



ONTARIO POWER AUTHORITY

EB-2010-0059

Ontario Energy Board  
Staff Discussion Paper: Transmission Project  
Development Planning

Ontario Power Authority Comments

May 31, 2010

## **Background**

On April 19, 2010, the Ontario Energy Board (“Board”) initiated a consultation process to facilitate the timely and cost effective development of major transmission facilities that may be required to connect renewable generation in Ontario through the implementation of a process that provides, among other things, greater regulatory predictability in relation to cost recovery for development work. The Board invited comments on a Board Staff Discussion Paper on Transmission Project Development Planning (the “Paper”), which describes a process by which the Board may designate transmitters to conduct development work for major network expansions.

## **OPA Comments**

The OPA supports the Board’s proposal to develop this new process, which has the potential both to reduce transmission costs and to create opportunities and facilitate partnerships among qualified new entrants and existing entities. While the process as proposed by Board Staff would be applicable only to transmission projects identified through the Economic Connection Test (“ECT”), the OPA suggests that this process could also be used for transmission projects identified through other means, such as an approved IPSP or regional planning processes.

The Paper identifies significant potential generation capacity, requiring billions of dollars of transmission investment. Given the long lead times required for development work and subsequent construction of these transmission facilities, it is important that the process to identify transmitters to undertake the work required should not be seen to create unnecessary delays. The OPA agrees with Board Staff’s proposal that the outcome of the ECT should be accepted as reported by the OPA for the purposes of the transmitter designation process, to be followed by a more substantive examination at the leave to construct stage, as this will contribute to the efficiency of the process.

The OPA notes that there are likely to be projects which are identified through its ECT as having higher priority to meet particular needs or timelines. For these higher priority projects, a designation process that could add up to a year to the project’s overall timeline may not be appropriate. The OPA suggests that further efficiencies in the process may be achieved by developing a “fast track” process to accommodate certain identified priority projects, while still allowing for participation by multiple transmitters. This could be achieved by establishing a pool of prequalified candidates through a RFQ or similar mechanism.

Given that the ECT and the transmitter designation processes are both new, it may be prudent to maintain an adequate level of flexibility within the processes to enable multiple transmitters to bring forward creative solutions. Enabling multiple transmitters to perform development work in cases where urgency is not an issue may provide value to ratepayers.

For example, while the ECT will identify a list of projects which are “likely economic”, these may not be the only possible options. Competing transmitters may propose alternatives which meet the ECT threshold and are equally effective, and these should be permitted to proceed through development work to be fully evaluated and compared through the more detailed examination process of a section 92 hearing. Further flexibility may also be required of both the OPA and Board to accommodate the reconsideration of projects which may not have passed the ECT based on the OPA’s assumptions, but that would meet the threshold under an interested transmitter’s particular cost structure and circumstances. Both the ECT and transmitter designation processes should allow for further consideration of these projects, should they prove to have lower costs than originally anticipated.

Board Staff suggests that the Board should consider, when appropriate, designation of two transmitters to develop the same project. The OPA agrees with Board Staff that there may be occasions where this would be appropriate. Specifically, as described above, more than one economic alternative may be identified to address a particular transmission need. Detailed examination of multiple alternatives may result in solutions which are more cost effective and efficient. The OPA proposes that it would be inappropriate to proceed with multiple transmitters in the event that only one transmission alternative is clearly available. In addition to the inefficiency of duplicating work, this would create confusion and inconvenience to affected landowners and stakeholders.

Board Staff’s proposed process would be applicable to enabler facilities and network expansions as identified through the ECT, as these would require significant development work, and would allow for substantive examination prior to construction through a leave to construct hearing. The OPA notes that, while the results of the ECT may broadly correspond to the categories of transmission investments in the discussion paper, the categories as specified may not be directly applicable to the investment types identified by the OPA, nor are they exhaustive. For example, enabler facilities may also include enabler transformer stations, which can represent a significant investment but do not require a section 92 proceeding in order to begin construction. These facilities could require a transmitter designation to ensure timely and cost competitive connection of generation facilities. Facilities of this nature would ultimately need to be examined in greater detail through a transmitter’s rate proceeding.

The paper identifies the following criteria to be considered in determining designated transmitters: organization and experience; technical capability; schedule; costs; financing; and landowner considerations. The OPA finds that the criteria as proposed are reasonable.

Finally, although the OPA intends to make use of standard industry costs wherever possible, it may be required to work with incumbent transmitters to develop alternative solutions and the related preliminary cost estimates on which to base the ECT. In these cases the potential exists for the incumbent to gain a timing advantage over alternative transmitters at this stage of the process. Alternatively the incumbent may be disadvantaged by producing these preliminary cost estimates as this establishes a “ceiling” for other entities to exploit. The OPA notes that these disadvantages are likely to be outweighed by the increased transparency provided

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through the ECT, which will allow transmitters to make use of this information to develop their proposals.

The OPA appreciates the opportunity to provide its comments in this matter, and looks forward to participating further in this process.