in the design, construction and operation of the Enabler Lines. The PWU recognizes the potential complexities of dealing with cost allocation with the connection of successive generators to the Enabler Lines. The PWU does not, however, underestimate the complexities and regulatory burden arising from adopting the Hybrid Option.

14. In all fairness, it can be expected that the regulatory forum under the OEB might provide a system that is better set up to deal with such administrative complexities. Therefore, while the PWU is disappointed that the Board rejected the Shared Option which would have fully attributed cost to generators, and opted for the Hybrid Option which potentially has risk for the ratepayer including the possibility of paying for unused capacity of Enabler Lines, the PWU does view the Hybrid Option as a better option compared to the Pooling Option.

15. The PWU's comments on the Board's review of the four options therefore, focuses on issues and assertions that require clarity.

16. The Board states on page 7 that:

**In contrast to the pooling option, the hybrid option maintains a level playing field for all generators. All generators, whether single or multiple proponents within a cluster, would be required to pay their share of the costs of connection, although single proponents would still be required to take lead responsibility for the transmission connection.<sup>6</sup>**

17. In this observation, the Board contemplates the possibility of single proponents in a cluster. On the other hand, in the Definition section of the proposed code amendment, "Enabler Facility" (2.0.28A) is defined in terms of "renewable resource cluster" which is in turn defined in 2.0.57A as "...where resources suitable for renewable generation are present and where the

---

<sup>6</sup> OEB: Notice of Proposal to Amend a Code: Proposed Amendments to the Transmission System Code (EB-2008-0003), October 29, 2008, Page 7

renewable generation facilities are not, or are not expected to be, owned or controlled by the same person". In other words, it is not clear if a renewable resource cluster that has a single proponent is regarded by the Board as a cluster.

**E. Extending the Hybrid Option outside the IPSP**

18. The Board is proposing to extend the concept of an enabler facility, and hence the application of the Hybrid Option, beyond facilities identified as such in the IPSP to also cover transmission facilities that the Board determines are required to connect renewable resource clusters that the OPA has been directed by the Minister of Energy and Infrastructure to procure. The Board explains that this is necessary because the government may, in the interim period, elect to direct the OPA to move forward with additional procurement aimed at securing renewable generation resources from particular renewable resources clusters. The Board goes on to state that the Hybrid Option would apply in such cases provided that the Board determines, on the advice of the OPA, that a transmission solution (i.e., a connection facility) is required for purposes of connecting the generation facilities in the cluster.

19. The PWU agrees with the Board's proposal to extend the application of the Hybrid Option to include cases where Enabler Lines or the associated renewable resource clusters are the subject of a government directive.

**F. Implementation**

20. In addition to the first implementation process, which is the amendment of the Code, the Board is proposing at least three other implementation steps or processes:

- (i) a process for designating a transmitter to develop and construct an enabler facility;
- (ii) a leave to construct process in relation to the enabler facility;

- (iii) a rates process to deal with the costs of the enabler facility, whether temporarily or more permanently (for any unsubscribed portion of the enabler facility or in the event that the project is abandoned).

21. With respect to the designation of a transmitter, the Board states that:

**... under the new condition of licence the Board would subsequently, for each enabler facility, conduct a proceeding to designate a transmitter as the entity that will develop (and ultimately construct) the enabler facility and to direct the designated transmitter to take the necessary steps to do so. The proceeding could be initiated on application by a licensed transmitter or on the Board's own motion, and would provide a forum in which alternative or competing proposals from third parties having an interest in developing and constructing the enabler facility could be considered [emphasis added].<sup>7</sup>**

22. While noting that at this stage the implementation process that the Board is seeking comment on is the proposed amendment to the Code, the PWU is concerned with the Board's comment regarding the potential involvement of 'third parties' that might have an interest in developing and constructing enabler facilities. Not only is it unclear how the potential involvement of third parties who might be unregulated entities would be consistent with the intent and implementation of the Hybrid model that the Board is proposing to implement, but it also poses a number of policy and regulatory challenges relating to cost recovery, fairness and protection of the ratepayer, and system reliability. The PWU is therefore of the view that the Board should exercise caution and seek input from stakeholders on a process and criteria for the designation of the transmitter as well as on the specific issue of whether or not third parties should be considered at all.

### **III. COMMENTS ON PROPOSED CODE AMENDMENTS**

---

<sup>7</sup> OEB: Notice of Proposal to Amend a Code: Proposed Amendments to the Transmission System Code (EB-2008-0003), October 29, 2008, Page 11

23. The PWU's comment on the specific code amendments proposed by the Board is limited to two subsections under the Definitions category and one subsection (6.5.1A) under Section 6 (Customer Connections).

## **A. DEFINITIONS**

### *Enabler Facility*

24. The Board is proposing subsection **2.0.28A**, which defines “enabler facility.”<sup>8</sup>

25. The PWU understands that subsection **2.0.28** in the Board's Transmission System Code deals with the definition of “emergency” whereas subsection **2.0.29** deals with the definition of “facilities”. In this regard the PWU believes that the appropriate place in the Code of the proposed definition of “enabler facility” should be immediately after subsection **2.0.29** and, therefore, be identified as **2.0.29A**.

### *Renewable Resource Cluster*

26. The Board is proposing subsection 2.0.57A, which defines “renewable resource cluster” as follows:

**“renewable resource cluster” means a defined geographic area identified as such in an integrated power system plan approved under Part II.2 of the Electricity Act or in a direction issued by the Minister to the Ontario Power Authority under section 25.32 of the Electricity Act where resources suitable for renewable generation are present and where the renewable generation facilities are not, or are not expected to be, owned or controlled by the same person [emphasis added];<sup>9</sup>**

27. The PWU understands the intent of the Board in proposing a definition that specifies ownership or control is to distinguish between single and multiple proponents and consequently to underline that the proposed policy change with respect to transmission cost responsibility as related to enabler facilities would

---

<sup>8</sup> OEB: Notice of Proposal to Amend a Code: Proposed Amendments to the Transmission System Code (EB-2008-0003), Attachment A, Page 1

<sup>9</sup> Ibid.

only apply in situations where multiple generation proponents in a cluster are involved. The PWU's reason for making that assessment is that, as indicated earlier, the Board has already proposed a definition for "enabler facility", which is defined in terms of the 'associated renewable resource cluster'. Otherwise, there would be no purpose in having a definition for "renewable resource cluster" where facilities are or are expected to be owned or controlled by more than one person.

28. In this regard, the PWU has concerns, and seeks clarity, with respect to three issues arising from the proposed definition.

29. First, the definition gives the impression that the OPA, through the IPSP or a government directive would identify a certain geographic area as a renewable resource cluster only when it has prior knowledge about the ownership of the expected facilities in the cluster. In the definition, the part that states "*renewable resource cluster means a defined geographic area identified as such in an integrated power system plan....*," assumes that the OPA would use its own criteria to identify resources in different geographic areas as a cluster. The proposed definition suggests either that the OPA can identify resources as renewable clusters only when it knows that there will be more than one owner of facilities in the cluster or that the Board would reconsider the OPA-identified 'renewable resources cluster' in order to determine whether or not it would qualify as such.

30. Second, the part of the definition that states "*where the renewable generation facilities are not, or are not expected to be, owned or controlled by the same person,*" raises the question: how does this definition work in situations where some of the generation facilities in a cluster are owned or controlled by one person and the rest are individually owned by other persons? In fact, the PWU suggests that this is a significant policy issue in that it will have implications on who will qualify for the Hybrid Option proposed by the Board. In other words,

how does the proposed change deal with a situation where one person owns more than one facility accounting for 90% of the capacity in the cluster and one other owner who owns one facility that accounts for only 10%? Even if both are expected to contribute capital in proportion to the capacity of their respective proposed facilities, this raises questions on the fairness of the approach, because single proponents, whether in or outside a cluster, are expected to play a leading role in providing their own connections as per the Status Quo.

31. The third problem is that the issue of ownership is not defined in terms of time. In other words, does the definition, for example, prohibit consolidation and if so at what point in time? Will it prohibit consolidation before connection? After connection? Or even after the proponents have fully paid up their shares of the cost of the enabler line?

32. The PWU, therefore, submits that there is no reason to include ownership in the proposed definition. It is suggested that the Board could include the issue of ownership under Section 6 of the Code (customer connection) where the Board can put a precondition regarding ownership in order to be consistent with the intent of the proposed transmission connection policy change. That can be done, for example, by including a provision that the newly proposed approach (and hence the Hybrid Option) would apply where the transmitter constructs an enabler line that connects facilities that are owned by more than one person.

## **B. CUSTOMER CONNECTIONS**

33. The Board is proposing to amend section 6.5 of the Code to clarify that generator cost responsibility for an enabler facility is determined based on the fully allocated cost of the minimum design required to meet the capacity requirements of the associated renewable resource cluster by adding subsection 6.5.1A. Part of the added subsection reads:

***Where a transmitter constructs an enabler facility, the transmitter shall require the generator customers whose generation facilities are part of the associated renewable resource cluster to pay, in the aggregate, the fully allocated cost of the minimum design required to meet the needs of the renewable resource cluster....***<sup>10</sup>

34. The PWU suggests that the above be rephrased to take into account the fact that the OEB has selected the Hybrid Option for cost recovery. Under this option, generators in the cluster are **not** responsible for the full cost of the enabler facility until the facility is fully subscribed. By definition, until the facility is fully subscribed, the generators will pay, in the aggregate, an amount pro rated to the proportion of the total capacity of the enabler facility represented by the generators subscribing to the facility at that point in time. The responsibility of the transmitter under the Code to collect payments from generators should be defined in a manner consistent with, and coincident with, the obligation of generators to pay them under the Hybrid Option.

**ALL OF WHICH IS SUBMITTED RESPECTFULLY**

---

<sup>10</sup> OEB: Notice of Proposal to Amend a Code: Proposed Amendments to the Transmission System Code (EB-2008-0003), Attachment A, page 4