

Attachment B
to
Notice of Amendments to Codes and Notice of Proposal to Amend a Code

December 18, 2018

EB-2016-0003

**Final Amendments to the
Distribution System Code (DSC)**

Note: The text of the amendments is set out in italics below, for ease of identification only.

1. Section 1.2 of the DSC is amended by replacing the definition of “customer” with the following:

“customer” means a generator or consumer whose facilities are connected to or are intended to be connected to a distributor’s distribution system. This includes developers of residential or commercial sub-divisions. For the purposes of section 3 of this Code (except section 3.3), an embedded distributor is deemed to be a customer;

2. Section 1.2 of the DSC is amended by replacing the definition of “embedded distributor” with the following:

“embedded distributor” means a distributor that is provided electricity by a host distributor;

3. Section 1.2 of the DSC is amended by replacing the word “the” with “a” in the definition of “host distributor”.

4. Section 1.2 of the DSC is amended by adding the following new definition in alphabetical order:

“distributor-owned asset” means an asset owned by a distributor other than an asset installed as part of a basic connection;

5. Section 1.7 of the DSC is amended by adding the following paragraph at the end of the section:

The amendments to sections 3.2.20, 3.2.21, 3.2.23 and 3.2.24 made by the Board on December 18, 2018 come into force on March 18, 2019.

6. Section 3 of the DSC is amended by adding the following new section 3.0 before section 3.1:

3.0 For the purposes of section 3 of this Code (except section 3.3), an embedded distributor is deemed to be a customer.

7. Section 3.1 of the DSC is amended by adding the following new sections 3.1.7, 3.1.7A, 3.1.8, 3.1.9, 3.1.10 and 3.1.11 after section 3.1.6:

3.1.7 Where a distributor-owned asset has reached its end-of-life and is planned to be retired and replacement is determined to be the optimal solution, the distributor shall undertake an assessment to determine the appropriate capacity of the replacement asset. Where the asset is a distribution station that is connected to the transmission system or a distribution line that connects a load customer with a non-coincident peak demand that is equal to or greater than 5 MW, that assessment shall be undertaken in consultation with the applicable customer(s). Where the asset is replaced, the distributor shall either:

- (a) not recover a capital contribution from a customer to replace that asset, where the new asset is the same capacity or lower capacity; or*
- (b) recover a capital contribution from a customer to replace the asset, where the customer requires additional capacity. The capital contribution shall be limited to the incremental cost relative to the cost of a like-for-like replacement asset.*

3.1.7A Where a distributor-owned asset has not reached its end-of-life and is replaced at the request of a customer, the distributor shall recover a capital contribution from the customer. The capital contribution shall be equal to the remaining net book value of the replaced asset plus the advancement cost.

3.1.8 A distributor shall not connect to the distribution system of another distributor for the purpose of obtaining additional transmission connection capacity without the approval of the Board. The two distributors shall file a joint application for approval of the arrangement between them, any investment in distribution assets, and the compensation to be provided by the connecting distributor to the other distributor (“the facilitating distributor”), with the Board and include as part of the application:

- (a) confirmation by the IESO that the proposed distribution investment would avoid a higher cost investment in a transmission connection facility and would be the optimal*

- infrastructure solution from a regional planning perspective;*
- (b) a copy of the agreement between the connecting distributor and the facilitating distributor; and*
- (c) evidence that there is sufficient capacity on the transmission connection facility that connects the facilitating distributor to the transmission network to meet the forecast needs of both distributors (i.e., a transmission connection investment will not be required during the forecast period), by providing the amount of excess capacity on the transmission connection facility and a load forecast from each distributor.*

The agreement between the connecting distributor and the facilitating distributor shall ensure the customers of the facilitating distributor will not be negatively affected in any way due to the connection to the facilitating distributor's distribution system. In that regard, the agreement shall specify:

- (a) the capital contribution that the connecting distributor will provide to the facilitating distributor to compensate it for all the costs incurred to facilitate the distribution investment that connects it, taking into account any capital contribution refund that may be required under section 6.3.17 of the Transmission System Code;*
- (b) any additional charges incurred by the facilitating distributor, due to the incremental load withdrawn from the transmission system by the connecting distributor, shall be recovered from the connecting distributor;*
- (c) any other costs that may be identified by the two distributors, for the purpose of cost recovery from the connecting distributor, including any investment required in existing distribution assets of the facilitating distributor; and*
- (d) the frequency by which the connecting distributor will provide an updated load forecast to the facilitating distributor.*

For the purpose of this section, the connecting distributor shall be considered a customer of facilitating distributor under section 3.1.

3.1.9 For a new or modified distributor-owned asset that will serve a mix of load customers and generator customers, a distributor shall attribute the cost to the customers on a pro-rata basis, based on the apportioned benefit, taking into account factors including the respective rated peak output of each generation facility and the respective non-coincident incremental peak load requirements of each load customer, and the relative line length in proportion to the line length being shared by the customers.

3.1.10 Where a customer requests the relocation of a distributor-owned asset, the distributor shall recover from that customer the cost of relocating that asset, except to the extent recovery is limited under law.

3.1.11 Where a distributor-owned asset is relocated in the absence of a customer request, the distributor shall bear the cost of relocating that asset.

8. Section 3.2.4 of the DSC is amended by replacing “may” with “shall”, adding “an embedded distributor or” before “a customer”, removing “or distributor” after “a generator”, and replacing “not exceed” with “be equal to”.
9. Section 3.2.5 of the DSC is amended by replacing “may” with “shall” and replacing “not exceed” with “be equal to”:
10. Section 3.2.20 of the DSC is amended by replacing “may” with “shall” in the first sentence of the section.
11. Section 3.2.21 of the DSC is amended by replacing “If an expansion deposit is collected under section 3.2.20, the expansion deposit” with “The expansion deposit collected under section 3.2.20”.
12. Section 3.2.23 of the DSC is replaced with the following:

3.2.23 Once the facilities are energized and subject to sections 3.2.22 and 3.2.24, the distributor shall annually return the percentage of the expansion deposit in proportion to the actual connections (for residential developments) or actual demand (for commercial and industrial developments) that materialized in that year (i.e., if twenty percent of the forecasted connections or demand materialized in that year, then the distributor shall return to the customer twenty percent of the expansion deposit). This annual calculation shall only be done for the duration of the five-year customer connection horizon. If at the end of the customer connection horizon the forecasted connections (for residential developments) or forecasted demand (for commercial and industrial developments) have not materialized, the distributor shall be allowed to retain the remaining portion of the expansion deposit.

13. Section 3.2.24 of the DSC is replaced with the following:

3.2.24 If the alternative bid option was chosen, the distributor shall retain at least ten percent of the expansion deposit for a warranty period for at least two years. This portion of the expansion deposit can be applied to any work required to repair the expansion facilities within the two year warranty period. The two year warranty period begins:

- (a) when the last forecasted connection in the expansion project materializes (for residential developments) or the last forecasted demand materializes (for commercial and industrial developments); or*
- (b) at the end of the five-year customer connection horizon,*

whichever is first. The distributor shall return any remaining portion of this part of the expansion deposit at the end of the two year warranty period.

14. Section 3.2.27 of the DSC is replaced with the following:

3.2.27 Unforecasted customers that connect to the distribution system during the five-year customer connection horizon will benefit from the earlier expansion and should contribute their share. In such an event, the initial contributors shall be entitled to a rebate from the distributor. A distributor shall collect from the unforecasted customers an amount equal to the rebate the distributor shall pay to the initial contributors. The amount of the rebate shall be determined as follows:

- (a) for a period of up to five years, the initial contributor shall be entitled to a rebate without interest, based on apportioned benefit for the remaining period; and*
- (b) the apportioned benefit shall be determined by considering such factors as the relative name-plate rated capacity of the generator customers, the relative non-coincident peak demand of the load customers and the relative line length in proportion to the line length being shared by the customers, as applicable.*

15. Section 3.4 of the DSC is revoked.

16. The following new sections 3.5 and 3.6 are added to the DSC, after the former section 3.4:

3.5 Bypass Compensation

3.5.1 A distributor shall require bypass compensation from a customer with a non-coincident peak demand that meets or exceeds 5 MW, if:

- (a) the customer disconnects its load facility from the distributor's distribution system and connects that facility to a generation facility or to another load facility that is not owned by the distributor such that the distributor will no longer receive rate revenues in relation to that disconnected facility; or*
- (b) the customer, while retaining its connection to the distributor's distribution system, also connects its load facility to a generation facility or to another load facility that is not owned by the distributor such that the customer reduces its load served directly by the distributor's distribution system, and the distributor's rate revenues in relation to that facility will be reduced.*

The distributor shall calculate bypass compensation using the methodology set out in section 3.5.3.

- 3.5.2 A distributor shall not require bypass compensation from any customer:
- (a) when a load customer provides its own facility to serve new load or transfers new load to the facility of another person;
 - (b) for any reduction in a customer's existing load served by the distributor's distribution system that the customer has demonstrated to the reasonable satisfaction of the distributor (such as by means of an energy study or audit) has resulted from embedded renewable generation, energy conservation, energy efficiency or load management activities; or
 - (c) where a distributor-owned asset has been overloaded, and a customer transfers the overload to its own facility or to the facility of another person.

3.5.3 For the purposes of section 3.5.1, the distributor shall calculate bypass compensation by first multiplying the net book value of the bypassed distributor-owned asset (including a salvage credit and reasonable removal and environmental remediation costs, if applicable) by the bypassed capacity on the relevant distributor-owned asset. The distributor shall then divide the resulting figure by the maximum amount of load that can be supplied by the bypassed distributor-owned asset. For the purposes of this calculation, the bypassed capacity on the relevant distributor-owned asset shall be equal to the difference between the customer's existing load on that distributor-owned asset at the time of bypass and the highest rolling three-month average of the customer's non-coincident peak demand in the twelve-month period following the date on which bypass occurred.

3.6 Upstream Transmission Connections

3.6.1 Where a distributor has been required to provide a capital contribution to a transmitter under the Transmission System Code for the purpose of a new or modified transmitter-owned connection facility, and the new or modified transmitter-owned connection facility also meets the needs of an embedded distributor and/or a load customer with a non-coincident peak demand that is equal to or greater than 5 MW, the distributor shall require a capital contribution from all beneficiaries that contributed to the need for the new or modified transmitter-owned connection facility based on their respective incremental capacity requirements and the total project cost. The distributor shall request that the transmitter, who owns the connection facility, calculate the capital contribution amount for each beneficiary using the methodology and inputs described in Appendix 5 of the Transmission System Code.

17. Section 9.7.1 of the DSC is amended by adding the word “that is not a wholesale market participant” before the words “shall provide its host distributor”:¹

9.7.1 For each calendar month, beginning in 2016, an embedded distributor that is not a wholesale market participant shall provide its host distributor, no later than the second business day of the following month, with the following information:

- (a) for each OESP rate class, the total number of the embedded distributor’s customers that received OESP rate assistance; and*
- (b) for each OESP rate class, the total amount of rate assistance received by the embedded distributor’s customers.*

¹ As part of the OEB’s [Customer Service Rules Review consultation \(EB-2017-0183\)](#), the OEB is proposing to delete section 9.7.1 of the DSC.