

Elson Advocacy

July 6, 2018

BY COURIER (2 COPIES) AND RESS

Ms. Kirsten Walli

Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700, P.O. Box 2319
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: EB-2018-0143 – Independent Electricity System Operator (IESO) Revenue Requirement

I am writing on behalf of Environmental Defence to provide comments on the draft issues list.

In this proceeding, Environmental Defence wishes to explore whether the IESO has appropriately responded to the Board's decision in the 2017 rates case directing "the IESO to work with Hydro One and to report on initiatives for economically reducing transmission line losses."¹ The IESO states in its application materials that it is exploring "cost effective opportunities for line loss reductions," but provides no further details. Environmental Defence wishes to explore this issue further to ensure that the IESO is appropriately responding to the Board's directive.

This is an important topic. Transmission losses cost Ontario energy consumers hundreds of millions dollars every year.² Ensuring that losses are reduced to an optimal level (i.e. to the level that is most cost-effective) is incredibly important for consumers, and fits squarely within the statutory objective of this Board to "protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service."³

This topic is potentially included under draft issue 5.1, "is the IESO's 2018 Regulatory Scorecard appropriate"? The IESO's regulatory scorecard expert, John Todd (President of Elenchus Research Associates Inc.), found that a transmission losses metric "would be a useful indicator of the performance of the industry with respect to optimizing the various types of investment and grid management opportunities that impact on transmission system losses."⁴ The

¹ Decision in EB-2017-0150, October 31, 2018, pp. 2-3.

² Ballpark estimates from EB-2016-0160 range from \$280 million to \$390 million in 2015 alone; see EB-2016-0160, Exhibit 5.4, tab 1, p. 1; EB-2016-0160, Transcript vol. 12, p. 99, ln 22 to p. 100, ln. 15; see also the Board's Decision in EB-2016-0160, p. 31 (finding that "the cost of transmission line losses is very large").

³ *Ontario Energy Board Act, 1998*, s. 1(1)1.

⁴ EB-2017-0150, Exhibit C-1-1, Attachment 1, Page 36.

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report discussed the possibility of including a transmission loss metric into the IESO scorecard in the future after further research in this area.⁵

Environmental Defence is concerned that the IESO may decline to answer interrogatories regarding transmission losses on the basis that its work in this area is ongoing. We do not believe that would be appropriate or in the best interest of consumers. Seeing as transmission losses cost hundreds of millions of dollars each year, it would be better to ensure that this work is on track rather than “wait and see.” Furthermore, this joint work by Hydro One and the IESO should be wrapping up soon because Hydro One is required to report on it in its next transmission rates case, which should be filed any day now.⁶ The Board’s direction in the 2017/2018 Hydro One transmission rates case reads as follows:

The OEB finds that, given the magnitude of line losses, Hydro One should work jointly with the IESO to explore cost effective opportunities for line loss reduction. Hydro One should also explore, as part of its investment decision process, opportunities for economically reducing line losses. The OEB requires Hydro One to report on these initiatives as part of its next rate application.⁷

Although it is important that the IESO explain how it is responding to the Board’s directions regarding transmission losses, this can be achieved efficiently and may not absorb much (if any) of the Board’s time or resources. It may only be necessary for the IESO to answer interrogatories on this topic. If those responses show that the IESO’s work is on track, Environmental Defence may not seek to make further submissions on the topic in an oral or written hearing.

In light of the above, Environmental Defence requests that the Board:

- Confirm that the draft issues list allows Environmental Defence to explore the appropriateness of the IESO’s response to the Board’s directions regarding transmission losses; OR
- Add a new issue 5.3 asking: “Has the IESO appropriately responded to the Board’s directions regarding transmission losses?”

Please do not hesitate to contact me if anything further is required.

Yours truly,



Kent Elson

⁵ *Ibid.*

⁶ The 2017/2018 Hydro One transmission rate application was filed on May 31, 2016, suggesting that its 2019/2020 case should be filed very soon.

⁷ Decision in EB-2016-0160, p. 32.