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## **BY E-MAIL AND WEB POSTING**

June 16, 2009

**To: All Licensed Electricity Distributors  
All Other Interested Parties**

**Re: Guidelines for Deemed Conditions of Licence regarding Distribution  
System Planning  
Board File No.: G-2009-0087**

The *Green Energy and Green Economy Act, 2009* has now received Royal Assent, and proclamation of the amendments to the *Ontario Energy Board Act, 1998* is expected in the near future. In anticipation of the proclamation of the relevant provisions of the *Green Energy and Green Economy Act, 2009*, the Board has today issued initial Guidelines relating to accounting, funding and planning for distribution system development to accommodate renewable generation and to develop a smart grid.

The Guidelines are available from the Board's website at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca).

### **I. Purpose of the Guidelines**

Issuance of these Guidelines is one of the three initiatives identified in the June 1, 2009 Statement from the Chair. Development of the Guidelines has been informed by consultations held earlier this spring with senior executives and technical managers of distributors, with representatives of ratepayers and with other interested stakeholders.

The Guidelines are intended to enable electricity distributors to get an early start on investments that should appropriately be made now in furtherance of the Government's policy goals as set out in the *Green Energy and Green Economy Act, 2009*. The Guidelines provide greater regulatory predictability by identifying the Board's current expectations for the preparation and content of distribution system plans, and reduce regulatory risk by identifying the cost recovery consequences associated with the approval of such plans.

### **II. Scope of the Guidelines**

The Guidelines comprise three elements. The first is the establishment of new deferral accounts that electricity distributors may use to begin recording capital investments and

expenses incurred in relation to qualifying projects undertaken to accommodate renewable energy or towards the development of a smart grid.

The second element of the Guidelines is the introduction of a mechanism (a “funding adder”) that can be used to provide advance funding for qualifying expenditures to accommodate renewable generation or to develop a smart grid.

The deferral accounts (for capital and expenses) and the funding adder will initially be available only in relation to the following:

- “Renewable enabling improvements” as defined in the Board’s June 5, 2009 Notice of Proposed Amendments to the Distribution System Code regarding the assignment of cost responsibility associated with the connection of renewable energy generation facilities (consultation process EB-2009-0077). Broadly speaking, “renewable enabling improvements” relate to upgrades in system operability and other upgrades that enable a distribution system to better accommodate increased levels of distributed generation.
- Smart grid studies and demonstration projects, smart grid planning and smart grid education and training.

As discussed in section III below, the availability of the deferral accounts and of the funding adder is expected to extend to additional types of investments over time.

The third element of the Guidelines is the provision of initial guidance to electricity distributors regarding the preparation of plans to accommodate renewable generation and/or to develop a smart grid. Distribution system plans to accommodate renewable generation may include certain other investments beyond “renewable enabling improvements”, as discussed in the Guidelines. For the time being, however, plans related to smart grid development are expected to be focused on smart grid studies and demonstration projects, smart grid planning and smart grid education and training.

### **III. Next Steps**

The Board expects that all distributors will immediately start to actively examine, in particular, the need for system investments and other expenditures to accommodate renewable generation facilities, and to ready themselves for the preparation and filing of renewable energy connection and smart grid development plans.

The Board is not at this time requiring all distributors to file formal system development plans covering smart grid development or renewable energy connection activities. Nor is the Board mandating that all distributors make investments relating to these activities now. However, during the summer the Board will require distributors to report on their status and progress in relation to renewable energy and smart grid projects and planning.

Also over the next few months, the Board will hold a consultation process to further develop the distribution system plan filing guidelines. Further details regarding this consultation process will be available shortly.

At the conclusion of this consultation process, the Board will issue revised Guidelines. The Board anticipates that it will have occasion to review one or more distribution system plans over the coming months. With the added benefit of that experience, the Board expects that it will be in a position to further enhance regulatory predictability by including in the revised Guidelines additional guidance regarding the criteria against which distribution system plans will be evaluated.

Those revised Guidelines will also reflect the final outcome of the Board's consultation on distribution connection cost responsibility, as well as any developments that may have occurred in terms of the articulation of the objectives, interoperability requirements and technology standards for the smart grid. The types of investments eligible for the deferral accounts and the funding adder may increase as a result, as may the scope of smart grid planning.

The Guidelines apply only to electricity distributors. The Board acknowledges that, under the *Green Energy and Green Economy Act, 2009*, electricity transmitters will be subject to similar obligations in relation to the accommodation of renewable energy facilities and the development of a smart grid as are distributors. The Board will provide further detail regarding its intended approach in relation to electricity transmitters in the near future.

Any questions regarding the Guidelines should be directed to the Market Operations Hotline at 416-440-7604 or [market.operations@oeb.gov.on.ca](mailto:market.operations@oeb.gov.on.ca).

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary