



October 18, 2006

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street  
Suite 2700  
Toronto, ON M4P 1E4

*Via email to boardsec@oeb.gov.on.ca and by courier*

Dear Ms. Walli:

**Re: Determination Under Sections 1.8 and 3.2 of the Retail Settlement Code  
Clarification of Settlement Rules for Embedded Retail Generations EB-2006-0226 –  
Comments of the Electricity Distributors Association**

Enclosed are an original and eight (8) copies of the comments of the Electricity Distributors Association in response to the Board's September 26, 2006 Notice of Proposal to Amend the Distribution System Code.

Please direct any questions or comments to Maurice Tucci at 905.265.5336 or at mtucci@eda-on.ca.

Yours truly,

Maurice Tucci  
Senior Analyst

Encl.

## **EDA Submission on Retail Settlement Code**

The Electricity Distributors Association (EDA) is the voice of Ontario's electricity distributors. The following comments are submitted on behalf of the Electricity Distributors Association ("EDA") in response to the Board's proposal to amend the Retail Settlement Code. The EDA understands that the proposed amendments are intended to facilitate the connection of embedded generation facilities to distribution systems and address related settlement issues.

The EDA has concerns with the proposal to reject the recommendations of the OPA regarding the Standard Offer Program (SOP) Rule section 6.2 regarding billing load customers for the actual electricity consumption prior to the reduction caused by embedded behind the meter generation ("gross billing"). The OEB proposal to allow a load customer with a SOP generation embedded behind their meter to receive a reduction to their consumption ("net billing") would conflict with the original design of the SOP. The contract price for the SOP was designed to encourage economic renewable projects.

The OEB has indicated that the issue of distributed generation will be considered at a future date as part of its Fundamental Rate Design initiative. The EDA looks forward to this review and agrees that we should not pre-empt the work at this time. Nevertheless, an interim strategy should be considered for all the projects that will be brought forward by the SOP. The EDA would propose that the preferred interim strategy would be to implement gross billing at this time until the Fundamental Rate Design work is completed. In this way, only economic SOP projects would be encouraged and the added benefit from the rate redesign review would be provided later. This is a better approach than providing net billing now and then having the SOP customers face a new rate that may offset in part or in whole the benefit from net billing. These customers may also argue in the future that the benefit from net billing should be grandfathered in some way to ensure they continue to receive the benefit they considered when they made the decision to proceed with the SOP generation. To avoid grandfathering, and to provide the correct economic signals, the EDA believes gross billing should be used for the interim.

The EDA believes SOP generation "behind the meter" should not receive any added benefit from net billing in comparison to other SOP distributed generators. There are already cost incentives to install generation behind customer meters to avoid the cost of step up facilities to connect to the distribution system.

The OPA also may have concerns with the added incentive from net billing and may seek to adjust the contract price for behind the meter SOP generators such that the net billing benefit is deducted from the contract price. This would remove the benefit but would still leave the distributor with revenue loss until the rate design review. Given that the end result will be the same for the customer with this situation, it would be simpler to implement gross billing for the interim and avoid the need for different contract prices for behind the meter SOP generation.