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CANADIAN WIND ENERGY ASSOCIATION | ASSOCIATION CANADIENNE DE L'ÉNERGIE ÉOLIENNE

Toronto, August 11, 2008

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

Dear Ms. Walli:

RE: Transmission Connection Cost Responsibility Review
Submission of the Canadian Wind Energy Association (CanWEA)
Board File No.: EB-2008-0003

These are the submissions of the Canadian Wind Energy Association ("CanWEA") in respect of the Ontario Energy Board's Staff Discussion Paper "Generation Connections – Transmission Connection Cost Responsibility Review" (EB-2008-0003) (the "Discussion Paper").

CanWEA is a national, not-for-profit industry association that works on behalf of its members to promote the responsible and sustainable growth of wind energy in Canada. CanWEA has more than 340 members, including wind turbine manufacturers and component suppliers, wind energy project developers, owners and operators, and a broad range of service providers. CanWEA's activities in Ontario are guided by its Ontario Caucus, which consists of over 120 members.

POSITION OF CANWEA

1. Definition of Enabler Facilities (Question 2 in the Discussion Paper)

CanWEA does not object to the definition of enabler facilities as proposed in the Discussion Paper. CanWEA, however, would also be open to considering a broader definition as proposed by the Ontario Waterpower Association in its August 11, 2008 submission. CanWEA would also encourage the Board to ensure that there is clear terminology in relation to enabler facilities, both resulting from this consultation process and in the IPSP, and a consistent application of such terminology to avoid any ambiguity.

CanWEA will be making submissions to the IPSP proceeding regarding the actual facilities that are identified in the current IPSP as enabler facilities.

2. Timing of Construction of Enabler Facilities and Designation of Transmitter (Question 3 in the Discussion Paper)

First and foremost, CanWEA submits that the connection cost process should assist in meeting the Supply Mix Directive targets for renewable generation and truly enable the connection of such facilities by ensuring that the necessary transmission and distribution facilities are built as quickly as possible. A key tenet of any revisions to the Transmission System Code (the "TSC") resulting from this consultation process should be that any undue delays in construction must be avoided.

CanWEA has no preference as to who builds enabler facilities amongst the various options (i.e. only currently licensed transmitters and/or only licensed transmitters in their current service territory, any entity that becomes a licensed transmitter, or otherwise) as long as the designation of who builds is governed by a clear, fair, and efficient process that is not subject to challenge by players who are simply dissatisfied with the outcome of such designation process.

Board staff has indicated that the details of the transmitter designation process need to be developed beyond what is in the Discussion Paper. CanWEA submits that the proper development of this process is key to ensuring that the designation of a transmitter does not jeopardize the Board's stated objectives of regulatory predictability and administrative efficiency in regards to the connection of renewable generation facilities to the transmission system. CanWEA submits that the Board must be particularly mindful of these objectives when further developing the transmitter designation process.

Examples of unnecessary delays that could arise during the designation process are as follows: when one entity applies for a "leave to develop" (a new concept that has been introduced by certain participants in this consultation process) or a leave to construct, another entity intervenes and contends that it would be the better entity to develop or construct the particular enabler facility, and the Board takes a longer time as a result of such intervention than it otherwise would to designate the transmitter to build the facility; an entity appeals the Boards' decision on a leave to develop or leave to construct simply on the basis that it would be the better entity to develop or

construct, as the case may be; or if a particular transmitter is deemed to have the right to develop enabling facilities in a particular area but that transmitter is unable, for whatever reason (including lack of resources), to move expeditiously with such development and/or construction. CanWEA is also concerned about how the OEB would propose to run a RFP process to designate a transmitter and what criteria the OEB would apply to such designation.

Subsumed in this question of who builds enabler facilities is a significant policy issue for Ontario's electricity market – namely, will Ontario allow merchant transmission facilities. Above all, CanWEA wants to ensure that the debate that is sure to ensue surrounding this policy issue does not play out at the OEB level and delay the construction of enabler facilities.

3. Options for Cost Responsibility and Risk of Unsubscribed Capacity (Questions 5 and 6 in the Discussion Paper)

CanWEA submits that the pooling option would be the best option in terms of cost recovery and would be the option that would on balance meet the goals of the Supply Mix Directive and best achieve the Board's objectives of economic efficiency, regulatory predictability and administrative efficiency.

In terms of economic efficiency, CanWEA contends that the pooling option is the option outlined in the Discussion Paper that is the most likely to achieve the objective of "connection of renewable generation resources to the transmission grid in a cost effective and timely manner". Proceeding with an option where cost responsibility for transmission facilities to connect renewable generation rests with transmission ratepayers is, in the final analysis, the most cost effective for such ratepayers. If one starts with the premise that more renewable generation is going to be built in Ontario (given the Supply Mix Directive that is the starting premise), the pooling option is the most cost effective amongst the pooling, hybrid and shared options for Ontarians to pay for connection of such generation. Under the current market structure in Ontario, the costs of generation will ultimately be borne by Ontarians through the IESO's settlement mechanisms – as such, if the generator pays for the costs of connection, such costs will be built into a particular generator's price. CanWEA contends that it would be cheaper to pay for the costs of connection directly through transmission rates - transmission costs are recovered through a regulated rate over the life of the asset (typically 40+ years) as opposed to bid prices for generation facilities which

sometimes have higher rates of return than transmission assets and are paid out over a shorter period of time than transmission assets.

In addition, the pooling option is the option that is the most likely to promote a renewable energy business with both large and small players. Neither the status quo nor the shared options leads to such a result. Conversely, given that both such options require a lynchpin generator before proceeding, they would tend to encourage only large projects.

If the Board determined that the pooling option is not the best option, CanWEA submits that the next best option is the hybrid option. If the Board proceeds with the hybrid option, CanWEA submits that more analysis would be required to ensure that the allocation of connection costs was equitable to generators and did not result in an inappropriate cost burden on generators taking into account the overall system value and benefits to transmission customers of a particular enabler facility. Aside from general concerns that CanWEA has about potential inequities to generators of the hybrid option, CanWEA is particularly concerned about the following – the Discussion Paper does not provide any detail on how costs would be allocated if a large load were connected to a newly constructed enabler facility or if a newly constructed enabler facility were converted into a network asset. Clear rules should be developed to address both of these eventualities to ensure that the hybrid option indeed meets the stated objectives of economic efficiency, regulatory predictability and administrative efficiency. CanWEA would welcome the opportunity to participate in any future discussions on these matters.

CanWEA submits that neither the status quo nor the shared option would be workable, either in terms of achieving the Supply Mix Directive or balancing the Board's objectives of economic efficiency, regulatory predictability and administrative efficiency.

All of which is respectfully submitted on August 11, 2008.

R. Hornung

Robert Hornung
President