

October 10, 2006

Sky Generation Inc.
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Kirsten Walli
Board Secretary
Ontario Energy Board
Box 2319
2300 Yonge St.
Suite 2700
Toronto, ON
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Re: EB-2006-0226 Proposed Amendments to the Distribution System Code and the Retail Settlement Code

Sirs,

Sky Generation is a licensed generator that operates a 1.8 MW wind turbine on the Bruce Peninsula. The facility is being expanded to 3 turbines, and will hopefully be producing additional power this month.

The work done by the Board and the OPA in advancing the Standard Offer is commendable. The appropriate waiving of fees for small and medium sized generators, the creation of a standardized connection agreement, the creation of a settlement mechanism for OPA contracts, and other improved wording and clarification is a strong step forward, and will facilitate the construction of additional distribution connected generation facilities.

There are two additional areas that the board must consider, in order to complete the project. These areas are: sharing of costs where the distribution system benefits from upgrades taken to accommodate a generator, and distribution tariffs.

In the Transmission System Code, where upgrades to the system are done to accommodate a Generator, and where these upgrades are deemed to be of benefit to the system, the Transmitter may pay the costs of the upgrade, and have those costs covered by the ratepayers, instead of the Generator. The same is not currently the case for the Distribution System Code. This deficiency had a profound influence on my current project, when the estimated cost to install communications increased by a factor of 6 over a weekend, as Hydro One realized that upgrades to their substation, that had a benefit to other customers, could only be charged to Sky Generation.

The current Distribution System Code leads to higher overall costs, as upgrades cannot be done in a systematic least cost way. And it is discriminatory against distribution connected project, favouring transmission connected projects.

The second area is distribution tariffs. The connection cost to the 44 KV system, which is charged monthly, whether power is consumed or not, is \$260/month in the Hydro One network. All capital costs to upgrade the distribution network to accommodate a generation facility, all metering costs, all connection charges, all network study charges etc. are borne by that Generator. The incremental cost for Hydro One is meter reading, and invoicing. The cost of this service is surely not \$260/mo, when the same service on 27.6 KV lines is \$39/mo.

In addition to the \$260/mo, the Generator also pays demand charges, and charges for the energy consumed (including transmission, distribution, and debt recovery charges).

The current tariff discourages construction of distribution connected facilities, especially to the 44 KV network. This tariff must be adjusted to accurately reflect the incremental cost incurred to service the Generator. The cost of feeders should be borne by load customers, not by Generators. After all, the feeder was constructed in the first place to serve load customers.

Interestingly, Transmission connected generators pay only demand charges, and charges for energy consumed. They do not pay a fixed monthly charge. The current system is discriminates against distribution connected generation projects.

I trust you will consider these issues as you continue with your good work to encourage distributed generation in the Province.

Yours Truly

Glen Estill
President