



February 19, 2013

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Regional Investment Planning (EB-2011-0043)

On February 5, 2013, the Board posted a draft report of the Board's Planning Process Working Group, "The Process for Regional Infrastructure Planning in Ontario", and invited feedback from stakeholders by February 19, 2013. Enclosed please find some preliminary feedback from EnWin.

Statutory Mandate

To begin, EnWin reiterates its comments from the March 2012 Stakeholder Conference during which EnWin supported the Board's initiative to formalize and enhance regional investment planning in the electricity sector in Ontario. Regional investment planning is necessary for the Board to achieve its statutory objectives pursuant to the *Ontario Energy Board Act, 1998*. In fact, regional investment planning is relevant to every one of the Board's five enumerated statutory mandates under s. 1(1) and the sixth one under s. 1(2).

Role of the Board

Because of the centrality of regional investment planning to the Board's fulfilment of its responsibilities, EnWin's first recommendation to the Working Group is to address more clearly the role of the Board in relation to regional investment planning. Section 3.3 addresses other parties, but not the Board. The Board, as the regulator of the sector, needs to have a clear supervisory role. In fact, the Board will ultimately hear applications for the implementation of the investments pursuant to these plans. As such, should there be a role for the Board before the investment approval stage? Should the plans or reports on the progress of the planning processes be not only be filed with the Board, but be subject to some basic scrutiny for sufficiency? And as the voice of and conduit for the public interest, should the Board play some role in ensuring that public feedback is brought to bear in the planning process to reduce the risk of late-stage changes to major investments?

Structure of Regional Planning Groups

In the Draft Report, the Working Group proposes leading roles for the Ontario Power Authority (“OPA”) in respect of integrated regional resource planning (“IRRP”) and Hydro One Networks Inc. (“HONI”) in respect of regional investment planning (“RIP”). The Working Group references the long history of planning by Ontario Hydro before it was disbanded and presents the roles of the OPA and HONI as successors to that mandate.

EnWin encourages the Working Group to consider whether a more decentralized model may now be more appropriate. Centralized planning has a record that must be critically considered. Has it achieved the objectives of the Board, including the most cost-effective and community-sensitized results? If the answer is “no” or “sometimes no”, then it behoves the Working Group to consider infusing this initiative with greater decentralization.

While establishing 21 regions may suggest that this is a decentralized proposal, the practical reality of a process dominated by the OPA and HONI suggests otherwise. The OPA is clearly the lead in all IRRPs. And as the lead in RIP in nearly every region, HONI is the dominant player in that process.

The significance of being the “lead” cannot be underestimated as a factor that will drive the outcomes of the planning processes. As the co-ordinator of the planning process who is charged with deciding who will be impacted, co-ordinating meetings, drafting the plan, presenting the plan, etc., the lead role presented in the Draft Report is a role with tremendous control over who is at the table. Moreover, the lead will have great sway over what investment alternatives are considered including whether they will be considered through IRRP or RIP, which is a game-changing distinction; IRRP puts lots of options on the table while RIP narrows the search to wires-only options. Finally, the leads will decide who will be in the room and how the plan will ultimately be presented to the Board and others.

It is noteworthy that the Board has recently shown interest in licensing a larger number of transmitters in the province and that many distributors have owned and operated their own transmission connected transformer stations for decades. It is distributors who have been tasked with new scope in areas of conservation and demand management (“CDM”) and distributed renewable generation. Even the centralized SME-MDMR and One Call initiatives are going through a process of decentralization through changes to governance models. These changes are consistent with the expressed desire of the Government and Board to engage customers and other local stakeholders through their closest points of contact: the distributors.

Decentralization has allowed for significant innovation in the electricity sector already, with some distributors leveraging expertise in areas of CDM, others in renewable generation, others in multi-utility management and billing, and different approaches to

core utility business. These variations have allowed for best practices to emerge. Distributors often present their experiences for others to learn from through formal conferences and association meetings as well as through informal exchanges.

The evolution is away from centralization, recognizing that decentralized processes often lead to more cost-effective and community-sensitized plans and actions. There is every reason to expect that in many of the 21 regions there are stakeholders other than HONI who have what it takes to lead the regional planning group. Perhaps the regional group could select its own lead from within its group. Perhaps the leads might rotate among interested utilities in the region every five years to align with the planning cycles. Whatever the specifics, putting the lead role in the control of the regional group may significantly change the dynamics of the group, even where the group selects HONI as the lead.

The Working Group should consider whether allowing for distributors to serve as the lead sends a positive signal to customers that the Board and the sector more broadly is looking for leadership from those with direct relationships with the customers who will be affected by the investment decisions – from supply and rates perspectives.

Regional Group Interactions

Regardless of which utility is the lead, from time-to-time it is foreseeable that not all utilities in a regional planning group will come to the consensus that the Draft Report envisions. There will be situations where, for example, one LDC may favour a CDM solution, another LDC may favour construction of new distributed generation, and the transmitter may favour new transmission construction. These situations are foreseeable because each of these utilities may have an economic interest in pursuing a particular regional investment strategy that aligns with their particular corporate competencies.

In addition, even where there is alignment that, for example, a new transformer station is required, there may be disagreement on which utility should own and operate the transformer station. Plans that are silent on this sort of issue or that are swung by the lead or majority support, may fail to meet the objectives of RIP.

Where the regional group cannot come to consensus on all parts of the plan, there should still be a route to developing a plan. Could this be through “minority reports”? Is there some other way to reflect not only disagreement, but the range of advocated alternatives?

Inter-Regional Planning

Some regional issues are common with other regions but distinct from the province as a whole. For example, in the Essex-Kent-Lambton County area (2 discrete regions), there are transmission bottlenecks that limit the capacity to push power out of the

regions to the east. In the Draft Report, it is not clear if or how these cross-region common interests would be identified, the responses planned and the solutions implemented.

How would the Working Group reconcile keeping the benefits of community-sensitized regional groups while ensuring inter-regional co-ordination? Under the centralized model, it may be envisioned that the OPA and HONI will perform that co-ordination. Under a decentralized model, perhaps all the regional leads or sub-groups of the leads could be required to meet on an annual basis. Or even more consultative, perhaps all the utilities in the shouldering regions could meet as a sort of “upper tier” regional planning group.

Another dimension of inter-regional groups is that the upper tier group might prepare a brief letter or scaled-down version of a plan that highlights issues of common concern for inclusion “downstream” in the regional plans. These broader reviews could provide significant value “upstream” to the Board, OPA, HONI, and utilities – as well as other stakeholders, including ratepayers and the Ministry.

Role of Plans in Regulatory Proceedings

The Working Group has not yet worked through the details of the role of plans in the Board’s proceedings on rates and leaves to construct. This will need to be addressed because there are some significant “devils in the details”.

For example, if a utility is proposing (or not proposing) to make an investment or carry out a CDM activity, how would the Board or intervenors question why the plan is what it is and why the power system issue is not being addressed in a different, more cost-effective manner? Will the OPA, HONI and other regional utilities be parties to the proceeding? Whose evidence will the plan be? What if the applicant does not agree with the particular investment proposed in the impugned part of the plan?

Similarly, will the onus be on the first utility in the region that files the plan in a proceeding? If the plan is accepted or unchallenged for the first utility that files it, will it still be subject to challenge for subsequent applicants? Where a plan has formed the basis of the investments (or non-investments) by an applicant in 2015, how will a different Board Panels or different intervenors deal with the same plan in 2017 for a different applicant?

There are many other questions that flow out of thinking about “Who does what?” in relation to the regulatory processes that are likely to rely on or flow from the plans. In part these issues arise because there is no prior Board approval of the plans on their own merits. Is this an appropriate trade-off? Since the plans are born out of and are intended to inform regulatory processes, there should be greater consideration of these sorts of issues.

Service Area Amendments, MAADs and Other RRFE Initiatives

While the regional investment planning proceeding has a distinct scope and must have a distinct scope in order to produce a workable renewed framework in a reasonable timeframe, EnWin notes that there are other factors that the Board may be mindful of in thinking through regional investment planning.

To the extent that LDC service areas are amended; mergers, acquisitions, amalgamations or divestitures occur; or, that other Renewed Regulatory Framework for Electricity initiatives are implemented in relation to performance, efficiency or otherwise, regional planning will be significantly impacted. Similarly, the on-going disbursement of generation and transmission system ownership will significantly affect how the utilities and customers in regions think about and respond to electricity system issues.

EnWin agrees that the current regional investment planning initiative should be rooted in the status quo, but argues that it should be structured to accommodate (if not promote) the broader vision for the sector and its stakeholders. To the extent that the IRRP or RIP processes or end products create barriers to the evolution of the sector and its stakeholders, it will create points of conflict and inefficiency.

It is for this reason, as well as those cited above, that EnWin encourages the Working Group to propose a framework that reinforces the roles of the regulator and distributors and that pulls in customer feedback through these stakeholders and otherwise. It is also for this reason that EnWin proposes a more decentralized model that promotes community-sensitized decision-making and innovation.

Closing Comments

EnWin appreciates this opportunity to comment on the regional investment planning Draft Report. There is clearly a lot of good work that has been done and EnWin's hope is that these comments will help the Working Group identify and work through some additional points as it continues its work.

Yours very truly,

EnWin Utilities Ltd.



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