

Process: Capacity Deposits Proposal

Process Subgroup Topic 5

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Overview of Capacity Deposit Proposal

Context

- For exporting projects* that do not hold an IESO contract that itself contains provisions for a security deposit, a capacity deposit of \$20k/MW is required at CCA signing, and after 15 months a further deposit is required if not already connected.
- Requirement was set in 2009 to ensure viable projects are not impeded by projects unlikely to proceed.
- Subgroup questioned practical effectiveness of provisions.

Recommendation

- Remove capacity deposit requirement.

Anticipated Benefit

- Simplification of DSC requirements and removal of potential barrier, including for net metered projects.

* Exporting provision becomes effective October 1, 2022.

Capacity Deposit Proposal

Summary of Discussions:

- DSC requires collection of capacity deposit – beyond connection cost deposit – for projects connecting without an IESO contract that itself requires a security. This was introduced to ensure projects likely to proceed are not impeded by projects unlikely to proceed.
- Subgroup questioned appropriateness of the requirement, including for net metered projects.
- Subgroup members noted the connection cost deposit and project development costs themselves represented an indication that a project is likely to proceed.
- Subgroup members noted that the capacity deposits, as currently framed, do not deter projects from holding capacity for 8 months due to CIA and CCA process.

Proposal:

- Amend DSC to remove requirement for capacity deposits.

Backup

Capacity Deposit Proposal

Context – Capacity Deposits

- During the Notice of Proposed Amendment process, the OEB made targeted changes to clarify that existing DSC provisions for capacity deposits would apply to exporting connections only.
- Although the underlying requirement for capacity deposits remained unchanged, several parties provided questions related to the purpose and appropriateness of capacity deposits.

Context – Capacity Deposits

6.2.18 A distributor shall enter into a connection cost agreement with an applicant in relation to a small embedded generation facility, a mid-sized embedded generation facility or a large embedded generation facility. The connection cost agreement shall include the following:

- (a) a requirement that the applicant pay a connection cost deposit equal to 100% of the total estimated allocated cost of connection at the time the connection cost agreement is executed;
- (b) applies only to an exporting generation facility: if the applicant does not have an executed IESO contract which includes a requirement for security deposits or similar payments, a requirement that the applicant pay a capacity allocation deposit equal to \$20,000 per MW of capacity of the embedded generation facility at the time the connection cost agreement is executed;
- (c) applies only to an exporting generation facility: if the applicant does not have an executed IESO contract which includes a requirement for additional security deposits or similar payments, a requirement that if fifteen (15) calendar months following the execution of the connection cost agreement the embedded generation facility is not connected to the distributor's distribution system, the applicant must pay an additional capacity allocation deposit equal to \$20,000 per MW of capacity of the embedded generation facility on the first day of the sixteenth(16th) calendar month following the execution of the connection cost agreement;

Context – Capacity Deposits

- (d) if the applicant has an executed IESO contract which includes a requirement for security deposits or similar payments, the distributor shall not require the applicant to pay a capacity allocation deposit or an additional capacity allocation deposit;
- (e) a requirement that the mutually agreed upon in-service date is no later than 5 years for water power projects or 3 years for all other types of projects from the initial date of application for connection or in accordance with the timelines in an executed IESO contract;
- (f) a requirement that the applicant complete its engineering design and provide detailed electrical drawings to the distributor at least 6 months prior to the specified in-service date or as reasonably required by the distributor;
- (g) any requirements relating to the applicant's acceptance of the distributor's offer to connect and the connection costs; and
- (h) the timing of the connection.

The distributor's offer to connect shall be attached as an appendix to and form part of the cost connection agreement. Once the applicant has entered into a connection cost agreement with the distributor and has provided the distributor with detailed engineering drawings with respect to the proposal, the distributor shall conduct a design review to ensure that the detailed engineering plans are acceptable.

Context – Rationale from EB-2009-0088

- “There are two overarching objectives to these proposed amendments. The first is to ensure that viable generation projects, and in particular, renewable generation projects, are connected at the distribution level in a timely manner. The second is to ensure that generation projects that are not likely to proceed do not impede the allocation of capacity to more viable projects.”

Source: <https://www.rds.oeb.ca/CMWebDrawer/Record/150300/File/document>