

May 31, 2010

Ms. Kirsten Walli, Board Secretary
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Attention: Ms. Walli,

Re: Stakeholder input to Transmission Project Development Planning in Ontario
Board File Number: EB-2010-0059

Thank you for the opportunity to provide input to the Ontario Energy Board (OEB) Staff Discussion Paper/EB-2010-0059 regarding Transmission Project Development Planning in Ontario.

With more than 50 years' experience TransCanada Corporation is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas and oil pipelines, power generation and gas storage facilities. TransCanada has invested approximately \$5 billion over the past several years in both nuclear and natural gas-fired generation facilities in Ontario including Bruce Power, Portlands Energy Centre, Halton Hills Generating Station and the impending Oakville Generating Station.

The project development and operating experience that TransCanada has developed over many years is now being employed in the development of electrical transmission assets. TransCanada just recently announced the successful open season for the full capacity on its proposed Zephyr Power Transmission Project. Zephyr is a 1600 kilometre, 500 kilovolt, high voltage direct current transmission line designed to move 3000 megawatts of wind-generated power from Wyoming to markets in the southwest United States at a cost of approximately US\$3.0 billion.

As a developer of energy infrastructure projects across North America with a substantive and long standing investment in the Ontario energy market, TransCanada welcomes the opportunity to participate in the OEB process to assess the potential for new entrants to develop, own and operate transmission projects in Ontario. As such, TransCanada respectfully submits its input to the OEB Staff Discussion Paper EB-2010-0059.

Sincerely,



Hank Petranik
Vice-President, Power Transmission

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

- TransCanada submits that new entrants should be required to be licensed as transmitters in order to participate in the designation process.
- The requirement to be licensed will ensure that participants in the designation process have met the Board's minimum standards of financial and technical capability. This would assist in streamlining the designation process for any particular project. .
- There are two important qualifiers to the licence requirement:
 - First, while we recommend that new entrants be required to obtain a transmission license as a condition to participate in the designation process, the timing of the first OEB designation proceeding should provide sufficient prior notice by the OEB in order to allow prospective new entrants to secure their requisite licenses prior to submitting proposals.
 - Second, it should be recognized that not all entities meeting the financial and technical threshold for licensing are necessarily financially and/or technically capable of developing any and all potential transmission projects. Consequently, TransCanada is supportive of Board Staff's inclusion of "technical capability" and "financing" in the decision criteria (issue 3 below) for any particular project.

2. 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 length of time necessary to develop a transmission project development plan ("TPDP") is directly related to the scope of the project being considered. The larger and more complex the project, the longer the period of time that would be required to develop a TPDP that adequately meets the requirements outlined in the Staff Discussion Paper.
- TransCanada suggests that three to four months would normally be adequate to submit a properly defined TPDP for the designation process. That timing assumes that sufficient information is provided to prospective participants in order to prepare the TPDP.
- Larger and/or more complex projects could require more time for the TPDP and for these projects; the OEB should be permitted to survey interested parties for feedback on how long they believe would be necessary to complete an appropriate TPDP.

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

- TransCanada believes that the decision criteria suggested in the Staff Discussion Paper are appropriate. Two of the criteria in particular (note the discussion below) are quite extensive and have a number of constituent components that should form an important part of any TPDP assessment.
- We strongly recommend that the OEB apply weightings or points for each rated criterion. This will allow proponents to focus on the aspects of the proposals considered most critical by the OEB
- TransCanada suggests the following weightings be applied to the criteria outlined in the Staff Discussion Paper:
 - Organization and Experience: 25%
 - It is critical that a proponent have the requisite competencies to properly plan the project, manage its design and oversee the development and construction of the project.
 - Parties that have a history of successfully executing energy infrastructure projects should be recognized as having the organization and experience to deliver a credible proposal.
 - Only fully competent parties will be capable of ultimately delivering a properly designed and built asset at a competitive price.
 - Technical Capability: 10%
 - The design and technical capabilities are widely available in the marketplace; it is the oversight and management of those skills that distinguish proponents.
 - Schedule: 10%
 - At this early stage of a project, any schedule will be a relatively imprecise estimate.
 - Experienced parties will understand the complexity of major projects and will submit estimate based on real experience.
 - It is important that parties are not incented to submit aggressive (and unachievable) schedules in order to offset other deficiencies.
 - Costs: 20%
 - At this early stage, costs will also be relatively imprecise. However, there needs to be a distinction between the costs estimated to prepare the TPDP and the expected capital costs to construct a project.

- Given that the proposals are submitted roughly two or more years in advance of receiving a Leave to Construct decision, it becomes critically important that parties are measured on their ability to realistically estimate costs.
- Parties who have a history of successfully capturing competitive bid proposals will have demonstrated the ability to measure and manage costs.
- Financing: 10%
 - This is an issue that cannot be deferred until a project has reached the construction phase. Parties must be able to demonstrate that they can finance a particular project under various capital market scenarios.
 - The recent change in the credit markets and reduced access to capital underlines the need to select parties who can finance in even the most difficult markets.
 - By providing a general assessment on capabilities of the prospective licensed transmitters (see response to issue 1 above); this specific criteria can be limited to an assessment of a proponent's ability to finance a specific project.
- Land Owner, Aboriginal/First Nations and Other Stakeholder Consultations: 25%
 - This criterion is one of the most important ones in successfully siting an energy infrastructure project. The amount of time, resources and cost attributed to this category has grown exponentially in recent years.
 - Linear infrastructure projects such as transmission lines require a much more extensive program than that typically needed for a static site project. As such, parties with that type of expertise (especially in dealing with landowners over the operating life of an asset) are necessary in order to prosecute a siting plan

4. Are staff's proposals regarding the implications of plan approval reasonable?

- We believe that the Staff's proposals regarding the implications of plan approval are reasonable with the following comments;
 1. While the establishment of deferral accounts to manage overages will reduce potential risk to developers, additional clarity is necessary regarding the prudence test that will be applied by the OEB. There needs to be a balance between discouraging parties from underestimating their costs and providing

for a reasonable review of cost increases triggered by events such as change in scope, etc.

2. We do not believe that a designated transmitter should receive immediate funding from ratepayers to cover the cost of preparing the TPDP. As long as parties can reasonably expect to recover those costs they should be treated as working capital and funded accordingly. There may be a need for interim funding in extraordinary circumstances where the projected costs are unusually large, but those should be the exception rather than the rule.

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

- For the following reasons, TransCanada submits that the OEB should only designate two transmitters to develop the same project in exceptional circumstances:
 1. This would likely only make sense for the largest and most complex projects and even then selecting the right proponent should allow the OEB to capture most of the benefits.
 2. A prudently executed siting plan for linear projects would look at corridors and/or various alternative routes even if a preferred route had been identified. In almost all cases that would result in a duplication of effort that would make stakeholder consultation unnecessarily complex and potentially confusing (especially for land owners and First Nations).
 3. A single proponent may achieve greater efficiencies from contractors and equipment suppliers when they believe that party is ultimately in a position to build the asset.
 4. Some parties will not be encouraged to participate in a two-stage process in order to ultimately build the transmission line. Investing the time, resources and internal management to properly execute a TPDP for a 50% probability of investing the capital may dissuade some parties after already having gone through a competitive process to become the designated transmitter.

6. 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 in section 3.1 appear to be reasonable subject to the following remarks.
 1. It is important that the criteria and their application would facilitate and encourage participation from organizations that are most capable of developing, constructing, and owning/operating the transmission project.
 2. TransCanada is not in the business of developing projects for the sake of earning a fee or profit from such a development. We recognize that projects

may not ultimately proceed for various reasons, but TransCanada would not participate if another party could be awarded the project after TransCanada prepared the TPDP and the project was given a Leave to Construct.

7. **Other input into the process:**

- **Clarification Regarding Categories of Transmission Investment:** The Board should clearly define how projects would fall into each of the categories of transmission development (i.e. capacity enhancements, network reinforcement, enabler facilities, network expansion) identified in the Staff paper. There should be a clear distinction for those projects which would be open to new entrants and care taken that the exclusionary categories were not so broadly defined as to capture projects which should be available to the competitive process. There has to be enough potential for projects of sufficient scope and scale available to new entrants to encourage those parties to participate in the process.
- **Partnerships:** The OEB should define, prior to the designation process, any restrictions or rules regarding partnerships and the ability for proponents to partner with new entities that have not participated in the designation process or to partner with existing entities that have participated in the designation process.
- **Development Time – Post Designation:** After the Designation Proceeding and the Board order designating transmitter(s), TransCanada suggests that the length of time to develop a transmission project could be anywhere from 12 months to 36 months
- **Factors Impacting Development Time:** There are a number of key development activities that would impact the length of time and cost to develop the project once a party is designated such as the need for an EIA, feasibility studies, and a formal FEED (Front End Engineering & Design). It should be made clear that if the project development cycle includes such key activities, then the timelines to complete the development should be adjusted accordingly.
- **Failure to deliver the development plan once designated:** The OEB, in cooperation with industry, needs to consider the consequences to designated transmitters who fail to deliver on a plan once approved.