

October 11, 2006

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Facilitating Distributed Generation – Proposed Amendments to the
Distribution System Code and the Retail Settlement Code EB-2006-0226**

The Power Workers' Union (the "PWU") is pleased to provide comments on the proposed amendments to the Distribution System Code and Retail System Code in support of the implementation of a Standard Offer Program for distributed generation recommended in the March 17, 2006 OEB and OPA *Joint Report to the Minister of Energy: Recommendations on a Standard Offer Program for Small Generators Connected to a Distribution System*. Our comments are attached.

The PWU represents a large portion of the employees working in Ontario's electricity industry and has utmost interest in regulatory proceedings that impact the energy industry and the provision of ongoing service quality, safety and reliability for customers. Attached please find a list of PWU employees.

We hope you will find our comments helpful.

Yours truly,

Don MacKinnon
President

List of PWU Employers

Atomic Energy of Canada Limited (Chalk River Laboratories)
Barrie Hydro
BPC District Energy Investments Limited Partnership
Brant County Power Incorporated
Brighton Beach Power Limited
Brookfield Power – Mississagi Operations Brookfield Power
Brookfield Power – Lake Superior Operations
Bruce Power Inc.
Corporation of the City of Dryden - Dryden Municipal Telephone
Corporation of the County of Brant
Electrical Safety Authority
EPCOR Calstock Power Plant
EPCOR Kapuskasing Power Plant
EPCOR Nipigon Power Plant
EPCOR Tunis Power Plant
Erie Thames Services Corporation
Goldman Hotels Inc. - Hockley Highlands Inn & Conference Centre
Great Lakes Power Limited
Grimsby Power Incorporated
Halton Hills Hydro Inc.
Hydro One Inc.
Independent Electricity System Operator
Inergi LP
Innisfil Hydro Distribution Systems Limited
Kenora Hydro Electric Corporation Ltd.
Kincardine Cable TV Ltd.
Kinectrics Inc.
Kitchener-Wilmot Hydro Inc.
London Hydro Incorporated
Middlesex Power Distribution Corporation
Milton Hydro Distribution Inc.
Mississagi Power Trust
New Horizon System Solutions
Newmarket Hydro Ltd.
Norfolk Power Distribution Inc.
Ontario Power Generation Inc.
Orangeville Hydro Limited
PUC Services Inc.
Sioux Lookout Hydro Inc.
Sodexo Canada Ltd.
TransAlta Energy Corporation - O.H.S.C. Ottawa
Vertex Customer Management (Canada) Limited
Whitby Hydro Energy Services Corporation

**Facilitating Distributed Generation - Proposed Amendments to the
Distribution System Code and the Retail Settlement Code
EB-2006-0226**

Comments of the Power Workers' Union (PWU)

The PWU believes that reliable, secure, safe and reasonably priced electricity supply and service, supported by a financially viable industry and a skilled labour force is essential for the continued economic prosperity and well-being of the people of Ontario as reflected in our energy policy statement:

Reliable, secure, safe and reasonable priced electricity supply and service supported by a financially viable industry, and a skilled labour force, is essential for the continued prosperity and social welfare of the people of Ontario. In minimizing environmental impacts due consideration must be given to economic impact, and the efficiency and sustainability of all energy sources and existing assets. A stable environment and predictable and fair regulatory framework will promote investment in technical innovation that results in efficiency gains.

With respect to networks, we believe the regulated network systems should be maintained and operated on an ongoing basis in a commercial manner that provides benchmark system safety, service quality and reliability performance, and efficiency through incentives for technical innovation. This is best achieved over time by:

- Fostering an operating environment whereby business decisions are based on commercial dynamics (e.g., “willing buyer” and “willing seller”);
- Granting reasonable rate of return to incent investment;
- Ensuring revenue adequacy for safe and reliable operations and maintenance;
- Developing meaningful regulatory safety, service quality and reliability performance standards;
- Proper system planning, including network planning, that gives due and reasonable consideration to generation (including distributed generation) options, network augmentation options and load management options, and results in economically feasible solutions that maximizes net benefits and the optimum outcome when planning to overcome network constraints and meet end-user energy requirements;
- Ensuring non-discriminatory access to the electricity system;
- Attracting and maintaining a highly skilled workforce.

A successful Standard Offer Program for distributed generation (“DG”) can contribute positively to the development of a reliable, secure, safe and reasonably priced electricity supply and service, and financially viable industry in keeping with the stated purposes of the *Electricity Act, 1998*.

The PWU’s comments on the proposed amendments to the Distribution System Code (“DSC”) and the Retail Settlement Code (“RSC”) to facilitate DG reflect our position as articulated above.

Background

The Ontario Energy Board (“OEB” or “Board”) *Staff Discussion Paper on a Standard Offer Program for Eligible Distributed Generation* (“discussion paper”) was issued on November 17, 2005. The Board invited comment from interested parties on the discussion paper, to which the PWU responded.

In that submission the PWU indicated support for a Standard Offer Program for DG that amongst other things, will:

- Remove unnecessary barriers to entry.
- Provide a “standard price” which eligible generators will receive that is based on market-based solutions, thus, avoiding the current bias towards paying a premium to procure new generation.
- Provide mechanisms that require simple and streamlined processes and minimize the regulatory and administrative burden, where feasible and practical, for the application and awarding of contracts and regulatory instruments.
- Ensure that DG developers pay the direct costs associated with interconnection, including cabling and/or burial of underground feeders to the nearest interconnection, transformers and metering; and, in the event DG connections to the distribution system require network upgrades and all costs associated with network upgrades are not borne by DG developers, assurance that network service providers will be made whole (e.g., through ratemaking mechanisms and/or other remedies like the making of regulations).
- Ensure embedded generators cover the costs related to network protection and voltage control equipment up to the boundary of the distribution network.
- Make provision for an interconnection process that is transparent and orderly (i.e., avoid a needlessly complex and expensive interconnection process for DG developers in Ontario) while recognizing the importance of technical compatibility with LDC requirements.
- Make provision for Standard Offer Contracts with simple and transparent contract terms with the caveat that all commercial aspects such as connection costs, standards of service and dispute resolution are covered.

In March 2006 the OEB and OPA submitted a *Joint Report to the Minister of Energy: Recommendations on a Standard Offer Program for Small Generators Connected to a Distribution System* (“joint report”).

Subsequent to the issue of the joint report, the OPA, in accordance with its authority to procure electricity supply and capacity, has developed draft rules for project qualification requirements for a Renewable Standard Offer Program. The program is intended to remove barriers by making it simpler and less costly for small, distributed generation proponents to participate in Ontario’s power system. The Contract included in the OPA’s draft program rules sets out standard market-based prices that incorporate payments for the value of distributed generation.

The OEB, in accordance with its authority over connection policies and delivery obligations of distributors, focuses on the necessary changes to codes and connection requirements, and on ensuring non-discriminatory access to the electricity system.

The following are the PWU’s comments on the proposed code amendments.

General Comments

The proposed amendments address some of the requirements supported by the PWU for a Standard Offer Program as listed in the previous section that come under the authority of the OEB.

In particular the proposed Annex 1, the standard *Form of Connection Agreement for a Small Embedded Generation Facility or a Mid-sized Embedded Generation Facility* appears to be simple in design yet complete and robust in protecting the interests of the distributors and generators, including safety standards. This provides for a mechanism that is simple and streamlined and minimizes regulatory and administrative burden.

The proposed new and amended definitions in the DSC and RSC that reflect a generation facility’s status provide good clarity. In addition, the proposed changes to the metering requirements provide reasonable flexibility that removes an unnecessary barrier.

The proposed amendments collectively cover standards of service and dispute resolution and provide for an interconnection process that is transparent and orderly while recognizing the importance of technical compatibility with LDC requirements.

Standard Offer Program requirements supported by the PWU that are not addressed by the OPA’s draft programs rules and the OEB’s proposed code amendments under EB-2006-0226, are covered under Section 3.1 of the DSC. Section 3.1 of the DSC provides for the distributor’s recovery of costs related to the connections and keeps the distributor financially whole with regard to connection related costs. In the PWU’s view therefore, the proposed amendments form a good basis for the successful implementation of the Standard Offer Program.

Specific Comments

We have a few specific comments for your consideration that are intended to add clarity to the proposed amendments.

Attachment A, 13

The proposed section on a Queuing Process uses “application” and “applicant” interchangeably, while the appropriate reference appears to be to the “application”. Therefore we suggest that the term “application” be used throughout the proposed new section.

Paragraph c states “an applicant shall be removed from the queue if a connection cost agreement has not been signed in relation to the connection of the embedded generation facility within 12-months of the date on which the application was placed in the queue”. Paragraph e states “the distributor shall provide the applicant with two months’ notice prior to removing the application from the queue under paragraph c”. It is not clear whether two months notice can be given at the 10-month point for the removal of the application in two months if a cost agreement is not signed by the 12-month point, or whether earliest notice is to be given at the 12-month point. Clarification on the earliest point at which notice can be given would help ensure consistency in the implementation of the queuing process between distributors.

Attachment A, 22 and 23

In paragraph 22 (f) and 23 (e) Code requirements are referred to in the absence of the specific Code sections. To add certainty, the appropriate Code section numbers ought to be referenced.

These are the comments of the PWU on the proposed amendments to the DSC and RSC for the facilitation of distributed generation.