

Ontario Energy Board

Transmission Connection Cost Responsibility Review Staff Discussion Paper

August 11, 2008

Ontario Power Authority Comments

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Background

The Ontario Energy Board (“OEB”) initiated a consultation process on January 4, 2008 to examine the issue of cost responsibility associated with the connection of generation and load facilities to electricity transmission systems. OEB staff released a Discussion Paper on Generation Connections (“Paper”) on July 8, 2008 and invited comments from interested parties by August 11, 2008. A session was held on July 22, 2008 where OEB Staff responded to questions on the Paper from interested parties.

OPA General Comments

An important part of the Ontario Power Authority’s (“OPA”) mandate includes power system planning for Ontario. The *Electricity Act* identifies the following in this regard:

to conduct independent planning for electricity generation, demand management, conservation and transmission and develop integrated power system plans for Ontario.

In addition to this legislative mandate, the Supply Mix Directive requires the OPA to:

Increase Ontario’s use of renewable energy such as hydroelectric, wind, solar and biomass for electrical generation. The plan should assist the government in meeting its target for 2010 of increasing the installed capacity of new renewable energy resources by 2,700 MW from the 2003 base and increase the total capacity of renewable energy sources used in Ontario to 15,700 MW by 2025.

In the Integrated Power System Plan (“IPSP”) the OPA identified a number of renewable resources, a proportion of which require development to meet the Supply Mix Directive’s 2025 target. In some cases those renewable resources are remotely located from the transmission system (“remotely located”) and face significant transmission-related barriers to being developed. The Paper articulates some of the challenges posed by remotely located renewable resource clusters.¹ In that regard, the IPSP identifies “enabler” transmission lines

¹ The IPSP pre-filed evidence (EB-2007-0707, Exhibit D, Tab 5, Schedule 1, page 23, lines 15 and 16 and page 24, lines 1 and 2) defines “clusters”, in reference to renewable resource opportunities, as follows:

“A cluster is a set of individual sites within close geographical proximity to each other, whose development could be facilitated by having the sites share a single connection line to the Ontario transmission network.”

The use of the term “connection”, within this definition, is not meant to be consistent with the “connection” term used for transmission cost allocation purposes.

as a possible solution to the challenges facing development of these resources. As noted in the OPA's IPSP evidence:

It is the OPA's view that the construction of enabler lines is necessary in order to meet the Directive's renewable objectives and that these enabler lines should be treated as network assets and the costs — at least the initial costs — should be socialized. This is necessary in order to facilitate the development of these wind resources and, in particular, to attract and promote competition among developers.

The OPA supports the Board's initiative to address obstacles facing development of remotely located renewable resources. As indicated in the IPSP evidence, the OPA supports the development of a mechanism to treat enabler transmission lines and related facilities² as a distinct category under the Transmission System Code. The *status quo* is not a tenable option.

The OPA's comments are organized according to the questions posed by OEB Staff in the Paper.

OPA Responses to Questions

- **Is it appropriate to change the current policies for the provision of generation connections as it applies to enabler lines?**

The OPA believes it is necessary to change existing policies on generation connections as they apply to enabler lines to address the unique challenges faced in the development of remotely located clusters of renewable resources. The current policy was originally structured to deal with large-scale generation developed by single proponents having facilities located relatively close to the transmission system. In order to ensure that remotely located areas with economic renewable resource potential are developed in a timely and cost effective manner, this policy framework must be changed to account for the unique characteristics and related opportunities and risks posed by these areas.

The areas requiring enabler lines and related transmission facilities are relatively distant from the transmission system and amenable to generation proposals from multiple proponents due to the wide-spread nature of the resource potential within these areas.

² Enabler transmission facilities may not necessarily be confined to transmission lines. For example, one of the options for enabling wind resources in the Goderich Area is the development of a new 500/230 kV transformer station in the area (refer to IPSP pre-filed evidence – EB-2007-0707, Exhibit E, Tab 3, Schedule 8, page 1, line 18). The use of the term “line” in this submission should be read to include both transmission lines and other relevant facilities.

A significant opportunity that arises from these characteristics is the ability to minimize generation costs, through the use of competitive procurement processes.

From a risk management perspective there are two key risks which must be managed. First the risk of delayed development must be mitigated, to ensure that the targets of the Supply Mix Directive are met. Second the risk of under-utilized (stranded) assets should be mitigated.

These characteristics (remotely located clusters), and the related opportunities and risks, were not factors in the development of the original policies for generator connections and it is therefore necessary to change the policies to ensure these new opportunities are maximized and the risks are mitigated.

The *status quo* approach with respect to generation connection under the existing Transmission System Code potentially poses significant barriers to the development of some renewable resources such that a number of clusters may not be brought into service, thereby increasing the risk of falling short of the targets specified in the Supply Mix Directive.

The Shared option outlined in the Paper poses possible obstacles to renewable resource development because generators will face uncertainty on the level of subscription for transmission capacity and what their ultimate transmission costs will be. This may reduce the number of bidders in a competitive procurement process and thereby decrease the beneficial effects of competition.

- **If so, do you agree with the definition of enabler lines as proposed and, in particular, that: (a) enabler facilities are those that serve multiple generation facilities with different owners; and (b) the revised policies apply only to those enabler facilities that are part of an approved IPSP?**

(a) The OPA is generally supportive of the proposed definition in the Paper.

(b) The OPA notes that flexibility may be created by not exclusively linking the identification of renewable resource clusters and enabler lines to an approved IPSP. In that regard, the OEB may want to consider additional flexibility in the development and application of the revised policies. For example, in addition to enabler lines identified in an approved IPSP, allowing interested parties to come before the OEB requesting an order designating additional enabler lines. Were flexibility to be added, the OPA recommends that additional designations ought to rely on the principles and criteria underlying enabler lines as outlined in the IPSP, including:

- Remotely located from transmission system;
- Clusters of potential renewable resources;
- Radial transmission line; and
- Multiple proponents.

This approach may allow additional enabler designations, subject to OEB oversight and approval, between IPSP filings.

- **Do you agree with the proposed process in the Pooling, Hybrid and Shared options that once the IPSP is approved, the Board should undertake a process to designate a transmitter as responsible for the development phase of the enabler facilities? If not, what process should the Board use to ensure that development work on the enabler facilities proceeds?**

The OPA does not take a position on the process that the OEB should use to initiate development work on enabler facilities. The key concern, from the OPA's perspective, is that development work on enabler facilities proceeds in a timely manner. If the OEB chooses to favour an applicant-driven process, then the OEB should be ready to proceed promptly on its own motion if no applicant moves forward in a timely manner.

- **Is the timing for the Request for Expressions of Interest and Request for Proposals relative to the stage of the development work on the enabler facilities appropriate?**

The OPA generally agrees with the timing proposed in the Paper, including those for different stages of the OPA's procurement process. The OPA intends to undertake a Request for Expressions of Interest process(es), the outcome of which ought to guide decisions on whether to initiate development work on particular enabler facilities. In addition, completion of the development work will likely serve as a logical trigger to begin the Request for Proposals process. However, the OPA retains the discretion to time procurement processes in a flexible manner in response to evolving circumstances.

- **Should the costs of the enabler line be recovered from transmission ratepayers or from generators?**

The OPA does not support the *status quo* approach or the Shared option outlined in the Paper since they do not address the potential barriers facing the development of remotely located clusters of renewable resources.

Both the Hybrid and Pooling options address the challenges described above and would assist in enabling the development of renewable resources. The OPA does not take a position on which of these options the OEB should proceed with in revising the Transmission System Code.

- **Should the costs associated with the unsubscribed portion of the enabler facility's capacity be recovered from transmission ratepayers (as in the Pooling and Hybrid options) or should they be paid by generators (as in the Status Quo and Shared options)?**

Since it is the OPA's position that the Hybrid or Pooling options best serve the development of remotely located clusters of renewable resources, the unsubscribed capacity of enabler facilities should be recovered from transmission ratepayers.