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November 6, 2017

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street,
Toronto, ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear : Ms. Walli:

**Re: Submission of Northwatch
Regional Planning and Cost Allocation Review
Board File Number: EB-2016-0003**

We are legal counsel to Northwatch in this proceeding. Below is Northwatch's submission in response to the Board's invitation to comment on the Board's Regional Planning and Cost Allocation Review, initiated by way of the Board's Notice of Proposal to Amend a Code dated September 21, 2017 (the "Board's Notice").

NORTHWATCH'S POSITION ON COST ALLOCATION

Northwatch is a regional coalition of environmental and social justice/social development organizations in northeastern Ontario. It was founded in 1988 to provide a representative regional voice. Northwatch's founding members were local and district-based environmental or social justice organizations who wished to engage – among other things – in planning and policy reviews.

Northwatch focuses on northeastern Ontario, specifically the six federal districts of Nipissing, Timiskaming, Cochrane, Sudbury, Manitoulin and Algoma, though Northwatch works at times with colleagues in northwestern Ontario on select issues, including electricity planning.

Northwatch is a strong supporter of regional and integrated planning between transmission and distribution entities, to prevent the undertaking of unnecessary projects and to enable low cost solutions for consumers. Northwatch generally supports all three of the Board's Guiding Principles.¹

¹ See Board's Notice at pages 3 and 4.

However, the proportional benefit approach to regional needs at the lowest cost must also take into account the socio-economic realities of northern customers, who can broadly be divided into northern residential communities, northern remote communities, Indigenous communities, and industrial customers.

Planning for generation and transmission should be done on an integrated and regional basis. Regional plans should incorporate, at a minimum, load forecasts, energy efficiency and conservation, demand response, and a regional balance of demand and supply. Supply options should be selected/approved on the basis of environmental least-impacts and overall sustainability.

Cost considerations should not only include the perspectives of the Ontario Power Authority (“OPA”), transmitters, distributors, and large industrial consumers, but also those individuals and small businesses affected by a decision. Northern residents, and in particular, remote Aboriginal communities, bear a disproportionate cost of access to many services.

Cost considerations should encourage efficiency and demand response to substitute for supply, including transmission and distribution projects, and should encourage integrated planning between transmission and distribution entities to prevent the undertaking of unnecessary projects.

ACCESS BY REMOTE COMMUNITIES

Northwatch generally agrees with amendments to the Transmission System Code (“TSC”) and Distribution System Code (“DSC”) that take a proportional benefit approach. However, Northwatch submits that a factor in calculating the proportion of the cost to be borne by residential consumers should account for the increased costs and energy security issues of remote and northern communities. In particular, the costs of connecting or providing upgraded infrastructure to Aboriginal communities should be considered and those costs to customers should be borne to a larger proportional extent by the broader network.

Where barriers to residential energy security exist, those issues should be accounted for in energy policy. Accordingly, the Board’s proposed amendments to Section 6.3 of the TSC should be modified to include, as a factor in calculating the ratio of costs under the proportional benefit approach, socio-economic realities that are particular to northern and remote communities.

Sufficient procedural protections need to exist in the TSC and DSC to ensure that these vulnerable communities do not take on a share of capital costs that will exacerbate existing energy security issues. Northwatch supports a Board adjudicative process as described on page 7 of the Board’s Notice.

UPSTREAM TRANSMISSION CONNECTION INVESTMENTS – TREATMENT OF LARGE LOAD CUSTOMERS

Northwatch supports the Board’s proposed addition of section 3.2.4A to the DSC. Large load customers should contribute to the capital costs of the infrastructure required, regardless of the nature of the distributor.

Where a large load customer drives the need for an upstream investment, Northwatch submits that the costs of this investment should not be distributed among other customers in the region that may benefit from having additional capacity in place.

REPLACING OR UPGRADING EXISTING INFRASTRUCTURE

Where infrastructure must be replaced and the electricity demand of a particular consumer group has decreased such that there is excess unused capacity in the area, Northwatch supports an initiative to consider reducing that area’s capacity to a point more in line with their use.

However, Northwatch stresses the importance of consulting with the consumers in the area prior to making this decision, consistent with Section 6.7.2 of the TSC. In particular, where a community generates new economic activity, it will be important for the community to know what capacity is available in order to make informed decisions about, and plan for, economic development.

COSTS OF INSTALLING INFRASTRUCTURE REQUIRING HIGHER CAPACITY DUE TO LARGE INDUSTRIAL CONSUMER

In its overview section of the Board’s Notice, the Board raises the possibility that a region’s needs might slightly exceed a 115 kV line, and therefore require a 230 kV line. The Board proposes three possible approaches to address cost allocation in this scenario. The Board then proposes to adopt each of those approaches according to the circumstances, in order to maintain flexibility and adaptability.

In general, Northwatch supports the Board’s ability to maintain a flexible approach. As a general principle, Northwatch proposes that the Board consider the nature of the enterprise requiring a greater transmission/distribution investment.

Where a higher capacity line connection is required, and a large industrial consumer(s) is the primary driver for the increased load demand in a region, Northwatch submits that the large industrial consumer(s) should be responsible for the incremental costs required to create a system with enough capacity to support a profit-generating venture. In the north, where mining is often involved, projects may have shorter lives than the life of the electricity asset. Vulnerable communities should not bear the risk of investment for profit.



Conversely, where non-profit installations serving populations in need are at issue, the provisions associated with expansion deposits should be waived or modified to reduce their impact. These provisions are proposed at Sections 3.2.20 onward of the DSC. Currently, a customer (regardless of corporate status) must pay a deposit, to be returned after five years. The deposit is a backstop against a project not being built and the additional load going unused. As there is less risk that social service projects will not be built and operated, a deposit should not be necessary. Northerners already face greater barriers to low-income housing, health-care facilities, and community services; this should not be further exacerbated by the electricity transmission system.

Yours truly,

Nicole Petersen

cc: client

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