

October 30, 2009

**BY COURIER (2 COPIES) AND EMAIL**

Ms. Kirsten Walli  
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Ontario Energy Board  
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Dear Ms. Walli:

**Re: Pollution Probe – Reply Submissions on Issues List  
EB-2009-0139 – Toronto Hydro – 2010 Rates**

We write to provide Pollution Probe's submissions on the draft Issues List for this proceeding in reply to Toronto Hydro's responding submissions. These submissions are in addition to Pollution Probe's previous submissions dated October 26, 2009.

In summary, Pollution Probe disputes Toronto Hydro's objections to two of Pollution Probe's proposed issues, and further details are provided below.

**1. *Pollution Probe Disputes Toronto Hydro's Objection to "Should Toronto Hydro's policies with respect to recovering its costs of adding CHP generation to its distribution grid be amended to encourage the development of CHP?"***

In support of Toronto Hydro's objection to this proposed issue, Toronto Hydro states that "[t]his proposed issue presupposes a policy change of the Province of Ontario, which does not exist to our knowledge, and otherwise constitutes a generic issue for the broader electricity sector."

With respect, Pollution Probe strongly disputes this assertion. This issue is fundamentally an issue *local to Toronto* in order to maintain a secure and reliable supply of electricity *for Toronto*. It is not a provincial issue, and the assertion also appears to be inconsistent with key statements in the study filed by Toronto Hydro.

As the Board is aware from the previous Toronto Hydro rates case, both the Government of Ontario and the City of Toronto have publicly stated that they wish to avoid the so called “third line” while maintaining security of supply. The Navigant Consulting, Inc. study filed by Toronto Hydro also reinforces these concerns about reliability and supply.<sup>1</sup>

In order to avoid the “third line”, Pollution Probe has submitted that 300 MW of distributed generation will need to be added *within Toronto* before 2016 to 2018. The following statements in the Navigant study reinforce this submission:

Widespread installation of [distributed generation] in Central and Downtown Toronto could *defer* the need for a major transmission upgrade and other upgrades that would otherwise be necessary to meet peak demand.<sup>2</sup> [emphasis added]

In essence, customers’ willingness to develop a [distributed generation] project will increase as the *payback* period for their investment decrease.<sup>3</sup> [emphasis added]

Accordingly, the Board should now examine methods of encouraging distributed generation (including CHP). In particular, the Executive Summary of the Navigant study states that the next steps include “working with stakeholders to lower barriers to [distributed generation] (including *incentives* as appropriate) [emphasis added].”<sup>4</sup>

One such potential method to thus address this Toronto specific issue is for the Board to examine whether Toronto Hydro should continue to charge CHP generators full connection costs. Instead, since all of Toronto Hydro’s customers would benefit from avoiding the “third line” and a greater security of supply, the Board should examine whether some or all of these connection costs should be recovered from all of Toronto Hydro’s customers.

Finally, we note that section 78(3.0.5) is a recent amendment to the *Ontario Energy Board Act, 1998* by the Province of Ontario as a result of the *Green Energy and Green Economy Act, 2009*.<sup>5</sup> This new section expressly gives the Board the power to make these specific kinds of determinations on a distributor level, particularly since a solution that helps address a local Toronto problem may or may not be appropriate throughout Ontario.

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<sup>1</sup> As noted at Ex. Q1, Tab 4, Schedule 1-1, pg. 2: “With a peak demand of some 2,000 MW.... Central and Downtown Toronto faces a number of potential electricity system *reliability* challenges in the 2015 – 2017 timeframe including the need for additional area *supply* capacity, infrastructure renewal, and *supply diversity* to mitigate against low probability but *high impact event*. ... The IPSP indicates that a deficit of approximately 300 MW would occur if such a low probability, *high impact event* were to occur. ... [T]he IPSP indicates that a major *transmission* upgrade is being assessed ... The most likely timing for any such upgrade would be in the 2016 – 2018 timeframe.” [emphasis added]

<sup>2</sup> Exhibit Q1, Tab 4, Schedule 1-1, pg. 4.

<sup>3</sup> Exhibit Q1, Tab 4, Schedule 1-1, pg. 5-6.

<sup>4</sup> Exhibit Q1, Tab 4, Schedule 1-1, pg. 7.

<sup>5</sup> See S.O. 2009, c. 12, Schedule D, s. 12(2).

In light of all of the above, Pollution Probe submits that the proposed issue should be added to the Issues List.

**2. *Pollution Probe Disputes Toronto Hydro's Objection to "Are Toronto Hydro's proposed CDM programmes and budgets appropriate?"***

In support of Toronto Hydro's objection to this proposed issue, Toronto Hydro states that the "application contains no budgeted expenditures for CDM for 2010." Further, "Toronto Hydro, like other LDCs is awaiting the Minister's announcement on mandatory CDM targets for Ontario distributors", so the proposed issue is premature.

With respect, Pollution Probe submits that the fact that Toronto Hydro's proposed CDM expenditures are currently zero does not eliminate the Board's important oversight role with respect to CDM programmes. This oversight role continues regardless of funding source, and this topic is addressed more thoroughly in Section 4 of our previous submissions.

In addition, it is currently unclear to Pollution Probe when the Minister's announcement will occur and for when it will be effective. Pollution Probe submits that the Board accordingly needs to be careful of eliminating a key important issue now given the current unknowns. In short, CDM should not be allowed to inadvertently "fall through a crack" in the interim as a result of waiting for a potential Ministerial announcement.

***Conclusion***

Pollution Probe thus submits that the disputed issues above should be included as part of the Issues List, and please do not hesitate to contact the undersigned if you wish to discuss this matter further.

Yours truly,



Basil Alexander

BA/ba

cc: Applicant and Intervenors by email per Appendix A to Procedural Order No. 1