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BY COURIER

September 16, 2019

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: EB-2019-0077 – Hydro One Networks Inc. and Hydro Ottawa Ltd.’s Section 92 –
Power South Nepean Project – Reply Submission**

In accordance with Procedural Order No. 1, please find enclosed Hydro One Networks Inc. (“Hydro One”) and Hydro Ottawa Ltd.’s (“Hydro Ottawa”) reply submission in regards to Pollution Probe and Ontario Energy Board Staff’s September 6, 2019 submissions on Leave to Construct Application.

An electronic copy of this has been filed through the Ontario Energy Board’s Regulatory Electronic Submission System (RESS).

Sincerely,

ORIGINAL SIGNED BY JOANNE RICHARDSON

Joanne Richardson

And in the matter of an Application by Hydro One Networks Inc. and Hydro Ottawa Ltd. pursuant to s. 92 of the *Ontario Energy Board Act, 1998* for an Order or Orders granting leave to upgrade an existing transmission line, construct a new transmission line and construct new municipal transformer station facilities (“the PSN Project”) in the South Nepean Area of Ottawa, Ontario.

And in the matter of an Application by Hydro One Networks Inc. and Hydro Ottawa Ltd. pursuant to s. 97 of the *Ontario Energy Board Act, 1998* for an Order granting approval of the forms of the agreement offered or to be offered to affected landowners.

REPLY SUBMISSION OF HYDRO ONE NETWORKS INC. AND HYDRO OTTAWA LTD.

EB-2019-0077

1. In light of the September 6, 2019 submissions of the Ontario Energy Board Staff (“Board Staff”) and Pollution Probe and pursuant to Procedural Order No. 1 (dated July 31, 2019) in this proceeding, the “Applicants”, consisting of Hydro One Networks Inc. (“Hydro One”) and Hydro Ottawa Limited (“Hydro Ottawa”), make the following Reply Submission.
2. The Applicants are applying to the Board pursuant to Section 92 of the *Ontario Energy Board Act, 1998* (“the Act”) for an Order or Orders granting leave to construct approximately 12.2 km of double circuit 230 kV transmission line to supply the proposed new Municipal Transformer Station (“MTS”) to be constructed by Hydro Ottawa. The new double circuit 230 kV line will replace approximately 10.9 km of the existing 115 kV single circuit transmission line (known as the ‘S7M’ circuit) from West Hunt Club Road to Cambrian Road and will extend an additional approximate 1.3 km from Cambrian Road to the new MTS. One circuit on the new line will connect to the 115 kV circuit S7M and operate as the S7M circuit. The other circuit will connect to the existing 230 kV circuit E34M and operate as the E34M

circuit. Consistent with the Ontario Energy Board's ("OEB") Decision in the Supply to Essex County Transmission Reinforcement Application,¹ where the Board found that, "transformer stations require approval under section 92 if they are associated with the construction of a line which exceeds 2 km in length", Hydro Ottawa is applying for an Order or Orders granting leave to construct new station facilities.

3. Together, the line connection work that will be undertaken by Hydro One and station work that will be undertaken by Hydro Ottawa are referred to as the Power South Nepean Project (the "Project"). These facilities are required to increase supply capacity to accommodate Hydro Ottawa's customer load growth in the South Nepean area of Ottawa.
4. Load forecasts developed during regional planning for the Ottawa area, as well as Hydro Ottawa's internal forecasting, have confirmed that robust electricity load growth is anticipated for the South Nepean area. The Independent Electricity System Operator's ("IESO") Ottawa Area Integrated Regional Resource Plan ("IRRP"), dated April 2015, and the Greater Ottawa Regional Infrastructure Plan ("RIP"), dated December 2015, have both confirmed the need for additional supply capacity in the South Nepean area to address the forecast demand. The Project is required to meet this growing load and is required to be in service by 2021. Moreover, the South Nepean Planning Forecast provided in the IESO's "Handoff Letter" issued in April 2016 ("the Letter")² underscored that the transformation capacity for the area has already been reached. The Letter confirmed the PSN Project meets the immediate near-term and medium-term needs of the area and contributes to a longer term plan to address the broader electricity needs across the West Ottawa area. Consequently, the Letter recommended an integrated solution and requested the Applicants to start development activities immediately to facilitate an in-service date of 2021.
5. The IESO confirmed that the Project is required to meet the immediate and future load capacity needs in the South Nepean area, confirming that the area has strong historical load growth and strong forecast future load growth.

¹ EB-2013-0421- Decision on Threshold Questions, issued December 16, 2014.

² Exhibit B, Tab 3, Schedule 1 Attachment 3.

Comments on Submissions

6. The Applicants agree with Board Staff's submissions that the Application should be approved subject to the OEB's standard conditions of approval.

On page 9 of Board Staff's submission they wrote,

OEB Staff Interrogatory #2 asked the applicants to comment on the impact on reliability for the three stations - Fallowfield MTS, Richmond South MTS, and Manotick DS - if the 115kV S7M single circuit was not available. The applicants' response that these stations will remain on this single circuit supply and supply reliability of these three stations will remain unchanged did not address OEB staff's question.

The Applicants would like to provide further detail regarding the response of Exhibit I, Tab 1, Schedule 2, part d.

7. Today Fallowfield MTS, Richmond South MTS, and Manotick DS are supplied by the 115 kV circuit S7M only. Any outage to the S7M circuit results in an interruption to supply for customers served by these three stations, and customers will remain without power until the S7M circuit supply can be restored.
8. When the PSN Project is placed in-service, supply to the three stations will still be provided by the S7M circuit. These stations, and the customers serviced from those stations, will still experience an interruption whenever the S7M circuit suffers an outage. What is expected to change once the PSN Project is placed in-service is that a large number of customers, who are currently supplied from Fallowfield MTS, will be moved over and be supplied from the new South Nepean MTS. The South Nepean MTS will have dual supply functionality both from the 230 kV circuit E34M, and the 115 kV circuit S7M. As a result, the customers that transfer over to South Nepean MTS can expect to see a significant improvement in their supply reliability.
9. In addition, customers who Hydro Ottawa are not planning to transfer over from Fallowfield MTS to the South Nepean MTS can expect to see reliability improvements. When the new South Nepean MTS is placed in-service, Hydro Ottawa will have feeder transfer capability between Fallowfield MTS and South Nepean MTS. For the case of an S7M outage which results in an interruption to Fallowfield

MTS, the customers can be temporarily picked up by the South Nepean MTS station, until the S7M caused customer supply interruption is restored.

10. Customers supplied from the new 28 kV Richmond South MTS can also expect to see reliability improvements. The Richmond South MTS currently supplies customers at 8 kV. However, there is a project underway to upgrade this station to 28 kV, with an expected energization date of end of 2019. Hydro Ottawa has plans to build new feeder interconnections between Richmond South MTS and South Nepean MTS by 2022-2023, creating transfer capabilities between these two 28 kV stations. For the case of an S7M outage which results in an interruption to Richmond South MTS, the customers can be temporarily picked up by the South Nepean MTS station, until the S7M outage is restored.
11. The supply reliability for customers who are supplied from Manotick DS will remain unchanged, as an interruption to circuit S7M will produce the same interruption in either a pre-Project or post-Project scenario.
12. The remainder of this Reply Submission will address the submissions provided by Pollution Probe. The Applicants will organize their response to Pollution Probe's submissions to align with the statutory objectives that must be considered by the Board in assessing a leave to construct application. In addition, given the emphasis placed by Pollution Probe on the subject of alignment with community energy plans and planning, the Applicants will address this topic in a separate section.
13. This Reply Submission will demonstrate that Pollution Probe has not presented a compelling case in support of its submissions that (i) the PSN Project is not the most appropriate and cost-effective solution to address the timeline and magnitude of the need in the South Nepean area that has been identified by the IESO, and (ii) that the planning process governing the identification of the Project need was sub-optimal.

Price, Reliability and Quality of Electricity Service

14. The need for the PSN Project was identified through an integrated regional resource planning process led by the IESO pursuant to the Board requirements governing regional planning. It is imperative to stress the key findings emerging from this process, seeing as they do not appear to have been adequately considered or acknowledged by Pollution Probe.
15. To begin, the Letter issued by the IESO in April 2016 observes the following:

“The 115 kV network in the South Nepean area was originally developed to supply a relatively small number of customers in a rural area. Regional development has since given rise to significant demand growth on this legacy system as the area is being transformed into denser residential communities and commercial areas.”³

16. In addition, the Letter makes the following conclusion of critical importance:

“Based on the timeline and magnitude of the need for additional supply capacity in South Nepean, it is clear that it will not be feasible to address the need through additional conservation and local generation. Therefore, a new supply station and connection line are recommended for the South Nepean area.”⁴

Board Staff acknowledge these points in their submission; Pollution Probe does not.⁵

17. It is likewise necessary to underscore the context of the IESO’s Letter. The Letter represented the culmination of a dedicated public engagement that was undertaken based on the findings of the IRRP and the RIP. The purpose of this engagement was to engage the community on the options for supplying the forecast medium-term demand growth in the South Nepean area. Local Advisory Committee members generally agreed that there is a need to secure additional supply for the South Nepean area which could be achieved with the proposed Project.

18. While overlooking these key facts, Pollution Probe offers comments on other matters pertaining to reliability and service quality considerations. In several instances, Pollution Probe suggests that the IESO’s conservation and demand management (“CDM”) programs and upcoming Transitional Capacity Auction (“TCA”) could serve as viable alternatives for meeting the identified need.⁶ In addition, their submission insists the Project need should be validated by a more current letter from the IESO. Finally, in connection with the Applicants’ response to Board Staff Interrogatory #2, Pollution Probe recommends that the Applicants undertake to complete studies regarding longer-term supply options and file them with the OEB as soon as possible, in order to inform a more robust assessment of future options.⁷

³ Exhibit B, Tab 3, Schedule 1, Attachment 3, Page 3.

⁴ Exhibit B, Tab 3, Schedule 1, Attachment 3, Page 5.

⁵ Board Staff Submission, Page 4.

⁶ Pollution Probe Submission, Page 4.

⁷ *Ibid*, Page 5.

19. The Applicants disagree with this proposal. There is no basis for Pollution Probe to suggest that the IESO's CDM and TCA programs are viable alternatives to meet the identified need. Pollution Probe offers no detail regarding these programs and how or why they would be conducive to meeting the identified need more effectively. This deficiency is particularly obtrusive in light of the fact that the IESO's Letter (i) clearly indicated that it will not be feasible to address the need in South Nepean through additional CDM and local generation, and (ii) underscored the pressing nature of the need for an infrastructure solution.
20. Additionally, Pollution Probe misrepresents the finding in the Letter regarding the potential role of CDM in offsetting supply capacity in the area. Contrary to Pollution Probe's assertion that the Letter merely approaches the question from a perspective of increased spending, the Letter actually reports that "[i]n order to rely entirely on conservation initiatives to provide additional capacity, more than four times the currently targeted level would need to be achieved."⁸ This order of magnitude leap, in the amount of CDM required, is not simply a matter of "increased spending."
21. Furthermore, the IESO has intervened in this proceeding and has made no representations regarding the potential viability of CDM and TCA. Similarly, the IESO has neither presented, nor sought to present, any evidence to indicate that the April 2016 Letter no longer represents the authoritative source of information regarding the most cost-effective solution to meeting the identified need in the South Nepean area.
22. Pollution Probe also misrepresents the nature of Board Staff Interrogatory #2 and the Applicants' response thereto. The discussion of longer-term supply options was in the context of the potential conversion of the operational voltage of the S7M circuit. This matter will be the subject of future regional planning studies. At this time, there is no basis to link the completion of these studies with the assessment of need for the Project, or to imply that these studies will negate the evidence supporting the Project.
23. Finally, the Applicants wish to address the recommendation that the Board condition any approval of the Application on the Applicants providing an updated demand forecast on an annual basis as well as an explanation for any variance against the

⁸ Exhibit B, Tab 3, Schedule 1, Attachment 3, Page 5.

original forecast.⁹ The Applicants do not believe that Pollution Probe has made a compelling case in support of the imposition of such a condition. A condition of this nature would fall well outside of the standard conditions of approval that are typically appended to any decision rendered by the Board in leave to construct applications.

24. For the foregoing reasons, the submissions made by Pollution Probe in relation to matters of price, reliability, and service quality should be rejected.

Promoting the Use of Renewable Energy Sources, Where Applicable and Consistent with the Policies of the Government of Ontario

25. Pollution Probe submits that the Applicants failed to give due consideration to alternative options – in particular, CDM and distributed energy resources (“DERs”) – to meet the identified need.¹⁰ The submission characterizes this approach as being at odds with the direction of public policy in Ontario. In addition, Pollution Probe recommends that the Board condition any approval of the Application on the Applicants summarizing specific actions (e.g. funding support, barrier removal, projects development), support (e.g. CDM, technical or regulatory) and outcomes (i.e. reduced demand, increased DER capacity, and additional benefits aligned with the City of Ottawa’s Energy Evolution initiative) in their next rate proceedings.¹¹
26. The Applicants respectfully disagree with the positions set forth in the Pollution Probe submission. As an initial matter, there was an extensive evaluation of the potential role of DERs throughout the regional planning cycle, as well as the supplemental public engagement which followed the releases of the IRRP and RIP. The IESO’s determination that it was clearly not feasible to address the need through additional CDM and local generation was based on robust analysis of those options compared to the level of supply load needed immediately and into the future.
27. Moreover, this second appeal from Pollution Probe for the Board to include a condition in any approval of the Application suffers from the same deficiency as the first one. Consistent with their response above, the Applicants do not believe the imposition of such a condition is warranted, and that it will not add value to the Board in the determination of leave to construct applications in the future.

⁹ Pollution Probe Submission, Page 6.

¹⁰ *Ibid.*

¹¹ *Ibid.*

28. The PSN Project will not preclude the future promotion and use of renewable resources in the South Nepean area. On the contrary, as affirmed in the Applicants' interrogatory responses, the Project will support greater deployment of renewable resources, as the South Nepean MTS transformers have been specifically designed to accommodate injection of renewable energy into the local area's transmission system.
29. With respect to Pollution Probe's assertion that the Applicants' planning for this Project is out of step with provincial policy on renewable energy, the Applicants submit that this statement should not be ascribed any credence as it is highly subjective.
30. As a final matter, Pollution Probe notes that "[t]here are several proceedings under way that deal with issues such as DER and customer value."¹² The Applicants submit that several issues raised by Pollution Probe are better suited to examination through these consultations, and that pursuing them in the context of this Project's leave to construct proceeding is not the appropriate venue and may pre-empt outcomes from the policy development process.
31. For the foregoing reasons, the Applicants submit that the submissions from Pollution Probe in relation to the promotion and use of renewable sources are not appropriate and are not applicable to this particular Project, which is immediately needed to supply load to the South Nepean area.

Regional Planning Process

32. Pollution Probe's submission places significant emphasis on a perceived need for greater alignment between regional planning and local community energy planning.¹³ However, this is a misunderstanding of the regional planning process. The Board's Transmission System Code ("TSC") and Distribution System Code ("DSC") give formal structure to the process.¹⁴ A thorough overview of this process is included in the pre-filed evidence, in the IRRP¹⁵. In that document, the IESO explains there are

¹² Pollution Probe Submission, Page 8. The Applicants are inferring that Pollution Probe is referring to EB-2018-0287 and EB-2018-0288 (Utility Remuneration and Responding to Distributed Energy Resources) and EB-2019-0207 (Distributed Energy Resources Connection Review Initiative).

¹³ Pollution Probe Submission, Pages 3 and 8.

¹⁴ TSC, Section 3C. Regional Planning; DSC, Section 8 Regional Planning.

¹⁵ Exhibit B, Tab 3, Schedule 1, Attachment 1.

three types of electricity planning in Ontario: bulk system planning, regional system planning, and distribution system planning.¹⁶

33. The focus in Pollution Probe's submission on alignment with community energy planning has the practical effect of placing community planning on an equal footing with planning processes that are enshrined in OEB Codes. Such an approach is not appropriate in the context of OEB review of a leave to construct application.
34. To be clear, the Applicants are not casting aspersions on community energy plans, whether in regards to their inherent merit or as a value-added input into planning. The Applicants strongly believe that the parameters of the regional planning process, as codified in OEB regulation, need to be recognized and upheld in this proceeding. The Applicants acknowledge that the Board retains the prerogative to modify provisions of the TSC and DSC which govern regional planning. However, such action should be undertaken through a generic hearing or consultation, and should not be shoehorned into a specific leave to construct proceeding.
35. Finally, given the numerous references to the City of Ottawa's Energy Evolution initiative in Pollution Probe's submission, the Applicants feel compelled to clarify the record. First, Energy Evolution was launched in July 2015 – **after** a need had already been identified for additional supply capacity in the South Nepean area. Second, the development of Energy Evolution remains a work in progress, with Phase 1 approved in December 2017 and other key components yet to take shape. Both these facts, which are not mentioned by Pollution Probe, should serve to neutralize Pollution Probe's criticism that the Applicants failed to properly align their Project planning with Energy Evolution.
36. Based on the foregoing discussion, the Applicants submit that the credibility of the submissions made by Pollution Probe regarding postponement of this Project's approval and the suggested imposition of additional conditions are ill-founded and unnecessary. The need for this Project is supported by strong, objective evidence. Although Pollution Probe maintains that alternative options exist to meet the supply capacity need in the South Nepean area in an equally, if not more, cost-effective manner, its submission disregards the IESO's clear conclusions to the contrary and provides no compelling, evidence-based information in support of its assertions. Moreover, Pollution Probe has misinterpreted or misunderstood various aspects of the

¹⁶ Exhibit B, Tab 3, Schedule 1, Attachment 1, Page 17 of 64.

regional planning process as well as the appropriate scope of the Board's review of leave to construct applications. In addition, its submission misrepresents certain components of the evidentiary record.

37. In conclusion, the PSN Project is the most cost-effective solution to address the timeline and magnitude of the need identified by the IESO. Furthermore, the Project is in the interests of consumers with respect to price, reliability and quality of electricity service. The Project will provide increased reliability benefits to the South Nepean area, and will meet the immediate near-term and medium-term increased supply capacity required to accommodate increased customer load growth in the area.
38. The Applicants submit that the PSN Project is in the public interest and that the Application should be approved as filed. The Applicants would appreciate if the Board will be able to provide an expedited approval.
39. All of which is respectfully submitted.