Ontario Sustainable Energy Association's Comments on OEB Staff Discussion Paper Re: Transmission Project Development Planning

INTRODUCTION

Transmission Planning is central to achieving the goals of the *Green Energy Act* (Ontario). For this reason, Ontario Sustainable Energy Association (OSEA) is pleased to have this opportunity to comment on the Board Staff's Discussion paper on Transmission Project Development Planning.

By adopting a Feed-in Tariff (FIT) approach to generation development in place of competitive and intermittent Request for Proposals, the nature of electricity planning for most of the province has been changed. The FIT allows the province to deliver on its promise of eliminating coal production in Ontario, to enable job creation and it challenges the previous model of a centrally planned electricity system. The implication is that the system can now focus more effectively on local and regional matters and the Ontario Energy Board's objectives to "*promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario"* and "*to facilitate the implementation of a smart grid in Ontario"* can be realized.

OSEA championed the introduction of Advanced Renewable Feed in Tariff's with other members of the Green Energy Act Alliance, the group that set the platform for the creation of the *Green Energy and Green Economy Act* (GEA) in Ontario. Our organization is focused on promoting sustainable energy systems not only on renewable energy generation. While it is our view that an Advanced Renewable Tariff model is the cornerstone to a sustainable system for our community as a whole, our views and interests are rooted more broadly in the core elements of the GEA, which also includes creation of a smart grid, promotion of conservation and removal of barriers for Aboriginal and community groups to participate in the industry. For this reason, we offer a unique perspective. We represent the consumer interests that demanded the GEA in the first place and it is our mandate to continue to play a role in promoting generation and transmission systems planning processes that recognize the economic, social and environmental factors that contribute to sustainability and the GEA as a whole**.**

It is our view that in order for the Feed in Tariff (FIT) program to be successful, the Transmission Project Development Planning process and the rights to require plans from transmitters and distributors must recognize the following key principles of the FIT program in its design:

1. Priority grid access to FIT projects**;**
2. Mandatory connection of a renewable energy generation facilities; and
3. Adequate cost recovery for transmitters and distributors.

OSEA supports the view that there is a need for a clear process, including an articulation of the overall transmission planning, approval and rate recovery framework. To that point, OSEA recommends that the Board also take steps to help ensure that the Economic Connection Test (ECT) process is sufficiently transparent so that it is clear that priority grid access to FIT projects and mandatory connection is being properly implemented. The Board should consider establishing a streamlined appeal process with respect to the results of the OPA's application of the ECT in support of the GEA objectives and Government of Ontario policies.

The Transmission Project Development Planning process must facilitate the timely and cost effective development of transmission facilities 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. When facilitating timely projects, the Board must not lose sight of the fact that the transmission system must become "green", "smart" and "healthy". Building new transmission to enable renewable generation that reproduces a grid that has the same operating limits and characteristics as the existing system must be avoided.

The adoption of an interim step (approval of a transmission project development plan) before a leave to construct application is applied for does not appear to be in-line with the streamlining goals of the GEA. The Board can mandate the preparation of a plan for the transmission project as part of the leave to construct application. This will streamline approvals, save money, and avoid the need to continually revise the plan as time passes. It is our view that plans of this nature can never be static and are essentially out of date, when they go to print. Costs and routing can only be finalized at the detailed design stage and therefore detailed design is more appropriately carried out as development work for the leave to construct application.

High level planning associated with the transmission project can be addressed during the competitive designation process the Board will carry out.

We provide our comments below using the same numbering as in the Board Staff paper.

COMMENTS

2. The OPA and Transmission Planning

OSEA disagrees with the Board Staff comment that an IPSP reviewed and approved by the Board would, under ideal circumstances, be best suited to the evaluation of needed transmission facilities. In discussions with the Ontario Power Authority (OPA) in May 2008 after the Renewable Energy Standard Offer Program was introduced, OPA staff indicated that they did not have responsibility for regional transmission planning which would be extremely problematic if approval of enabler lines were left only to future IPSPs, no matter how robust the IPSPs may be. It would therefore appear to be critical for the Board to ensure that it meets the objectives of regional transmission planning, where possible.

OSEA agrees with the Board Staff recommendation to exclude capacity enhancements and network reinforcements from the designation and plan approval process and for the incumbent transmitter to undertake these activities through normal rate-setting, incorporating their plans during their next cost of service rate proceeding, subject to the following condition. The Board should require all incumbent transmitters to indicate whether, and if so, how, any new enhancement or reinforcement included in their capacity plans may impact directly or indirectly the capability of the transmission system to accommodate the new renewables connections proposed in the ECT. If in doing this analysis, the incumbent transmitter determines that delay in building their new capacity will negatively impact the proposed renewables connections in the ECT, the Board should require the incumbent transmitter to advise the Board and to seek earlier approval of those facilities than normal rate setting would provide.

OSEA agrees that a designation and plan approval process should be applied to enabler facilities and network expansion. However, all projects of this type should be determined to be 'major', and should go through the leave to construct approvals. The approvals process can be simplified for smaller projects that would otherwise not have required a leave to construct approval (not considered 'major'). Board Staff has indicated that there would be very few projects that would not be considered 'major'.

3. A Proposed Framework for the Development of Enabler Facilities and Network Expansion Projects

OSEA is unclear why the Board has excluded construction activities from the designation and project development plan approvals process. Leave to construct applications can, and for example, in the case of gas pipelines do, deal with construction activities and monitoring and reporting requirements of the Board. This approach should continue for projects under the designation and development plan approvals process. OSEA also suggests that the Board examine and incorporate as appropriate the Renewable Energy Approval process as streamlined by the government.

OSEA supports the main elements of the process put in place in the Transmission System Code, those being a designation process by the Board, followed by the designated transmitter doing development work for the leave to construct and other approvals and then the leave to construct approval, for the designation and project development approvals process. OSEA also supports the Board developing similar monitoring and reporting guidelines and requirements for the designated transmitter to those for hydrocarbon pipelines that the Board has put in place for pipeline and related infrastructure approvals. This involves monitoring and reporting requirements to the Board during construction and for post-construction activities and field checking by Board Staff.

OSEA is also concerned about Board Staff's proposal that the Board accept, solely for transmitter designation and project development purposes, the outcome of the ECT as filed and without substantive examination. If Board staff expects that the OPA will conduct and document the ECT in a manner that will make the outcome sufficiently robust for project development purposes, how much further substantive evaluation of the need for any particular enabler or transmission network facility would be required at the leave to construct stage? The same principle incorporated in the Electricity Act that approval of the IPSP would constitute "need" should be put into play here as well. However, OSEA recognizes that leave to construct applications address need, and in the case of enabler and network expansions, this should involve a confirmation of the need. Unless there are unusual circumstances that clearly demonstrate a need to deviate from the IPSP, transmitters should be able to rely on the IPSP 'need' to be determinative of need.

OSEA notes that the OPA in its webinar on the ECT of May 19, 2010 indicated that the ECT will not involve a detailed assessment of need, and that this detailed assessment is expected in the leave to construction proceeding.[1] This suggests that in the case where we do not have an approved IPSP, the prime place for dealing with need will be at the leave to construct proceeding. In the interests of avoiding oversight of key details 'falling through the cracks', OSEA urges the OEB to ensure that need is appropriately addressed with the IPSP approval so that the suggested confirmation approach discussed above will be effective. Otherwise, there may be unnecessary duplication of need discussion at the IPSP and in leave to construct applications where the IPSP has been approved.

OSEA supports the Board Staff recommendation for the Board to provide assurance to designated transmitters that their prudently incurred development costs will be recoverable in rates. This assurance would be assisted by the Board providing guidelines to transmitters on the characteristics of appropriate development expenditures. OSEA questions what is intended to happen if no leave to construct is granted, or rate recovery is not guaranteed.

[1] OPA webinar, The Economic connection test – approach, metrics and process. May 19, 2010. Slides on pp. 16 and 34.

It is OSEA's view that using the outcome of the OPA's Economic Connection Test may speed up the project development process but will not speed up the approval or construction process.

OSEA disagrees that development costs may always represent a relatively small portion of total project costs. Even if costs are small relative to total costs, they are not insignificant costs and should not be incurred unnecessarily.

OSEA disagrees with Board staff expectations that subsequent ECT reports will only identify few new facilities, making any designation process shorter as a result. This is not clear from the recent OPA webinar on the ECT of May 19th.

3.1 Process to Designate a Transmitter

OSEA agrees that the designation process should focus on choosing a transmitter rather than on assessing the need for the project. OSEA also agrees that the OEB should require the incumbent transmitter to participate in the designation process to ensure that at least one transmitter is available to develop the project. OSEA agrees that the OEB should also invite voluntary transmitters to participate in each designation process.

OSEA agrees that the licensing process can be used to ensure that new entrants meet certain minimum requirements in relation to financial and technical capability, provided that the Board also takes into consideration the objectives of the GEA to promote the participation of Aboriginal and community groups in the Industry in issuing such licences.

OSEA suggests that rather than using the designation processes specific to each project to allow transmitters to be licensed, OSEA suggests that the Board invite transmitters to qualify for licenses during whatever timeframe they wish, separate from any project approval process. This will ensure a number of potential transmitters are available to participate in the project specific processes.

OSEA does not agree that the Board should require a separate approval of the transmission project development plan after the designation is made and prior to the leave to construct approval. This is an extra sequential approval step that can be avoided by incorporating the plan into the leave to construct approval. Instead of having the designated transmitter prepare a plan for approval comprised of potentially multiple distinct facilities, each leave to construct application would contain a detailed implementation project plan – construction, post-construction, operation and decommissioning/shutdown – and show how the capital/operating expenditures of the particular project fit into the overall capital/operating as well as resource (staffing, equipment etc) plans of the transmitter. This plan will demonstrate the ability of the transmitter to manage this new incremental project effectively.

Should the Board decide that a transmission project development plan is required to be developed and approved by the Board prior to a leave to construct project application, then OSEA expects that this process may take 1-3 years to complete (1-2 years for plan development, 1 year for approval). Timing will depend on, among other things, the level of detail and complexity of the plan required (e.g. level and complexity of routing work).

Decision Criteria and Process

OSEA agrees that the Board should designate the transmitter that is best able to plan, permit, finance, construct, operate, and maintain the transmission facility. In making this determination the Board should conduct a process that is more like an 'Request for Qualifications' (RFQ) rather than a Request for Proposal' (RFP) to carry out the work. An RFQ is at a higher level of planning and can focus on

comparing transmitter capabilities rather than on the details of the costs for the particular project. Costing will depend on routing and detailed design and any tendering that is done. It is premature and costly to ask transmitters to conduct this level of detail of analysis at the designation stage. This is best addressed as part of the development work for the leave to construct application, where a firm price can be provided for the project. As well, it will be difficult and time consuming to get proposals which provide the Board with 'an apples to apples' comparison of work and costs, making a fair and transparent process difficult, time consuming and costly. If the Board believes that the costing in the leave to construct application is unreasonable, then the project will not be approved.

OSEA has the following comments on the criteria proposed by Board Staff:

Organization and Experience: OSEA concurs with this criterion. It describes whether and if so, what partnerships the transmitter will have, including involvement with First Nations and the experience, especially of the proposed management team in implementing the project. It should focus on the organization and experience of the transmitter in delivering similar transmission projects and the resources available to be committed to this project.

Technical Capability: OSEA concurs with this criterion. It should focus on the technical capability and related resource availability of the transmitter to plan, obtain approval, implement and manage all phases of the project.

Schedule: OSEA concurs with the requirement for the transmitters to provide a schedule, but suggests an alternative approach to that proposed by Board Staff. The schedule required should be a high level schedule that is primarily designed to demonstrate that the transmitter has the capability and will put the appropriate management systems in place to deliver the project on schedule. The transmitter should be required to describe the risks that the transmitter expects to face regarding scheduling, including how the transmitter will manage competing resource requirements and what risk management strategies the transmitter expects to put in place to ensure a timely project delivery.

Costs: OSEA agrees with having a cost criterion but suggests an alternative to the approach proposed by Board Staff. It is premature to compare transmitters at the designation stage based on costs (as discussed earlier). As a result, the transmitter should be required to provide information to demonstrate the cost management processes it will put in place to ensure that the project comes in on budget. The transmitter could also provide information about the company to demonstrate how well it has management costs of other transmission projects. This could include, for example, leveraging any economies of scale, effective tendering processes, and supplier networks.

Financing: OSEA agrees with this criterion.

Land Owner and Other Consultations: OSEA concurs with having a land owner and other consultations criterion, but suggest an alternative approach to that proposed by Board Staff. Rather than asking for details on how the specific consultations will be carried out as the specific routing will not be known, the transmitter should be asked to describe the principles and approaches it uses for consultation for different types of stakeholders (e.g. government, landowners, renters, First Nations, Metis) and for different purposes (e.g. obtain feedback on routing, secure easements, rights of way, expropriation of land). The transmitter should be asked to demonstrate how the transmitter has ensured that its principles and approaches to consultation have been met in other projects and how the transmitter will ensure that they are met in the proposed project.

The criteria may need to be weighted. This should be determined on a case by case basis depending on the type, scale, technical complexity, and timing of the project.

OSEA proposes that where the only filing is from the incumbent transmitter that has been directed to participate in the designation process, the Board should grant approval to move forward without further evaluation.

It appears the hearing process on each designation will be costly and time consuming.

Implications for Plan Approval

OSEA contends that the implications are reasonable, except for the need to have a separate approval of the transmission plan prior to the leave to construct application. As well, it would be helpful to transmitters if the Board were to work with the Ministry of the Environment to streamline any overlapping leave to construct requirements with any requirements regarding Environmental Assessment approvals under the EA Act for the transmission projects.

Designating Multiple Transmitters

There are no circumstances where two transmitters should be designated to develop the same project. It is OSEA's position that this approach is unnecessary, adding costs and interfering with the timeliness of putting facilities into place.

3.2 Hearing for Leave to Construct

AS discussed above, OSEA recommends that the transmission plan development and approval be included in the leave to construct approvals process.

OSEA disagrees that the OPA should only be required to provide support for the characteristics, inputs and construction and application of the ECT once, rather than in every leave to construct application. The OPA should be called upon as needed in the particular circumstance to assist the Board. It is unlikely to be possible to anticipate all the questions or detail that may be required to be addressed by the OPA in one proceeding; details/issues may emerge in a particular case that require the assistance of the OPA. The Board should not limit this opportunity ex ante.

3.3 Hearing for Rate Recovery

OSEA agrees with Board staff if some enabler or network expansion facilities that proceed through the development phase on the basis of an ECT may subsequently be determined not to be needed. Designated transmitters should be able to apply for recovery of the development costs in such cases even if the project is wound down by reason of the project being determined by the Board not to be needed or otherwise terminated at the direction of the Board.

4 Proposed Filing Requirements

The filing requirements should be consistent with the recommendations that OSEA has made above in Section 5.

4.1 Overview of the Plan and of the Applicant

OSEA makes the following comments on the proposed filing requirements:

Applicant name and license number: OSEA agrees with these requirements.

Plan overview: OSEA does not agree with these requirements. They belong in the leave to construct application. Instead the applicant should provide an overview of the approach that that the transmitter will take to carrying out the development work, obtaining relevant approvals and implementing the project.

Organization and applicant's experience: OSEA concurs with these requirements.

Project identification: OSEA does not agree with the information required. As discussed earlier it is premature to provide this information. Instead, this section should focus on the standard approaches that the transmitter will apply to route selection and engineering.

Technical capability: OSEA concurs with these requirements except to note that it may be premature to be able to provide a description of any technological innovation that is proposed in relation to the project**.**

Schedule: OSEA does not concur with these requirements and believes that the level of detail required for the schedule is inappropriate**.** The schedule required should be a high level schedule that is primarily designed to demonstrate that the transmitter has the capability and will put the appropriate management systems in place to deliver the project on schedule. The transmitter should be required to describe the risks that the transmitter expects to face regarding scheduling, including how the transmitter will manage competing resource requirements and what risk management strategies the transmitter expects to put in place to ensure a timely project delivery.

Costs: OSEA does not agree with the proposed filing requirements. It is premature to compare transmitters at the designation stage based on costs. As a result, the transmitter should be required to provide information to demonstrate the cost management processes it will put in place to ensure that the project comes in on budget. The transmitter could also provide information about the company to demonstrate how well it has management costs of other transmission projects. This could include, for example, leveraging any economies of scale, effective tendering processes, and supplier networks.

Financing: OSEA does not agree with the proposed filing requirements. The requirements should focus on how the proposed project will be financed and how the transmitter will ensure that in fulfilling the financing requirements for this project it can also fulfill any other existing commitments it has made for financing other transmission.

Land Owner and Other Consultations: OSEA does not agree with the proposed filing requirements. It is premature at the designation stage to ask for an overview of the rights of way and other land use rights that would be needed before detailed design and routing has taken place. This should occur as part of the development work for the leave to construct application. Rather than asking for details on how the specific consultations will be carried out as the specific routing will not be known, the transmitter should be asked to describe the principles and approaches it uses for consultation for different types of stakeholders (e.g. government, landowners, renters, First Nations, Métis) and for different purposes (e.g. obtain feedback on routing, secure easements, rights of way, expropriation of land). The transmitter should be asked to demonstrate how the transmitter has ensured that its principles and approaches to consultation have been met in other projects and how the transmitter will ensure that they are met in the proposed project.

Additional information: OSEA concurs with the requirement to include any other information that the transmitter considers relevant to the plan.

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