

Overview of Transmission System Code Amendments

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Objectives of Presentation

- Provide background of the Transmission System Code (the “Code”) and reasons for the review and amendments;
- Outline the scope and context of the review and amendments.
- Highlight key principles underpinning the amended Code;
- Highlight amendments that may have direct or indirect metering or settlement implications going forward, in particular, those emanating from policies pertaining to:
 - Available Capacity
 - Transmission System Bypass
 - Contestability
 - Cost Responsibilities
- Identify where additional information may be found.

Background

- The Code sets out the minimum standards that transmitters must meet in operating, managing and expanding their transmission system.
- The also sets out transmitters' obligations with respect to it customers, including a Connection Agreement which covers the technical and commercial responsibilities of both transmitters and their customers.
- A proceeding was initiated to address concerns about certain provisions in the existing Code with respect to their interpretation and application, and determine what changes are required to enhance the level of regulatory certainty for electricity market participants..
- Two phases to the Code review
 - Phase I - develop and establish principles
 - Phase II - amend Code to reflect new or modified principles
- It was determined that an additional phase will be required to review and refine the technical standards (i.e., Schedules A,E,G, and H).

Scope and Context of Review

- **Available Capacity** (e.g., the availability of customer delivery point capacity for future customer usage).
- **Transmission System Bypass** (e.g., including revised definition of embedded generation, determination of what constitutes embedded generation, policy for replacing connection facilities, and respective cost and rate treatment).
- **Contestability** (e.g., provisions enabling transmission customers to obtain services from qualified alternative suppliers).
- **Cost Responsibility** (e.g., whether new or modified transmission network enhancements should be socialized);
- **Economic Evaluation** (e.g., customer capital cost contribution determination and payment principles).
- **Contractual Issues** (e.g., role, responsibilities and obligations pertaining to, and the administration of connection agreements).

Principles Underpinning the Amended Code

- Recognition that transmission issues are part of a larger picture to improve the balance between supply and demand;
- Help maintain the integrity of the transmission system and overall system optimization;
- Encourage new generation, energy efficiency, conservation, demand management and the use of renewable energy sources;
- Ensure all transmission customers pay their fair share of the costs they cause and the assets they benefit from;
- Promotes the safe and reliable operation of transmission systems while having due regard for the financial viability of transmitters;
- Provide all participants in the Ontario electricity market with greater regulatory certainty and predictability; and
- Maintain room for negotiation among the parties, and enhance the regulatory environment in which these negotiations will take place.

Available Capacity

- Available Capacity, define as the unutilized supply capability on each system element.
 - at issue, the transmitter's right to assign Available Capacity to service new load to prevent bypass and duplication of facilities.
- Customers (i.e., directly connected to transmission system) may build new transformation facilities when:
 - the new load was not part of the forecast underpinning existing transformation connection facilities.
 - the customer compensates the transmitter for any transformation revenues lost by replacing existing transformation capacity.
- Customers may build new line connection facilities when:
 - the existing capacity is inadequate to serve new load or the existing facility is overloaded, and when only the overloaded portion of existing facility will be transferred to the new line.
 - the customer compensates the transmitter for any connection revenues lost by replacing existing connection capacity.

Transmission System Bypass – Definition and Treatment of Embedded Generation

- Whether generation is embedded, in relation to a customer, affects how the customer is to be charged for transmission services.
- Code established that any new generation (**as of June 8, 2004**) that is connected on the customer side of the connection between a transmission customer and the transmitter will be considered embedded, and therefore not transmission system bypass, regardless of:
 - whether the customer load is new or existing;
 - who owns the generation;
 - where the generation is located;
 - what voltage the generation is connected at;
 - what commercial arrangements the generator enters into; and
 - the size or the number of units of generation capacity.

Transmission System Bypass – Definition and Treatment of Embedded Generation

- Customers with new embedded generation will be subject to the rate treatment established in RP-1999-0044:
 - net load billing for network charges.
 - gross load billing for connection charges.
 - net load billing for both network and connection charges for conventional embedded generation of **1 MW** or less per unit.
- Renewable energy projects comprised of generation units producing **2 MW** or less per unit will be eligible for net billing charges on relevant connection facilities.
- Gross load billing for both network and connection where generation is **not** considered embedded

Transmission System Bypass – Efficiency, Conservation and Load Management

- Reductions in demand due to energy efficiency, conservation and load management will not be considered system bypass, under any circumstances.
- Customers must demonstrate to the transmitters that the reduction in demand is in fact due to a efficiency, conservation or load management measures.

Contestability

- Work on new connection facilities will be contestable, regardless of whether a capital contribution is required.
- Customers requiring new connection facilities will have two options:
 - design, construct, pay for and own the new facilities; or
 - contract with the transmitter to design, construct and own the facilities.
- Regardless of which option is chosen, the transmitter retains the right to work own their own facilities.
- The revised Code also include provisions direction the transmitter to establish a time-limited process for the resolution of disputes between customers and transmitters.

Cost Responsibility

- Network enhancement costs incurred in establishing new or modified connections for load customers, or to connect new generation, should be borne by all ratepayers since network assets primarily benefit all Ontario electricity consumers.
- If **exceptional circumstances** exist so as to reasonable require a customer to make a capital contribution for network construction or modification, the transmitter or any other party may apply to the Board for direction. The transmitter:
 - shall notify the customer as soon as possible of its intention to the Board for direction; and
 - Shall not, without the prior written consent of the customer, refuse to commence construction of or modifications to its network facilities pending direction from the Board provided that the customer has made a security deposit with the transmitter.
- A customer who made a financial contribution toward connection facilities will be reimbursed by those customers who are subsequently connected to those connection facilities.

Additional Information

IESO Regulatory Affairs Webpage:

- <http://www.ieso.ca/imoweb/corp/regulatory.asp?agency=All&docType=Decisions>

Ontario Energy Board Webpage:

- http://www.oeb.gov.on.ca/html/en/industryrelations/ongoingprojects_tsc_revised.htm