ONTARIO ENERGY BOARD

Transmission Project Development Planning

Comments on April 19, 2010 Staff Discussion Paper
Anbaric Power LLC (Anbaric)

Position Summary.

1. Anbaric is an independent, privately owned electrical transmission development company interested in potential investment opportunities in Ontario. Anbaric provided input into the Ontario Energy Board's (OEB) recent development of policy for the regulatory treatment of infrastructure investment for Ontario's electricity transmitters and distributors (EB-2009-0152). Anbaric advocated in that process that the Board's policies be developed in a manner that does not discriminate between incumbent transmission and distribution providers and potential new entrants.

2. Anbaric has reviewed OEB Staff's discussion paper on *Transmission Project Development Planning* (the Discussion Paper). Anbaric commends Board Staff's initiative to include, in both its research and its policy proposal, consideration of "new entrants" for designation as transmitters.

3. Anbaric generally supports the proposal for a *"potentially competitive designation process"*[1] for designating transmitters.

4. Anbaric particularly supports the suggested policy accommodations for potential transmission developers who do not have assets or customers in the jurisdiction.

[1] Discussion Paper, page 7, second full paragraph.

About Anbaric.

5. Anbaric is an independent, privately owned electrical transmission development company based in Wakefield, Massachusetts. Anbaric's focus is on developing projects that integrate demand response, renewable energy resources and new transmission to create affordable renewables for urban markets. Anbaric's expertise includes the development, planning, construction and commissioning of submarine and subterranean high voltage direct current (HVDC) electrical transmission facilities.

6. As one of the founders of Atlantic Energy Partners, Anbaric was a key participant in the development of the Neptune Regional Transmission System. The Neptune system is a 660 MW HVDC submarine electric transmission cable that connects power generation resources in New Jersey to electricity consumers on Long Island. The project was completed in the summer of 2007, ahead of schedule and within budget. It uses state-of-the-art solid-state HVDC undersea transmission technology, and was constructed in an environmentally sound manner, entirely underwater and underground, avoiding major fishery and other environmentally sensitive locations.

7. Anbaric is also a founding partner of Hudson Transmission Partners LLC, the developer of the Hudson Transmission Project. This project will link the PJM market in New Jersey with electricity consumers in mid-town Manhattan. This 660 MW solid-state HVDC transmission line will be entirely underwater (traversing the Hudson River) and underground. Commissioning is scheduled for 2012.

8. Electrical transmission projects such as the Neptune Regional Transmission project and the Hudson Transmission project eliminate the need for new electrical transmission corridors through urban and suburban neighbourhoods and rural areas. The solid-state HVDC technology employed is ideally suited to supporting distributed renewable generation facilities, and a ready component for integration into "smart grid" development. HVDC transmission facilities allow the system operator to regulate electricity flows with tremendous precision. The real-time performance of the HVDC line

is not only known, but controlled. Knowing, and controlling, grid performance in real time are essential hallmarks of "smart grid" technology.

9. Anbaric is interested in opportunities to develop HVDC submarine and subterranean electricity transmission projects in Ontario. Anbaric's experience demonstrates that such transmission projects support renewable generation and smart grid development policies, such as those of the Ontario government. Anbaric typically teams up with other entities (both independent and utility-related) to develop its projects.

10. As a private transmission developer with unique experience in construction of smart grid and renewables enabling transmission, using new, least intrusive technology, Anbaric is well placed to bring technological and project execution innovation to Ontario's electricity infrastructure redevelopment program.

Comments on Issues Raised by Board Staff.

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

11. Anbaric suggests that any requirement to be licensed as an Ontario transmitter as a precondition for participation in a designation process be effective as at the time of the designation hearing contemplated by the policy proposal, rather than at the time that the application for designation is submitted. While meeting Staff's intention that the licencing pre-requisite preclude the need at the designation hearing to establish an applicant's general financial and technical abilities, adopting Anbaric's proposed timing for licencing would ensure that any such licencing requirement is not a barrier to participation by new entrants.

Issue: How long would it take to prepare transmission project development plans?

12. Given the criteria proposed by Staff for consideration of an application for designation as a transmitter, Anbaric believes that 3 months from the issuance of notice of the designation process is an appropriate length of time for preparation of a transmission project development plan.

Issue: Are the decision criteria set out appropriate?

13. Anbaric generally agrees that the criteria outlined in the Discussion Paper are appropriate for consideration of designation of transmitters.

14. Anbaric submits that this list should not be considered a closed one. The Board should, and does, remain free to consider additional criteria which an applicant might argue distinguishes and commends its application.

15. Anbaric endorses in particular the recognition in Staff's proposal of the value of technological innovation that a transmitter may propose in relation to a project in its plan[2].

16. Borrowing from the Texas transmission development framework summarized by Staff in the appendix to the Discussion Paper, Anbaric would suggest further articulation of the criteria to include recognition of the value to Ontario ratepayers of;

(a) spreading financial risk;
(b) introducing novel technologies; and
(c) diversifying sources of skills and materials.

The Public Utilities Commission of Texas (PUCT) recognized these criteria in balancing the benefits of technological innovation and multiple active transmission developers with simplicity and ease of co-ordination of renewable transmission implementation.[3]

[2] Discussion Paper, page 11, under "Technical Capability" heading.
[3] Discussion Paper Appendix A, page 5.

17. In Anbaric's view, these further articulated criteria could encourage; i) technological innovation; ii) the benefits of diversity, including the mitigation of risks related to key resources, resulting from designating multiple, and perhaps different types of, transmission developers; and iii) consideration of different commercial models to allocate financial and other project risks.

18. Third party contracting, for example, can incorporate risk allocations that protect ratepayers from cost overruns or performance shortfalls. Such risk allocation seems consistent with the United Kingdom's Office of Gas and Electricity Markets' (Ofgem) transmission planning framework.[4]

Issue: Are Staff's proposals regarding the implications of plan approval reasonable?

19. Anbaric endorses Staff's proposition that a designated transmitter with no current Ontario ratepayers should be permitted to apply for recovery of a "rate rider" from the Ontario Uniform Transmission Rate pool. The availability of early cost recovery to new entrants, in appropriate circumstances, could reduce barriers to entry.

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

20. Anbaric agrees with Staff that where the information before the Board at the designation hearing stage permits, the Board should designate one developer for a particular transmission project.

21. Anbaric also agrees, however, that there may be circumstances in which the advantages of better and more detailed information developed following the designation hearing stage could assist the Board in ultimately choosing among more than one initially compelling transmission proposals. For example, if the technological approaches of two competing proponents were substantially different, the ultimate economic superiority of

[4] Discussion Paper Appendix A, page 11.

one approach over the other might not be fully apparent, or fully tested, until the leave to construct stage of project development.

22. Anbaric does not believe that it would be helpful to attempt to define in advance the circumstances under which more than one developer could be appropriately designated by the Board to complete a transmission development plan for a particular transmission facility. The Board should, and does, retain discretion to evaluate those particular circumstances as and when they arise.

Additional Comments.

23. Anbaric agrees with Staff's proposals that designated transmitters that have taken a proposed transmission facility through the development phase should be able to recover their development costs even if the project does not proceed as a result of a change in the determination of need for the project, the ultimate success of a competing designated project, or some other external circumstance beyond the developer's reasonable control. This proposition is consistent with the Board's policy on the *Regulatory Treatment of Infrastructure Investment*[5].

24. Anbaric also agrees with Staff's proposal that such recovery should be available to designated transmitters who are new entrants without an existing Ontario customer base.

25. Anbaric has reviewed Staff's proposed filing requirements, and in particular those for an applicant that does not, at the time of filing, have transmission assets in the province, and considers them to be appropriate.

26. Finally, there is one passage in the Discussion Paper which merits clarification. At page 16 of the paper, Staff proposes that:

[5] Report of The Board: *The Regulatory Treatment of Infrastructure Investment in connection with the Rate-regulated Activities of Distributors and Transmitters in Ontario*, January 15, 2010, EB-2009-0152, pages 11 and 16.

> *"The OPA will be responsible for supporting the characteristics, inputs, construction and application of the ECT. It is ultimately preferable that it do so once in conjunction with an IPSP or in respect of a given ECT, rather than in every leave to construct hearing in support of a particular project or transmitter."*

27. Anbaric assumes that Board Staff is here referring to assumptions/demonstration regarding "need" for the project, but it is not clear from review of the passage what role the OPA is expected to play in respect of demonstration of "need" and at which stage of the planning/approval process. Anbaric would appreciate clarification of the intent underlying this statement, and others may benefit from such clarification as well.

Conclusion.

28. Anbaric appreciates the opportunity to comment on the OEB's development of policy in this area, and would be pleased to be able to continue to participate in the redevelopment of Ontario's electricity sector.

ALL OF WHICH IS RESPECTFULLY SUBMITTED:
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