

SENT BY RESS & COURIER

September 9, 2013

Ms. Kirsten Walli  
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Dear Ms. Walli:

**Re: EB-2011-0043 – Supplementary Proposed Amendment to the Transmission System Code**

The Independent Electricity System Operator (“IESO”) appreciates the opportunity to comment on the supplementary proposed amendments to the Transmission System Code (“TSC”) relating to cost responsibility for new and modified connections. As described in the Notice of Proposal to Amend a Code (“Notice”) issued by the Ontario Energy Board (“Board”) on August 26<sup>th</sup> 2013, the proposed amendments are intended to facilitate the apportionment of cost based on the “beneficiary pays” principle.

The concept of preserving fairness in assigning cost responsibility where a new or modified connection facility provides benefits to both the overall transmission system and to a particular connection customer was raised by Hydro One in their June 17<sup>th</sup> submission to the Board. Hydro One suggested two approaches to assigning cost responsibility in such cases. In one case, cost responsibility for the entire investment would be assigned to the network pool where the OPA and/or the IESO assessed that the investment is driven primarily by system needs. Alternatively, and in lieu of an “all or nothing” approach, cost responsibility could be determined based on the proportional benefit between the customer and the overall system. Recognizing that the proportional allocation of costs between the network pool and individual customers may be difficult to accomplish with precision in practice, Hydro One noted that they are prepared to work with the Board and its staff to develop a suitable mechanism for quantifying and comparing different types of benefits for the purpose of allocating costs between connecting customers and the network pool.

In its Notice, the Board indicated that Hydro One’s second proposal for assigning cost responsibility, i.e. the apportionment of costs, would be more appropriate and consistent with the RRFE Board Report where the Board identified a shift in emphasis to the “beneficiary pay”

principle. The Board also indicated that the issue identified by Hydro One is most likely manifested in one scenario which the Board expects will only arise on an exceptional basis, namely, where the construction of and/or modification to one or more transmitter-owned connection facilities is a more cost-effective means of meeting the needs of one or more load customers than the construction or modification of the transmitter's network facilities. The Board also noted that where it does arise, as independently confirmed by the IESO, it is proposed that the transmitter be required to apportion the cost of the transmitter-owned connection facilities based on the non-coincident incremental peak load requirements of the triggering load customer(s), and apply to the Board for approval of that apportionment.

While the IESO supports the principle of aligning cost responsibility with proportional benefit between the customer and the overall system, the IESO is not positioned to perform a cost-effectiveness assessment of the alternatives as proposed under section 6.3.8A. The primary source for the information required to perform such an assessment is the transmitter and/or the OPA. Requiring the IESO to perform cost-effectiveness assessments for transmission investments would be a departure from the IESO's core functions of maintaining the reliability of the power system and efficiently administering the wholesale electricity market.

Further, the decision to proceed with the construction of and/or modification to one or more transmitter-owned connection facilities that exceeds that capacity needs of the triggering load customer instead of constructing or modifying network facilities is a decision that would be considered by the OPA through regional planning. It is the IESO's understanding that as part of their role in regional planning, the OPA routinely assesses the cost-effectiveness of alternatives to address electricity needs.

Rather than require the IESO to undertake another cost-effectiveness assessment for transmission investments, it would be more administratively efficient to rely on the assessments already performed by the OPA. While the OPA is better positioned to undertake the cost-effectiveness assessments referred to under section 6.3.8A, the IESO would provide input from a reliability perspective.

Therefore, the IESO proposes to amend proposed section 6.3.8A as follows:

6.3.8A Despite any other provisions of this Code, where one or more load customers trigger(s) the need for new or modified facilities and the OPA, in consultation with the IESO, undertakes an assessment at the request of a transmitter and determines that the construction or modification of transmitter-owned connection facilities that exceed the capacity needs of the triggering load customer(s) is a more cost effective means of meeting those needs .....

The IESO has discussed this proposal with the OPA and it's the IESO's understanding that the OPA supports the proposed revision.

Sincerely,

*Original Signed by*

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Independent Electricity System Operator  
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