

Sent by email and regular mail

June 10, 2009

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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: EB-2009-0088 - Independent Electricity System Operator ("IESO") response to the Ontario Energy Board ("OEB") proposed changes to the Distribution System Code ("DSC") Process for Connecting Generation Facilities, issued on May 14, 2009, revised on May 19, 2009

I. Introduction

The IESO appreciates the opportunity to comment on the OEB's proposed changes to the DSC process for connecting generation facilities. The OEB's 2006 amendments to the DSC were made to facilitate the implementation of distribution-connected renewable energy procurement programs. The OEB and other interested parties have noted issues around reserving the limited existing capacity and the allocation of capacity within the distribution and transmission systems. With the passage of the *Green Energy and Green Economy Act, 2009* ("Green Energy Act") and the coming implementation of the Ontario Power Authority's ("OPA") Feed In Tariff ("FIT") program, the IESO fully anticipates an increased number of applications for connections to the distribution system, and recognizes the need for the proposed enhancement. The IESO supports the OEB in its goal of improving the effectiveness and efficiency of the generation connection process and offers the following specific comments.

II. Comments on Proposed DSC Amendments

1. The IESO recognizes that the OEB's proposed changes are consistent with elements of the proposed FIT design and rules and agrees that consistency between the DSC and the FIT documents are essential in ensuring efficiency and expediency. Specific reference to the FIT program timelines provide clarity for proponents entering the connection process, however it also raises questions as to the applicability of the rules to embedded generation proponents that are not party to FIT contracts. The specific references suggest that these amendments apply only to proponents under FIT contracts, or that no embedded generation will be connected outside of the FIT program. The IESO does not believe that this is the intent and submits that the OEB should clarify that non-FIT proponents are not precluded from connecting to the distribution system under these amendments.
2. The amendments to section 6.2.4.1(a) require that a distributor maintain a capacity allocation process, however it is not clear as to the process a distributor should follow when a number of proponents apply for the same capacity at the same time, particularly since the OEB clearly states the concept of queuing is no longer envisioned. For example, if 10MW of capacity is available and the distributor is approached simultaneously by two proponents - one with 10 MW of generation and another with 2 MW of generation, would the distributor accept the applicant with the 10 MW proposal, or attempt to provide capacity allocation to both, perhaps on an 8:2 ratio? The latter allocation would more accurately reflect the intent of the Green Energy Act language - multiple embedded generation facilities. The IESO suggests that greater clarity should be provided to distributors for how to address such a situation.
3. The amendments to section 6.2.4.1 state that (a) an applicant will be allocated capacity only upon completion of a Connection Impact Assessment ("CIA"), and (b) that a CIA will not be completed if the proposed connection cannot be completed with the capacity limits of the distribution and transmission system. The challenge in meeting these requirements is that a distributor may have to conduct a CIA in order to verify if there is any technical capacity limitation.

Further, the distributor must know the limitations outside its system (i.e. transmission system limitations) before it undertakes the CIA and allocates capacity. It is not clear how the distributor will obtain this required information. The distributor may be required to approach the IESO or the transmitter prior to conducting the CIA to determine if there is capacity. Both the IESO and the transmitter may have to conduct their own study to determine if there is capacity.

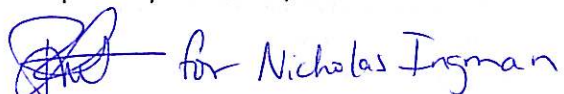
4. The amendments to section 6.2.4.1 (c) state that the CIA will not be completed unless the application has an in-service date of less than 3 years following the completion of the CIA. It is not clear what occurs if the actual in-service date is later than the indicated 3 years. The Additional Capacity Allocation Deposit (ACAD), which must be paid if the generation is not in service within 15 months of the CIA completion date (section 6.2.18) will be

forfeited, but there is no indication as to what further penalty applies if the in-service date is not met. Since the current treatment has no enforcement provisions for non-compliance it could encourage a proponent to provide an acceptable date and simply factor in the cost of the ACAD into its total costs.

5. The amendments to section 6.2.4.1 (e) state that an application will have its capacity allocation removed if the Connection Cost Agreement (“CCA”) is not signed within six months of receiving capacity allocation. One would assume that the date of receipt of the capacity allocation is the CIA completion date, unless the completed CIA identifies issues preventing the allocation of capacity. However, as written, it is not clear what the triggering date is. In addition, where an application requires a System Impact Assessment (i.e. embedded generation above 10 MW, according to the IESO Market Administration Manual 2, Part 2.10; Connection Assessment and Approval, Section 1), then there may be further delays through conditions or requirements imposed which could prevent the proponent from signing the CCA. This requirement puts undue pressure on both the proponent and potentially the IESO. Therefore the capacity allocation date should be clarified and a further timeframe should be set where an SIA is required to be conducted.
6. The amendment to section 6.4.2.1(e) also indicates that if the capacity allocation is removed from an applicant, a next day applicant will be entitled to it, without regard to earlier applicants that were refused due to a lack of capacity. The IESO suggests that this approach may deny access to worthy proponents that have in fact, come previously. The IESO further submits that a “waiting list” may provide those earlier applicants with the first opportunity to be allocated capacity following the removal of another applicant’s capacity.
7. The amendments to sections 6.2.12 and 6.2.13 state that a distributor has 60 or 90 days (depending on whether reinforcement or expansion is required) from the receipt of an application to complete the CIA. A distributor that is reliant on other entities for certain technical information, may find the given timeframes challenging, and in some instances, impossible to meet. We would therefore propose that a provision be included that would allow the extension of these timelines where a distributor cannot achieve these timelines for situations outside of their control.
8. The amendments to section 6.2.18 state that the CCA triggers the payment of three deposits. The CAA must be signed within 6 months of capacity allocation, but the additional capacity allocation deposit must be paid if the facility is not connected within 15 months of the CIA completion date. The IESO submits that these dates should be aligned so as not to create unnecessary confusion for proponents.

The IESO thanks the OEB for the opportunity to provide input on the amendments to the DSC connection process. We look forward to working with the OEB on this matter.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "NI" followed by a horizontal line and "for Nicholas Ingman".

Nicholas Ingman
Manager, Regulatory Affairs
416-506-2821