



Ontario Energy Board
Commission de l'énergie de l'Ontario

Retooling Electricity Regulation for the Green Economy

Peter Fraser
CanSIA Solar Conference 2009
December 8, 2009

Overview

- Implications of the Green Energy Act for energy regulation
- Retooling Regulatory Instruments
- Five categories of initiatives
 - Rational and efficient connection
 - Simplified settlement
 - Shifting costs from generators to ratepayers
 - Addressing distributor-owned generation
 - Encouraging rational planning and investment
- Final thoughts



Implications of Green Energy Act for regulation

- OEB electricity regulation was established for a market context where investment driven by markets and generators competed with each other.
- Regulatory policies were aimed at appropriate levels of investment in generation, transmission and distribution to meet customer needs and that costs of such investments were fairly allocated to beneficiaries.
- Under Green Energy Act, the economic impetus of electricity is the creation of a “green economy”.
- Under this “green economy” approach to electricity sector, greater investment in renewable generation is desired and is not limited to customer needs. Such investment can only be sustained if there is corresponding investment in transmission and distribution, which the Board regulates.



Regulatory instruments need to be retooled to accommodate a “green economy” approach to electricity

- Regulators have many instruments that they can use to implement the new policy:
 - Oversight of network rates and investment.
 - Rules for allocation of existing connection capability.
 - Rules for allocation of connection costs.
- These are being “retooled” to meet the mandate to expand the system.
- These changes should also aim to increase regulatory predictability and reduce regulatory risk.



The Board's initiatives fall into five broad categories

- More rational and efficient connection processes for all generators
- Simpler settlement processes for FIT
- Shift costs from renewable generators and share fairly among ratepayers
- Deal with distribution owned generation
- Encourage rational planning and investment



More rational and efficient connection processes

- FIT generation licence
- Simpler connection for small generators and reformed connection process for distribution connected generators:
 - Exempted small generators from capacity allocations (up to 500 kW at higher voltage)
 - Improved capacity allocation process efficiency
 - Required generator to pay a deposit for the capacity it has – encouraging them to move forward (or leave).



Simpler settlement arrangements for FIT generators

- “as if” parallel settlement for FIT generation:
 - Allows a single standard way of settling generation accounts regardless of whether they are connected in front of the meter or behind the meter
- Appropriate monthly charges for microFIT:
 - Will devise appropriate charges for serving microFIT generation accounts.



Shift costs from renewable generators and share fairly among ratepayers

- Make ratepayers responsible for most of the costs of expanding distribution systems to serve renewable generators.
- The costs of these investments have to be shared among all ratepayers, less any benefits that local ratepayers get. The Board is consulting on what those benefits are.



Deal with distribution owned generation

- Government has clarified that distribution companies are allowed to own and operate renewable generation, but not include in ratebase.
- Board has issued guidelines to clarify the regulatory and accounting treatment of this generation as a non-regulated activity within the utility.



Encourage rational distribution planning and investment

- Distribution planning guidelines:
 - Deferral accounts for eligible investments
 - distributors may apply for an adder for additional funding
 - Planning guidelines
- Three plans have been received to date.



Encourage rational transmission planning and investment

- Incentive approaches to cost recovery:
 - Consider more innovative approaches to allowing transmission investment costs to be recovered (shift risk to ratepayers and/or pay higher rates of return for “riskier” projects)
- Enabler lines:
 - Clusters of renewable resources remote from the grid can have “enabler lines” built to them by transmitters rather than having to build them themselves
- Transmission planning:
 - Guidelines to be developed



Final thoughts

- Board's reforms are part of the larger set of reforms to implement the Green Energy Act.
- We have been and will be working with other agencies to ensure such reforms are consistent, while remaining aware of our obligations to protect consumers.

