

May 28, 2010

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

Attention: Kirsten Walli
Board Secretary

Dear Ms. Walli:

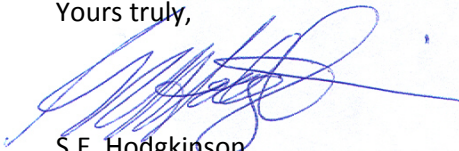
Board File No. EB-2010-0059
Transmission Project Development Planning

On behalf of AltaLink I am pleased to have the opportunity to comment on the recent Board staff Discussion Paper. AltaLink is very supportive of the initiative outlined. The approach is very progressive and will lead to efficient and effective expansion of the transmission system in Ontario.

In addition to responses to the specific questions raised in The Discussion paper, we have provided a few general comments and suggestions that may help improve the process outlined.

If you have any questions, please feel to contact the undersigned at (403) 267-4273, steve.hodgkinson@altalink.ca or by fax at (403) 267-3494.

Yours truly,



S.E. Hodgkinson
Vice President, Corporate Development and Business Partnerships
SEH/sck
Enclosure

AltaLink comments on issues raised in the OEB Staff Discussion Paper “Transmission Project Development Planning”

EB-2010-0059

Should new entrants be required to be licensed as transmitters as a condition of participation in the designation process?

Yes, it would be prudent to require prospective transmitters to be licensed as a condition of participation. This allows for a screening process to ensure that potential participants meet a high level of competency to allow them to function as transmitters. It is important, with critical infrastructure like transmission, that participants have a strong track record in developing, designing, building and operating the facilities. AltaLink recommends that the licensing requirements be revised to allow prospective transmitters to apply for the relevant licences well in advance of the designation process.

How long would it take to prepare transmission project development plans (i.e., how much time should be given for filing transmission project development plans after notice of the designation process has been given)?

The quality of the development plans will be directly related to the amount of associated time and effort devoted to them. In order to ensure quality plans, AltaLink recommends that this time period be extended to at least 6 months. The extra time would allow new entrants to the market an opportunity to overcome the inherent advantage of incumbent transmitters in terms of familiarity with the project areas and the transmission industry in Ontario. The 3 month period with respect to the UK and Texas, mentioned in the discussion paper, relates to what is effectively a pre-qualification period rather than the amount of time required to submit a comprehensive development plan.

Are these the appropriate decision criteria? Should the decision criteria be weighted and, if so, which are the most important?

The decision criteria appear to be appropriate. It may also be appropriate to consider the socio-economic benefits of any particular project in relation to the area through which it passes. It would be appropriate to leave the weighting of the decision criteria to the judgment of the Board, particularly to the extent that this may involve societal trade-offs. Numerical weighting of the criteria would not be appropriate in that it could lead to a somewhat inflexible formulaic approach.

Are staff’s proposals regarding the implications of plan approval reasonable?

In general, the implications discussed appear to be reasonable. The staff recommends that the Board “provide assurance that prudently incurred costs within the budget associated with the approved transmission project development plan will be recoverable through rates.” There is also the suggestion that these costs not be revisited except in relation to material deviations. The definition of “material” creates a level of uncertainty that is inversely proportional to the amount of time and effort expended in preparing the development plan. That is, if the time period allowed for preparation of the plan is minimized, the accuracy of the budget is reduced and the risk of exceeding the budget increases.

Accepting this type of cost risk would typically result in a rate of return higher than can be expected by a regulated utility in Ontario. In addition, the incumbent transmitter would not typically be exposed to this type of risk.

Under what circumstances should two transmitters be designated to develop the same project and to recover the development costs from ratepayers?

It is difficult to envision a circumstance where it would be appropriate for two transmitters to be designated to develop the same project. In this case there could be significant duplication of effort with respect to environmental assessment work and consultation. In particular, it seems troublesome to have two developers consulting with agencies, First Nations, communities, municipalities, landowners, etc., in connection with the same project. This type of duplication would undoubtedly create a negative backlash through the consultation process. It may however, be appropriate to designate two transmitters to develop projects that, although distinctly different, are intended to satisfy the same identified need. In such a case we would anticipate that the projects would involve different stakeholders and different geographic locations.

Are these the appropriate filing requirements to enable the Board to apply the decision criteria identified in section 3.1? If other decision criteria are being suggested, what additional filing requirements would be appropriate for the other criterion or criteria?

The decision criteria identified should be more than adequate to allow the Board to evaluate development plans. These requirements are already quite specific. The addition of more detail would increase the time and costs associated with preparation of development plans.

General Comments

Section 3.2 of the discussion paper makes it clear that the designated developer is not guaranteed to be the transmitter that will construct, own and operate the facilities, but goes on to state that Board staff assumes this would normally be the case. It would be important to clarify the criteria to be used in determining when that would not be the case. From a transmitter's perspective the default position should be that the developer would also, construct own and operate unless there was a compelling reason to the contrary.

On the issue of licensing, it would be helpful if potential transmitters were allowed to apply for and obtain transmitters licences very early in the process. This would clearly establish whether prospective developers meet the standard of transmitters and would alleviate a concern related to notice of a designation proceeding. The paper clearly states that only licensed transmitters will receive direct notice of a proceeding. New entrants will have to rely on finding the notice on the Board website. In the absence of early licensing it would be helpful if the Board were to establish a contact list so that all potential participants were notified at the same time.

The final comment relates to cost recovery. The paper makes it clear that the designated developer would be eligible for cost recovery. The paper also obliges an incumbent transmitter to file a development plan as a condition of its licence. It would appear that this process would then allow the incumbent transmitter, whether successful or not, to recover the costs associated with preparation of the development plan thereby effectively creating an unlevel playing field. It may be preferable to require the incumbent transmitter to submit a development plan only after it was determined that no other plans were submitted. Another solution may be to take a two step approach to the submission of transmission project development plans. The first stage would be to submit a statement of qualifications or letter of intent, following which the board would select a limited number of qualified transmitters to submit formal development plans. These transmitters would then submit development plans in accordance with the discussion paper and be eligible for a predetermined level of cost recovery. Due to the amount of time and effort required to submit a quality plan, this should ensure a better quality of submission for the Board to deal with and it would also reduce, if not remove altogether, the inequity associated with cost recovery by the incumbent transmitter.