



P E T A W A W A R E N E W A B L E P O W E R C O R P O R A T I O N

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Attention: David Brown

August 11, 2008

Re: Consultation Process EB-2008-0003 Transmission Connection Cost Responsibility Review –  
Comment on Staff Discussion Paper

Dear Sirs:

Please find below our comments on the Staff Discussion paper of July, 8, 2008, the presentation delivered on July 22, and additional comments on the written submissions of GLPL (dated June 17, 2008) and Hydro One (dated May 26, 2008).

1. Focus of Discussion Paper

We believe that the focus of the discussion on cost recovery should extend to all the transmission projects which will ‘facilitate renewable energy development’ (as set out in the IPSP (IPSP, Exhibit E Tab 2, Schedule 2, page 1). Although the current IPSP only identifies three “Enabler Lines” (Goderich, Bruce, and Manitoulin), there are many more enabling and facilitation transmission projects identified in the IPSP:

- N-S transmission reinforcement
- Sudbury West
- Sudbury North
- East Nipigon
- East Lake Superior

(in addition to Goderich, Bruce and Manitoulin)

Our concern is that the ‘clusters’ of new renewable generation which is the focus of the above noted transmission facilitation and enabling projects will increase or decrease in their relative importance as time goes on. This fact is noted in the IPSP: “The mix [of renewable resources] will likely change as better opportunities present themselves...and as progress with the implementation of transmission enhancements and enabler lines becomes clearer” (IPSP, Exhibit B, Tab 1, Schedule 1, page 11). In other words, today’s preferred cluster may not get developed in a timely manner (due to local oppositions, planning and/or permitting frustrations, failure to win RFP bids, financing delays etc.), or may slip in its relative economic merit. We believe all

clusters should be considered simultaneously as the lead time for these transmission projects can be longer than lead times for most of the renewable projects.

As an example of two of the current planning ambiguities in the IPSP as it related to Enabling Facilities there are the East Lake Superior and East Nipigon situations. We note that an identified 'cluster', East Lake Superior, does not have the identified 'enabler line' allocated to it as ripe for progression (as are Goderich, Manitoulin and Bruce). The East Nipigon enabling transmission facility does not appear on the list of 'enabler facilities' even though in the oral discussion on July 22, we understood the planning for the line has commenced. We do not believe planning for this facility should commence without an appreciation of the totality of the renewable resources in this area. The facility cannot be 'right-sized'. This facility should be brought into the orbit of the Enabler Facility cost recovery discussion so that it can be developed consistent with other renewable transmission initiatives of the IPSP.

We note with some alarm the focus on southern Ontario private rights-of-way for two of the three Enabling Facilities, and the third having an anchor generation facility within an unceded First Nation and a route alongside other FNs. We believe there is a high degree of permitting risk with all three of these projects. The OPA's policy of pre-selection winning Enabling Facilities and associated clusters appears risky.

Although an Enabler Facility may be identified by the current IPSP, there is no assurance it will be constructed due to similar concerns noted above around the failure of cluster development. Ontario ratepayers could end up with stranded Enabler Facilities as well as stranded renewable energy clusters.

We believe that all clusters and all enabling facilities be allocated identical priority in the interest of economic efficiency – timely, cost effective development. The enabler facility development and cluster development could proceed in tandem. The renewable energy developer and the enabler line developer will have an interest to work together to have the /facility/ cluster 'bubble up' through the development process, maximizing renewable energy choice and minimizing development risk to the benefit of Ontario ratepayers. As an example, work on any one of the major transmission facilities, such as the N-S 500 KV facilities should not wait for a subsequent version of the IPSP to be prioritized as an 'Enabling Facility'. Lead times for such transmission projects are so long (as well as the associated larger scale renewable wind and hydro developments they will support) that initial development work could proceed immediately, maximizing project implementation flexibility. It would be unfortunate to be planning such large projects with 'backs against the wall' with no flexibility concerning construction schedules or in-service dates.

We support the submission of GLPL as outlined in their letter dated June 17, 2008, page 2: the effective way to coordinate this facility/cluster process is to have the OEB entertain applications from transmitters for a "leave to develop" process. We also support GLPL's suggested requirement list as to be included in such an application (page 3 of their letter), such as financial wherewithal, consistency with the OPA's plans, etc. The process would become applicant-driven and meritorious. Good applications will 'bubble-up'. The OPA would not be cast into the role of having to suggest and/or pick a winner – the OPA already manages a very high attrition rate in new generation selection. We feel it would not be in the best interests of Ontario's electricity transmission system were it to add to this burden by pre-selecting Enabler Facilities.

It appears that these concerns are beyond the narrow scope of the cost recovery issue in front of the OEB. We will therefore, if possible, be making submissions pursuant to the IPSP process that the IPSP has incorrectly and too narrowly identified Enabler Facilities in the current three year version of the IPSP.

## 2. Options

We believe the Pooling option provides a sound basis for economic efficiency, regulatory predictability and administrative efficiency. The Enabler Facility, and the associated regulatory proceedings, are managed by an interested transmitter (or transmitters, until one is selected), and the generators are bystanders to the process, relieving them of these responsibilities (although they will be interested in the outcomes). Such regulatory processes are usual for a transmitter, so a new regulatory proceeding should come as no surprise to them.

The Status Quo, Hybrid and Shared options presume varying levels of generator capital contributions. We believe that any level of generator responsibility is fraught with economic risk and regulatory delay. The reason we believe this to be the case is several fold: first, the selection of a generation is probably subject to a bidding process whose timing is uncertain; second, the development of the generator's project is uncertain (see risks identified above); third, many of the generators developing projects are independent thinly capitalized companies who may not have the funding wherewithal to carry out a capital contribution ahead of their own project's development. Finally, there is significant settlement risk with these generator developer companies, possibly transferring a credit risk to the transmitter, a less than ideal outcome.

We support the view of Hydro One (letter to the Board dated May 26, page 5) that the IESO play a role in the settlement process using existing processes. Transmitters and generators would be segregated from cost settlement issues (to the extent that generators may be charged, note not the case in the pooling option) and would not have a commercial relationship with each other.

We look forward to the evolution of the cost recovery review.

Yours sincerely,

Mark Bell  
President