

AIRD & BERLIS LLP

Barristers and Solicitors

Fred D. Cass
Direct: 416.865.7742
E-mail: fcass@airdberlis.com

November 7, 2007

VIA EMAIL and BY COURIER

Ms. Kirsten Walli
Ontario Energy Board
P.O. Box 2319, 26th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: EB-2007-0797
Motion to Review by Hydro One Networks Inc.

We act for Ontario Power Generation Inc. (OPG) in connection with this proceeding. Pursuant to the Board's Notice of Hearing and Procedural Order No. 1, we have enclosed with this letter a summary of OPG's submissions on the matters referred to in the Procedural Order. If you have any questions in this regard, please do not hesitate to contact us.

Yours very truly,

AIRD & BERLIS LLP



Fred D. Cass

FDC/

Encl.

cc: Andrew Barrett
Michael Engelberg
Parties listed in Appendix B to Procedural Order

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, C. 15 (Schedule B);

AND IN THE MATTER OF an application by Hydro
One Networks Inc. for the review and approval of
connection procedures;

AND IN THE MATTER OF an application by Great
Lakes Power Limited for the review and approval of
connection procedures;

AND IN THE MATTER OF Rules 42, 44.01 and 45.01
of the Board's *Rules of Practice and Procedure*.

**SUMMARY OF SUBMISSIONS OF
ONTARIO POWER GENERATION INC.
ON THE REVIEW MOTION BY
HYDRO ONE NETWORKS**

By notice of motion dated October 9, 2007, Hydro One Networks Inc. (Hydro One) requested a review of the Board's Connection Procedures decision and order (EB-2006-0189). In its letter to the Board dated October 18, 2007, Ontario Power Generation Inc. (OPG) indicated that it supports Hydro One's motion. As stated in that letter, OPG relies on Hydro One to provide it with certain specialty services that are not readily available from other parties. An immediate cessation of such work, without sufficient time to find or develop a replacement capability, would cause significant hardship and risk to OPG and could compromise the reliability of OPG's equipment and facilities. Accordingly, OPG supports Hydro One's continued delivery of services to OPG, as described in our submission herein.

Under the headings set out below, OPG will elaborate on the basis for its support of Hydro One's motion.

OPG's Position on the Issues

Hydro One's motion relates both to section 3.3 of the Connection Procedures decision (Contestability-Competition for Customer-Owned Assets) and section 3.5 of the decision (Transmission Plans and Cost Responsibility for Connection Facilities). OPG takes no position on the review motion in relation to section 3.5 of the Connection Procedures decision. OPG's submissions address only issues arising from section 3.3 of the decision.

In its Notice of Hearing and Procedural Order No. 1, the Board indicated that it will hear four preliminary matters arising from the motion, as follows:

1. Hydro One's request to waive the deadline for filing a review motion;
2. the threshold question of whether the Board should proceed to review the decision;
3. Hydro One's request for an order staying the implementation and effects of the decision; and
4. Hydro One's request for an order extending the deadline for filing new connection procedures.

In light of the significant hardship and risk that OPG will suffer if Hydro One is required to cease providing services to it, OPG supports Hydro One's request for a review of section 3.3 of the Connection Procedures decision and it supports the request for an order staying the implementation and effects of the decision. Because OPG supports the request for a review, it follows that OPG also supports Hydro One's request for a waiver or extension of the deadline for filing a review motion. Finally, on the last of the four preliminary matters, OPG expects that the outcome of the request for an order extending the deadline for filing new connection procedures will fall out of the Board's decision on the first three preliminary matters.

Work Performed by Hydro One for OPG

As already stated, Hydro One provides OPG with certain specialty services that are not readily available from other parties. Generally, this work falls into the following categories:

- Metering Service Provider (“MSP”) – Services to maintain compliance with IESO Market Rules;
- Station Maintenance – for example, protective relay testing and calibrations and repairs, operational trip testing, transformer oil sampling, transformer testing, breaker testing and high voltage switch maintenance;
- Maintenance on Protection and Control Equipment – for example, a preventative maintenance program which includes a preventative maintenance schedule for performing tasks;
- Overhaul and Repair – for example, of major components; and
- Other Services – for example, relating to emergency work.

Hydro One provides OPG with certain maintenance services pursuant to a Maintenance Services Contract entered into by OPG and Hydro One on December 1, 2005. Services provided under this contract include pre-planned work; emergency work and technical support. Examples of pre-planned work include maintenance and overhaul of power transformers and the associated tap changers, power equipment such as circuit breakers, high voltage disconnect switches, cables, and buswork and protection, control and metering equipment, including revenue metering equipment. Examples of emergency work include all unscheduled, non-programmed maintenance necessitated by unforeseen problems or equipment failure that if not addressed immediately will result in high risk, high potential for harm or damage to employee safety, public safety, system reliability or the environment.

Importance of Hydro One's Work

The expert services provided by Hydro One in the areas set out above are essential to the safe and reliable operation of OPG's generation facilities. Hydro One's employees have the qualifications, the training, the skills and the experience to complete important work for OPG in accordance with the required standards and in a safe manner.

In respect of all work performed under the Maintenance Services Contract, Hydro One is subject to mandatory site procedures which include health, safety and environmental site procedures that must be complied with prior to commencing any work, as well as procedures that must be complied with during the course of performing any work.

For example, prior to commencing work Hydro One must ensure that workers have completed certain training and are equipped with certain protective equipment and that they attend site orientation meetings once per year. In addition, Hydro One must establish site-specific job plans that take into account OPG concerns for safety, environmental protection and emergency response planning and reporting. During the performance of work, Hydro One must ensure that its workers comply with the site-specific job plans, with applicable legislation, standards and codes, as well as with specified OPG procedures and policies in the areas of reporting unsafe working conditions, safety and environmental management, hazardous material control, site protocols, work protection, safety certifications for equipment being brought onto OPG sites, craning practices and site security.

In order to perform the services required by OPG, Hydro One provides specialized training to its employees. With respect to fossil and hydroelectric facilities, Hydro One employees are given specialty training for working in OPG switchyards and protection circuits. With respect to nuclear facilities, Hydro One's specialized training includes the following:

- Extensive training and qualification for workers operating within the confines of nuclear facilities is required by Canadian Nuclear Safety Commission standards;

- All maintenance personnel shall be given facility specific training in plant systems, work control, radiation protection, safety rules, access control, security and emergency procedures commensurate with their responsibilities. Where applicable to their duties, maintenance personnel shall be trained and qualified with respect to other plant programs such as configuration management and quality assurance;
- The CNSC Standard specifies that OPG shall ensure that contractors comply with work procedures and standards that are higher than or equal to those applicable to plant staff. OPG is responsible for assuring the quality of contractor work;
- Hydro One is uniquely qualified, in accordance with the above-noted aspects specific to the CNSC, to carry out work at the nuclear facilities. For example, Hydro One is subject to rigorous Orange Badge and Nuclear General Emergency Training such that Hydro One workers are radiation protection qualified and may work unescorted within the nuclear facility perimeters.

Furthermore, Hydro One has specialized knowledge of OPG stations, including knowledge of the following:

- station relay systems;
- electrical schematics and systems;
- work protection codes used at the stations; and
- a history and understanding of the electrical distribution systems at the stations

The importance of the work performed for OPG by Hydro One can be illustrated by reference to OPG's nuclear generating stations, such as the Darlington facility. At Darlington, OPG contracts with Hydro One for preventative and corrective maintenance services on station transformers and high voltage switchyard equipment (breakers, disconnect switches, insulators, and so on), for servicing of revenue metering related equipment, and for annual verification and calibration of protection and control equipment. For the most part, the equipment maintained by Hydro One is located in Hydro One's switchyard. Because OPG's equipment is identical to equipment owned by Hydro One and located in the same switchyard, Hydro One employees have all the required procedures, training, tooling, and spare parts required to maintain OPG's equipment. While OPG expects that, over considerable time, other contractors could develop a work force with the requisite procedures, training, tooling, and spare parts, it has not determined the extent to which other contractors could match the services that

Hydro One is able to provide on OPG's equipment within Hydro One's switchyard. Even assuming that other contractors are able to do so, there would be an increased administration burden for OPG staff to oversee a contractor working in Hydro One's switchyard.

Moreover, OPG is particularly dependent on Hydro One's fast response time to emergency calls. In the case of the Darlington generating station, Hydro One's location and size mean that it is able to provide around-the-clock emergency services that are available within one to two hours.

Potential Harm to OPG

Currently, there are either no other local contractors who could do the work now performed for OPG by Hydro One or there is only a very limited amount of work that could be carried out by a limited number of local contractors. Assuming that OPG can fully develop contractors to take over all of the work presently done by Hydro One, it would likely take several years to develop a network of contractors with Hydro One's specialized levels of knowledge of systems and training, particularly in relation to safety.

Hydro One's services are required to maintain uninterrupted reliability of OPG's facilities. In an emergency situation, another contractor, with insufficient knowledge, could jeopardize the ability of a station to come back online quickly, thus potentially extending a forced outage. If Hydro One is forced to stop providing such services immediately or in the near future, the preventive (planned) maintenance program for OPG-owned equipment would in effect be suspended for an indefinite period, its ability to recover from equipment failure and any associated forced generating-unit outages would be compromised and - as a result - OPG's ability to provide reliable electric power to the Ontario Grid would be severely threatened. Having Hydro One immediately withdraw services would also create a void in expertise regarding protection and control equipment and distribution systems used at the stations. In addition, while nuclear facilities are particularly adversely affected by an immediate

withdrawal of Hydro One services because of safety and training concerns, as outlined above, other facilities in remote locations are also affected in that it would be extremely difficult to replace Hydro One and its expertise in such remote locations, particularly in emergency circumstances.

Furthermore, an immediate withdrawal of Hydro One services as an MSP, performing a set of specific tasks related to OPG's revenue metering installations as required by the Market Rules, would result in OPG's non-compliance with the Market Rules.

The Threshold Question

The Connection Procedures decision addressed the interpretation of section 71 of the *Ontario Energy Board Act, 1998* (the OEB Act) and, in this context, the Board decided that there is a critical distinction between assets owned by a transmitter and assets that are not owned by a transmitter. In the decision, the Board accepted Hydro One's position that construction of transmitter-owned connection facilities is an integral component of the transmission of electricity within the meaning of section 71. The Board concluded, however, that services performed in respect of assets not owned by the transmitter are not part of the transmission of electricity for the purposes of section 71.

OPG adopts and supports Hydro One's submissions regarding the interpretation of section 71. Further, OPG submits that while ownership of assets is a factor for the Board to consider in determining whether services performed by Hydro One are part of the transmission of electricity under section 71, it is not the only factor that the Board should consider. In the case of the Darlington nuclear generating station referred to above, for example, Hydro One performs work on equipment owned by OPG, but the equipment is located in a switchyard owned by Hydro One and OPG's equipment is identical to equipment owned by Hydro One and located in the same switchyard.

OPG submits that the issue addressed in section 3.3 of the Connection Procedures case should be reopened so that the Board can hear evidence and arguments about all factors that are relevant to a determination of whether Hydro One's services are part of the transmission of electricity for the purposes of section 71 of the OEB Act. Other relevant factors would include, for example, the nature of the particular services performed by Hydro One and the extent to which the performance of the services is ancillary to Hydro One's responsibilities as a transmitter.

The Request for a Stay

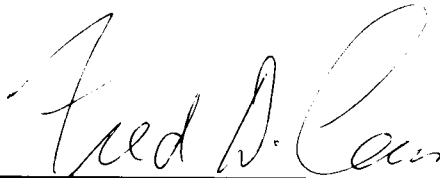
As set out above, OPG relies upon Hydro One for many important services that are performed on assets owned by OPG. An immediate cessation of work on such assets by Hydro One would cause significant hardship and risk to OPG. If the stay is not granted, OPG has no ability to remedy the hardship and risk that it will suffer by reason of Hydro One's immediate cessation of services and, as a result, the harm to OPG would be irreparable. For example, OPG presently has three planned nuclear unit outages in progress that Hydro One is involved in. If Hydro One were to stop work immediately, this would extend these outages as OPG does not have the expertise internally to complete the work. OPG also has two nuclear outages planned for the spring of 2008 and OPG would not be able to train and qualify another contractor to do the work planned for Hydro One and prepare the required procedures without extending the outage dates. OPG therefore supports Hydro One's request that the implementation and effects of section 3.3 of the Connection Procedures decision be stayed until a reasonable time after a decision is rendered in respect of this motion.

In the alternative, if Hydro One is not successful in passing the threshold test for review in the motion herein, then it is OPG's submission that there should be a stay of the effects of the decision to allow for a reasonable transition period. It is OPG's

submission that such transitional relief is necessary to ensure that the Board's statutory objects are not frustrated or thwarted.

All of which is respectfully submitted.

November 7, 2007

A handwritten signature in cursive script, reading "Fred D. Cass". The signature is written in dark ink and is positioned above a horizontal line.

Fred D. Cass
Aird & Berlis LLP
BCE Place, 181 Bay Street
Suite 1800, Box 754
Toronto, Ontario
M5J 2T9
Tel: 416-865-7742
Fax: 416-863-1500
Email: fcass@airdberlis.com

Counsel for Ontario Power Generation Inc.