Aiken & Associates
578 McNaughton Ave. West
Chatham, Ontario, N7L 4J6

Phone: (519) 351-8624
E-mail: randy.aiken@sympatico.ca

April 20, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

Re: EB-2011-0043 – Regional Planning for Electricity Infrastructure - Comments on Staff Discussion Paper of the London Property Management Association

A. Background

On April 1, 2011 the Ontario Energy Board ("OEB" or (Board") issued a letter initiating a consultation process aimed at promoting the cost-effective development of electricity infrastructure through coordinated planned on a regional basis between licensed distributors and transmitters. A stakeholder meeting was held on May 21, 2011. The Board Staff Discussion Paper "Regulatory Framework for Regional Planning for Electricity Infrastructure" was released on November 8, 2011. A Stakeholder Conference was held on March 28 - 30, 2012 during which the regional planning issues were discussed.

These are the comments of the London Property Management Association ("LPMA") on the Staff discussion paper. General comments are provided in the following section and comments related to the Issues for Comment are provided in Section C.

B. General Comments

i) Generation Connections

LPMA notes that the Staff discussion paper notes that the focus of this consultation process is to examine the issue of cost responsibility and regional planning in relation to load customer connections. The discussion paper notes that the Transmission Connection Cost Responsibility Review ("TCCRR") in EB-2008-0003 was initially established to examine the cost responsibility associated with the connection of both generation and load facilities. The Board subsequently decided to focus on generation connections in the TCCRR. LPMA submits that the Board had dealt with the issue of connection costs for generation and no changes should be made as part of this consultation.

ii) Industrial Customer Connections
LPMA agrees with Board Staff that there is not a strong case to be made for changing the status quo in relation to industrial customers. The circumstances that that give rise to the need for additional connection costs for industrial customers are significantly different from that for distributors, as discussed in the Staff discussion paper. The costs and benefits associated that result from industrial customer connections are most likely to fall on the customers themselves with little costs or benefits accruing to others.

The only exception to this would be in situations where industrial customers share connection facilities with distributors. Special accommodations or rules may have to be devised in such situations and may need to be specific to each unique situation.

iii) Transformation Connection
LPMA notes that there has been little, if any, discussion related to issues with transformation connection assets or the allocation of costs associated with these issues. As a result, LPMA believes that no changes are needed for the Transformation Connection pool. Board Staff indicate in the discussion paper that their focus has been on the Line Connection pool in this consultation.

iv) Evolution of the Transmission System
LPMA notes that the attribution of transmission assets to the various pools was completed nearly 12 years ago in RP-1999-0044 proceeding. As Board Staff note in the discussion paper, the attribution to the pools has not be re-examined on a generic basis since that time. Staff also note that the initial attribution of certain assets was somewhat arbitrary in the view of some stakeholders.

LPMA submits that the Board should initiate a full review of the attribution of transmission assets to the various pools, including the possibility of regional pools, as a result of this consultation. There has been a lot of talk about the evolution of the transmission system and that some assets which were line connection assets in the past would more accurately be reflected as network assets today. Given the long period of time that has elapsed since the last review, LPMA believes that it is time for the Board and stakeholders to have a comprehensive review of the attribution of the assets.

v) Cost Causality & Beneficiary Pays Principles
LPMA has not heard any comments throughout this process that would lead it to believe that the Board should deviate from its current cost responsibility policy which is

generally based on the two regulatory principles of cost causality and beneficiary pays. Both of these principles are described in the Staff discussion paper. As a result LPMA submits that any changes to the Board`s policy with respect to cost responsibility should continue to be guided by these two regulatory principles.

vi) Planning Communications

There was a general consensus among transmitters, distributors and the Ontario Power Authority that there was not a "planning" problem. Indeed, the participants indicated that an agreed upon solution to an identified problem was usually arrived at after a few meetings. LPMA submits that it appears that the parties are already working closely together and that with the exception of the cost responsibility issue, the current process is working well.

vii) Planning Horizon

A number of participants commented that there was a disconnect between the planning horizon of distributors (5 years being a long-term plan) to that of HONI (5 years being short -term and 20 years being long-term).

LPMA submits that there needs to be a greater emphasis on longer tem planning to ensure that ratepayers do not pay for short-term solutions and pay again for long-term solutions when the short-term solutions no longer work. This is a significant issue for an industry that needs several years to plan and construct large infrastructure projects.

viii) Forecasting

LPMA believes that LDCs will need to increase the complexity and accuracy of their forecasting methodologies. The forecasts are the fundamental building block of the regional planning process. Forecasts should ensure that they take into consideration the impact of generation and CDM activities on the peak demand and the associated need for additional distribution/transmission assets.

C. Issues for Comment

LPMA's comments are provided based on the compilation of issues provided in Appendix 1 of the Staff discussion paper.

1)Staff requests general feedback on the proposed approach discussed above.

LPMA generally supports the proposed approach discussed. However, LPMA wishes to clarify a significant point in the Staff discussion paper.

Staff suggest that all licensed distributors and transmitters would be required to engage in joint planning exercises, share information regarding distributor connection issues and identify optimal connection solutions among the alternatives that involve transmission and distribution investments. It is not clear if the Staff proposal limits the involvement from the transmission side to the transmitter that currently serves the LDCs in the region or whether the requirement for transmitters to be engaged would allow the participation of more than one transmitter. LPMA supports this latter approach. Opening up the transmission business for new investments should not be limited to the incumbent provider. Competition among transmitters, or partnerships between transmitters, may result in the identification of different connection solutions and/or lower cost solutions. This ties back into the goal of finding an optimized solution that has the lowest cost in the long term.

LPMA supports the need for filing requirements, but submits that there should be flexibility included in the requirements as it is likely that regional plans may be significantly different from one another and present unique challenges and solutions.

2) Staff has proposed that an obligation be placed on distributors to provide the transmitter with an updated forecast and the relevant land use planning documents (where applicable) at least every five years and for a period covering at least five years. In relation to the provision of the relevant information, should it be more frequent? Should the forecast cover a longer minimum period of time than five years (e.g., 10, 15 years)?

LPMA does not believe that one approach is appropriate for all LDCs or potential regions. In particular, LPMA is concerned that smaller LDCs or medium sized LDCs with low growth should not be required to provide updated forecasts more frequently than every 5 years unless there is a major change in circumstances, such as the addition of a large customer or a significant change in land use planning that is being proposed in the LDC service area.

Unless there are circumstances that would suggest growth beyond a 5 year period is going to be significantly different (higher or lower), LPMA does not see any benefit in these LDCs attempting to provide longer term forecasts.

On the other hand, larger LDCs and those that are growing quickly should provide updated forecasts at least every 5 years and more frequently if significant changes occur in land use planning proposals or the speed at which the land is to be developed.

In these circumstances, LPMA believes that longer term forecasts may be beneficial to all parties involved, and provide ratepayers with a better long term plan that is the least cost alternative in the long run.

LPMA notes, however, that long-term forecasts are notoriously inaccurate and can be affected by circumstances that are not even identifiable when they are made. If the Board determines that forecasts longer than 5 years would be beneficial, LPMA suggests that a sensitivity analysis based on high and low scenarios also be provided as part of the planning process by the LDCs. This would provide parties with a range of likely potential outcomes that would be useful not only in the planning of what expenditures need to be undertaken, but also providing insight into the timing of those expenditures.

3) In cases where a transmitter is requested by distributors to be involved in the development of multiple regional plans at the same time, what criteria should be used by the transmitter for determining the prioritization of the regional plans in the event of transmitter resource constraints?

LPMA is not sure what type of resource constraints are being suggested in this question. HONI may have resource constraints related to their own staffing levels. However, it is likely that several third party contractors could be utilized to assist HONI in various aspects of a regional plan or plans. LPMA also notes that other transmitters that are licensed in Ontario may be able to step in if HONI is unable to be involved in the development of multiple regional plans at the same time.

If there are still resource constraints for the entire transmission industry in Ontario, then the criteria used to prioritize the regional plans should include an analysis of the range of possible outcomes (see comments under issue 2 above related to scenario analysis), the level of commitments from large customers that may be driving some of the need and the timing of the regional plans and the ability to use temporary measures (for example, temporary generation) to reduce the bottleneck of multiple regional plans.

LPMA notes that with a 5 year planning horizon, there should be less likelihood of resource constraints occurring. With this longer horizon, transmitters will be better equipped to plan on multiple fronts.

4) Do distributors foresee any problems in relation to obtaining the relevant land use planning documents from the applicable authority in their service area for the purpose of providing those plans to the transmitter? If so, please explain.

If distributors do foresee any problems, LPMA submits that it would be useful if they could describe the type of problems they foresee and whether the applicable authority, with which they deal on a regular basis, would be willing to make changes to their planning process to assist in the planning for distributors and transmitters.

5) Are any of the approaches discussed above appropriate for determining suitable regions for the purpose of regional planning? Why or why not?

LPMA believes that there should be a zone and region approach used by the Board, similar to potential hybrid approach preferred by Board Staff. LPMA believes that the 10 zones indentified in the IESO "Ontario Transmission System" reports are a good starting point. This approach seems to most closely match transmission asset functionality, which LPMA believes should be the broad basis for determining regions.

Regions that are identified by individual distributor service area boundaries or by municipal boundaries do not appear to LPMA to be a good basis for determining regions. Neither of these boundaries necessarily correspond to transmission assets used to serve them.

Regions would then be established based on a needs basis. As an example, a regional plan for Kitchener-Waterloo-Cambridge-Guelph ("KWCG") would involve a subset of the distributors in the Southwest Zone identified by the IESO. Other regional plans could involve distributors in more than one zone. For example, a regional plan for the Greater Toronto area could involve distributors in both the Toronto and ESSA Zones.

An LDC may also be in more than one regional plan. For example, there could be a regional plan for KWCG in the short-term and another regional plan that could involve Guelph, Halton Hills, Milton and Brampton in the long-term.

LPMA believes that plans associated with the needs of a region make the most sense. While it may be possible to predefine regions today, it is likely that over the coming years the need for distribution/transmission assets will change and evolve and result in different regions or areas than were initially defined. LPMA further notes that predefined regions imply a size that may not reflect reality when it comes down to the need for a regional plan. The area encompassed in a regional plan may be smaller than a predefined region or it may be larger, encompassing all or parts of two predefined regions.

6) In relation to the approaches discussed above, are there any proposed modifications that would enhance their suitability?

As noted in the previous comments, LPMA believes that regions should not be predefined. They should be determined based on the information available at the time that a plan is devised.

The Board should also consider whether a regional plan is appropriate if it can be broken down into 2 or more smaller regions. The distributors and transmitters should determine whether one large regional plan or 2 or more smaller regional plans are the best alternative for the long-term. The biggest plan is not always the best plan.

7) Are there any other criteria, beyond transmission asset functionality, that should be used in the determination of appropriate regions within Ontario for regional planning purposes?

LPMA notes that some distributors are connected to neighbouring distributors, while others, while in close proximity to others are not connected to their neighbour using distribution assets. The interconnectivity (or lack thereof) may be another criteria that should be taken into account in determining appropriate regions. A change in the level of interconnectivity may also change the determination of regions in the future as the system develops.

8) Are there other alternative approaches that could be used to determine appropriate regions? If so, please identify the proposed regional structure and explain the rationale and benefits associated with the proposed approach including reasons why it may be more suitable than Board Staff's preferred approach.

LPMA is not aware of any other alternative approaches that would be more suitable than that proposed by Board Staff.

9) Do stakeholders agree that assets such as 230/115 kV auto-transformers and the associated switchgear should be reallocated to the Network pool? If not, why not and what other approaches might be considered to achieve consistency across Ontario?

LPMA does not believe the noted assets should be reallocated to the Network pool. This reallocation has the potential to create higher network costs to distributors and their customers that do not benefit from the assets being transferred, leaving their line connection costs unchanged and resulting in a form of cross-subsidization between various regions of the province.

Instead, LPMA submits that the Board should consider transferring assets such as 230/115 kV auto-transformers and the associated switchgear to a regional line connection pool, or a regional network pool. These costs would be reallocated between an individual distributor or group of distributors to a larger group of distributors, but not to all distributors across the province. The regional network pool or a regional line connection pool ensures that costs are still recovered from the distributors that benefit from the assets. This is preferable to spreading the costs over the entire provincial network and the cross subsidization that accompanies that approach.

As noted earlier, LPMA believes that the regions should be specific to the assets in question. For example, while LPMA believes that it would not be appropriate for Hydro Ottawa customers to pay for some of the costs associated with the KWCG region, it is also not appropriate for the customers of London Hydro to pay for some of these costs, even if the distributors are all in the Southwest Zone based on the IESO definition. The regional pools would allow for recovery over a broader customer base, while ensuring that no individual LDC incurs a disproportionate share of the cost that results in regional benefits.

10) Do stakeholders believe that 115 kV lines should be classified as Dual Function Lines or as Network lines where they perform both a Connection and a Network function? Please explain the rationale for the approach supported.

Again, LPMA believes that the Board should consider adding regional network pools or regional line connection pools. The portion of the dual function lines that perform a network function would then be allocated to this regional pool rather than to the provincial network pool to ensure that costs are recovered from the distributors and their ratepayers that benefit from the regional network/connection assets.

11) Should the Board consider reclassifying any other Line Connection assets beyond 115/230 kV auto-transformers, the associated switchgear and certain 115kV lines for the purpose of facilitating regional planning? If so, please identify those assets and explain why the current classification could present a barrier to regional planning.

No comments.

12) Of Board Staff's proposed changes to section 6.3.6 discussed above, which would better achieve the intended goal of resulting in greater regulatory predictability? If the latter option (ii), please propose the list of specific circumstances.

LPMA submits that the first option is preferable.

13) Are there other alternative changes to section 6.3.6 that the Board should consider? If so, please explain the change in detail and identify the benefits.

No comments.

14) What would the advantages and disadvantages be associated with removing section 6.3.6 from the TSC altogether, as an alternative to the options Board Staff proposed above? If section 6.3.6 were to be removed, would other changes to the TSC also be required as a consequence?

No comments.

15) Are there any other criteria that should be used in addition to the above for the evaluation of approaches in relation to load connection cost responsibility?

No comments.

16)Which approach among the cost responsibility options identified above would best achieve the Board's stated goals in relation to this initiative?

LPMA believes that the regional pooling option (whether a regional network pool or a regional line connection pool) would best achieve the Board's stated goals in relation to this initiative. It would ensure no cross-subsidization of or one regional versus another.

17) Are there other cost responsibility options that should be considered by the Board? Participants that wish to put forward alternative proposals for consideration in terms of cost responsibility are encouraged to include in their comments not only a detailed description of each proposal, but also the underlying rationale and principles that support the proposal.

See comments provided above.

18) If the Board were to: (i) adopt Board Staff's proposed changes to section 6.3.6 of the TSC; (ii) eliminate the five year sunset period for capital contribution rebates; and (iii) reclassify certain Connection assets, all as discussed above, would it be appropriate to retain the status quo cost responsibility regime?

Yes.

19) Which approach would be more appropriate in relation to the 115 kV Connection lines that perform Network functions – the Hybrid cost responsibility option discussed above (recovery via the Line Connection rate) or reclassification as Network assets (recovery via the Network rate) or reclassification as Dual Function Lines (recovery via both the Network and Line Connection rates) as discussed above? Please provide a detailed rationale for your preferred approach.

The preferred approach would be a regional pool concept so that the costs are recovered from the region that benefits from the assets and there is no cross-subsidization between regions. Of the options listed, LPMA submits that the Hybrid cost responsibility option would be preferred. It is likely to result in the least amount of cross-subsidization between regions.

20)Are there any specific circumstances where generators should not be responsible for the costs related to an upstream upgrade that they triggered? If so, please identify those circumstances and the reasons why the generators should not be responsible for those costs.

LPMA believes that generators should be responsible for any costs related to an upstream upgrade that they trigger.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates