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November 6, 2017

**VIA Email, Courier and RESS**

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
27th Floor 2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Notice of Proposal to Amend a Code**
**Proposed Amendments to the Transmission System Code and the Distribution System Code to Facilitate Regional Planning**
**OEB File No.: EB-2016-0003**

On September 21, 2017, the Ontario Energy Board ("OEB") issued a Notice of Proposal to amend the Transmission System Code ("TSC") and Distribution System Code ("DSC") to facilitate regional planning. Accompanying the Notice of Proposal as Attachments A and B were the proposed amendments to the TSC and DSC, respectively. The OEB invited comments to the proposed amendments, extending the comment filing date to November 6, 2017.

The Independent Electricity System Operator ("IESO") has been carrying out regional planning activities since 2005 and has worked with transmitters and local distribution companies to develop regional plans, including providing recommendations where appropriate, for the 21 electricity regions across Ontario. The IESO's goal in the regional planning process is to develop cost-effective, integrated solutions (i.e., with consideration for wires and non-wires alternatives) that meets the electricity needs of a specific area.

**IESO Comments**

The IESO appreciates the opportunity to comment on the proposed amendments to the TSC and DSC. The IESO participated in the OEB working group that was initiated in June 2016 to provide input to OEB staff on this initiative and supports the proposed amendments to the TSC and DSC. For further clarity, the IESO offers the following comments.

***6.3 Cost Responsibility for New and Modified Connections***

The IESO is supportive of the OEB's proposed cost responsibility additions to section 6.3 of the TSC. These proposed amendments support a proportional benefit approach that the IESO believes is appropriate given the potential broader system benefits that a transmitter-owned connection may provide.

In addition to the proposed amendments, the IESO suggests the following edits (as highlighted) to section 6.3.18A for the OEB's consideration:

> "Where one or more load customers triggers the need for a new or modified transmitter-owned connection facility and the IESO undertakes an assessment at the request of a transmitter that confirms the new or modified connection facility will also address a broader network system need **and economic benefits**, the transmitter shall determine the proportional benefit between the triggering customer(s) and the network pool. In doing so, the transmitter shall attribute the cost accordingly**, in consideration of advices on cost apportionment from the IESO.**"

The IESO is of the view that broader system benefit goes beyond system need and that any IESO assessment should examine this broader perspective. There may be situations where a new or modified transmitter-owned facility connection will provide quantifiable economic benefits to the system, e.g. reduction in system losses, without addressing a specific system need, and in the IESO's view, should be included in any cost responsibility assessment. The IESO believes that this is consistent with the intention expressed in the OEB's Notice of Proposal[1]. In addition, this approach is consistent with the OEB's guiding principles of optimal infrastructure solution, beneficiary pays, and open, transparent and inclusive[2].

***6.7 Replacement and Relocation of Existing Connection Facility***

The IESO respectfully suggests the following edits to the proposed amendments to section 6.7.2 of the TSC:

> "Where a transmitter-owned connection facility ~~**has reached**~~ **is expected to reach** its end-of-life and is **planned to be** retired and replaced with a new connection facility, the transmitter shall undertake an assessment, in consultation with any affected customers, to determine the appropriate capacity of the replacement connection facility. **This assessment shall be integrated with the regional and bulk planning processes.** The transmitter shall either:
>
> (a) not recover a capital contribution from a customer to replace that connection facility, where the new facility is the same capacity or lower capacity; or
>
> (b) recover a capital contribution from a customer to replace that connection facility, where the customer requires additional capacity. The capital contribution shall be limited to the incremental cost relative to the cost of a like-for-like replacement facility."

[1] Notice of Proposal to Amend Code, September 21, 2017, page 7
[2] Ibid, pages 3-4

The IESO agrees with the OEB's assertion that end-of-life ("EOL") replacements should be integrated with established transmitter planning[3]. In addition, the IESO believes that there is a need for EOL replacements to be better integrated into the IESO's planning processes to allow for a more comprehensive assessment of regional and bulk system needs.

Historically, EOL consultations have occurred late in the planning process which reduces the opportunity for effective and appropriate regional and bulk planning processes. The IESO believes that its proposed edits will yield more efficient and optimized planning processes and thus, a more efficient and optimal outcome.

These perspectives are consistent with the direction provided by the Minister of Energy in the most recent Long-Term Energy Plan ("LTEP") released on October 26, 2017. Amongst other things, the 2017 LTEP states *"As they exercise their respective responsibilities for planning, the government will look to the IESO and the OEB to promote a co-ordinated, streamlined and longer-term approach to the replacement of transmission and distribution assets that are at end of their lives"*[4].

***Replacement of Connection Assets that Have Not Reached EOL***

The OEB's Notice of Proposal discusses remaining net book value ("NBV") for connection assets that have not reached EOL. While this was included in the Notice of Proposal, this has not been addressed in the proposed TSC amendments. The IESO is concerned with the view that the request for customer contribution should be limited to the remaining NBV of the facilities. Although the requesting customer pays off the remaining NBV, all connection pool customers are affected with any reinvestment on assets earlier then needed. It should also be noted that assets may remain "used and useful" well beyond their amortization period as well. The IESO, therefore, recommends that the OEB modify or amend the TSC to address these matters.

The IESO appreciates the opportunity to provide comments in this policy consultation.

Yours truly,

Tam Wagner
Senior Manager, Regulatory Affairs
Independent Electricity System Operator

[3] Ibid, page 13
[4] Ontario's Long-Term Energy Plan 2017 "*Delivering Fairness and Choice*", page 85