



**POWER  
WORKERS'  
UNION**

August 11, 2021

Independent Electricity System Operator  
1600-120 Adelaide Street West  
Toronto, ON  
M5H 1T1

Via email to: [engagement@ieso.ca](mailto:engagement@ieso.ca)

**Re: Cost Recovery for Integrating System Changes Engagement**

The Power Workers' Union ("PWU") represents a large portion of the employees working in Ontario's electricity industry. Attached please find a list of PWU employers.

The PWU appreciates the opportunity to provide input on the Cost Recovery for Integrating System Changes Engagement. The PWU is a strong supporter and advocate for the prudent and rational reform of Ontario's electricity sector and recognizes the importance of low-cost, low-carbon energy to the competitiveness of Ontario's economic sectors.

The PWU believes that IESO processes and initiatives should deliver energy at the lowest reasonable cost while stimulating job creation and growing the province's gross domestic product (GDP). We are respectfully submitting our detailed observations and recommendations.

We hope you will find the PWU's comments useful.

Yours very truly,

Jeff Parnell  
President

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## **List of PWU Employers**

Alectra Utilities (formerly PowerStream)  
Algoma Power  
AMEC Nuclear Safety Solutions  
Aptum (formerly Cogeco Peer 1)  
Atlantic Power Corporation - Calstock Power Plant  
Atlantic Power Corporation - Kapuskasing Power Plant  
Atlantic Power Corporation - Nipigon Power Plant  
Bracebridge Generation  
Brighton Beach Power Limited  
Brookfield Power Wind Operations  
Brookfield Renewable Power - Mississagi Power Trust  
Bruce Power Inc.  
Canadian Nuclear Laboratories (AECL Chalk River)  
Collus Powerstream  
Compass Group  
Corporation of the County of Brant  
Covanta Durham York Renewable Energy Ltd.  
Elexicon (formerly Whitby Hydro)  
Enwave Windsor  
Erth Power Corporation (formerly Erie Thames Powerlines)  
Erth Corporation  
Ethos Energy Inc.  
Great Lakes Power (Generation)  
Greenfield South Power Corporation  
Grimsby Power Incorporated  
Halton Hills Hydro Inc.  
Hydro One Inc.  
Hydro One CSO (formerly Vertex)  
Hydro One Sault Ste. Marie (formerly Great Lakes Power Transmission)  
Independent Electricity System Operator  
Inergi LP  
InnPower (Innisfil Hydro Distribution Systems Limited)  
J-MAR Line Maintenance Inc.  
Kenora Hydro Electric Corporation Ltd.  
Kinectrics Inc.  
Kitchener-Wilmot Hydro Inc.  
Lakeland Power Distribution  
London Hydro Corporation  
Milton Hydro Distribution Inc.  
New Horizon System Solutions  
Newmarket Tey/Midland Hydro Ltd.  
Nuclear Waste Management Organization  
Ontario Power Generation Inc.  
Orangeville Hydro Limited  
Portlands Energy Centre  
PUC Services  
Quality Tree Service  
Rogers Communications (Kincardine Cable TV Ltd.)  
Sioux Lookout Hydro Inc.  
SouthWestern Energy  
Tillsonburg Hydro Inc.  
The Electrical Safety Authority  
Toronto Hydro  
TransAlta Generation Partnership O.H.S.C.  
Westario Power

## **Power Workers' Union Submission on IESO Cost Recovery for Integrating System Changes Engagement**

**August 11, 2021**

The Power Workers' Union (PWU) is pleased to submit comments and make recommendations to the Independent Electricity System Operator (IESO) regarding its July 22<sup>nd</sup> Cost Recovery for Integrating System Changes consultation. The PWU remains a strong supporter and advocate for the prudent and rational reform of Ontario's electricity sector and recognizes the importance of planning for low-cost, low-carbon energy solutions to enhance the competitiveness of Ontario's economy.

The IESO performs two broad types of activities to ensure the operability and reliability of the IESO-controlled grid. The first category involves undertaking System Impact Assessments (SIA) and Technical Feasibility Studies, which help assess the potential impact a new or modified facility may have on the bulk electricity system. Currently, the IESO recovers the cost of these studies from project proponents. The second type involves ensuring proposed new or modified facilities meet the IESO's prescribed requirements, and the subsequent revision of the IESO's systems, processes, and procedures to ensure the reliable integration of such facilities. The costs associated with these activities are currently recovered via usage fees based on the volume of all loads in the province. The IESO intends to begin charging these costs to the proponent initiating the change.

The IESO's is seeking comments on the objectives of the engagement, their approach, the principles underpinning their cost recovery initiative and implementation scope. Ontario Energy Board (OEB) approval will be required prior to implementation given the IESO's proposed change to its administered fee.

As new connections related to DER deployments have continued to increase in Ontario, the PWU has consistently highlighted the unfairness of socializing integration costs across all ratepayer groups<sup>1,2</sup>.

We appreciate that the IESO has begun to address this issue by initiating this engagement, and we generally support the objectives, approach, and principles stated. However, IESO should use this engagement as an opportunity to ensure that as much of the costs of integration as possible are directly charged to proponents, as opposed to ratepayers. This is consistent with the key principle of cost responsibility and maximizes the efficiency of the system by ensuring proponents are exposed to the full cost of their activities.

The PWU makes the following recommendations:

1. Consider the cost implications of system integration beyond the identified Reliable Integration activities;
2. Consider raising the administration fee to address materiality concerns;
3. Increase the cost certainty of the process by providing higher upfront average process costs, and;
4. Embed deregistration fees in the upfront costs.

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<sup>1</sup> PWU, IESO White Paper Part 2 Submission, 2020

<sup>2</sup> PWU, Utilities Remuneration and Responding to DER Stakeholder February Meeting Feedback, 2021

**Recommendation #1: Consider the cost implications of system integration beyond the identified Reliable Integration activities**

IESO has described the types of activities that are performed during the Reliable Integration portion of the connection process for new and modified facilities which occur after the connections have been designed and built. They include: market and program participation authorization; equipment registration; equipment commissioning; and, performance validation. Proponents should pay their share of these associated process and software-based activities.

However, there are other system cost impacts that a new or modified connection can have beyond these process related changes identified by the IESO. Principally, this applies to connections that involve “non-normal” loads that the system was not originally designed to handle, and include DER at customer facilities that are connected Behind-The-Meter (BTM).

Even if these DER facilities do not export electricity to the grid, they cause deviations in customer behaviour which must be mitigated by system upgrades or ancillary services. The OEB’s DER Connections Review Working Group has considered the impact of DER connections on the distribution system and discussed capturing the associated costs within the Connection Impact Assessment (CIA). The IESO should ensure that a similar analysis is done for the transmission and bulk system-level impacts of new DER connections.

Additionally, the SIA, and presumably the Reliable Integration activities, only applies to DER connections above 10 MW. While one DER connection may not have a significant impact on the system, many such connections combined could. The IESO should consider the cumulative impacts on the system and share these costs among DER connections – not ratepayers. The DER Connections Review WG is developing a risk-based framework that may capture these kinds of impacts and replace the current size-based categorization of system impacts in the Distribution System Code (DSC). The IESO should consider a similar approach to the costs of integrating connections in accordance with the principle of cost causality.

**Recommendation #2: Consider raising the administration fee to address materiality concerns**

Each different integration activity has some form of administrative work that the IESO needs to perform, and for which the IESO charges a fee. This fee will now be charged to proponents rather than ratepayers. However, the IESO has noted that some of these activities are beyond the scope of this consultation and that one of the principles guiding this decision is materiality, which states that “the administrative burden of charging the costs must not be greater than the cost recovered from the proponent.” Therefore, the IESO will only consider costs that are material enough to, at a minimum, pay for the administrative work that would be required to calculate and process them.

This means the IESO will continue to allow certain costs to continue to be charged to ratepayers, even though they are caused by these new or modified connections. This would breach the principle of cost causality. Instead, the IESO could raise the administrative fee that is charged to proponents to capture the work that would go into calculating these costs and ensure that the fees become materially greater than the administrative burden.

### **Recommendation #3: Increase the cost certainty of the process by providing higher upfront average process costs**

The IESO has provided a list of the estimated costs that would be charged for various categories of activities. Many of these cost estimates can vary widely, and even a proponent that has a small connection or modification can have integration costs that range from \$4,000 to \$20,000. These are costs that would get charged after a project has been built, which means proponents must plan for this cost uncertainty.

The IESO should make these costs clear upfront so that proponents know the full cost of these projects and can make more informed decisions prior to the build stage. Even higher cost estimates upfront are beneficial as proponents would rather actual costs are less than forecast. These “conservative” cost estimates should be disclosed at the SIA stage.

### **Recommendation #4: Embed the de-registration fee in the upfront costs**

The IESO has said it will continue to not charge proponents for the de-registration fee, which occurs when a facility is permanently disconnected and/or removed from the IESO markets. The IESO believes that it could be difficult to track down and recover costs from customers that have disconnected. These customers may have become insolvent, unresponsive, or ceased operations in the province. However, this means that the cost of disconnection is born by ratepayers.

The IESO should embed an estimate of the disconnection fee that would be applicable in the event of disconnection, into the initial connection agreement to ensure that the costs are recovered and not imposed on ratepayers.

### **Closing**

The PWU has a successful track record of working with others in collaborative partnerships. We look forward to continuing to work with the IESO and other energy stakeholders to strengthen and modernize Ontario’s electricity system. The PWU is committed to the following principles: Create opportunities for sustainable, high-pay, high-skill jobs; ensure reliable, affordable, environmentally responsible electricity; build economic growth for Ontario’s communities; and, promote intelligent reform of Ontario’s energy policy.

We believe these recommendations are consistent with and supportive of Ontario’s objectives to supply low-cost and reliable electricity for all Ontarians. The PWU looks forward to discussing these comments in greater detail with the IESO and participating in the ongoing stakeholder engagements.

Topic	Feedback
Are there any factors the IESO should consider when deciding on how to apply fees for various types of activities (e.g., fixed rate vs. hourly rate)?	Yes, ensure that ratepayers are not being charged for any integration activities performed by proponents. See recommendations #1, #2, and #4.
Topic	Feedback
What invoice timing (e.g., end of each work phase vs. periodically) would be most appropriate?	Invoice should be upfront before project has been built so proponents are aware of full cost before making decisions. See recommendation #3.
Topic	Feedback
Are there any specific considerations that should be incorporated into the implementation approach for the new fees?	Yes, ensure that all system impacts of new/modified connections are accounted for, including the impacts of small connections (DER) on aggregate. See recommendation #1.
Topic	Feedback
Do any special considerations exist for specific groups of proponents?	No, the IESO should ensure all proponents pay the full cost for their integration activities.