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BY ELECTRONIC MAIL AND REGULAR MAIL

August 13, 2008

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: IESO response to questions raised in the Staff Discussion Paper: Generation Connections, Transmission Connection Cost Responsibility Review, released by the Board on July 8, 2008

The Independent Electricity System Operator ("IESO") is supportive of building a diverse and robust renewable resource portfolio in Ontario and recognizes the need for enabler lines to connect the renewable resources identified in the IPSP. To assist the Board in its review, the IESO will comment on the value of continued monitoring of the treatment of enabler lines in other jurisdictions, the need to further discuss the issue of "end points" and provide responses to the questions raised in the Discussion Paper.

Treatment of Enabler Lines in Other Jurisdictions

Based on a review of the experiences and lessons learned in other jurisdictions, Board staff identified four common elements in the treatment of enabler lines: 1. resource area identification and approval; 2. determination of appropriate size and location of enabler facilities; 3. co-ordinated development of resource clusters and transmission; and 4. mechanisms to allocate risk and recover costs of transmission facilities. In order to ensure that Ontario appropriately benefits from the experiences of other jurisdictions, the IESO recommends that the Board continues to closely monitor their progress and update interested stakeholders. Caution must be exercised, however, in drawing conclusions given that each jurisdiction operates in a different context (with specific

operational, regulatory and market circumstances) and all are at a relatively early stage of development and implementation.

Whatever processes and policies are established to address the issues identified within the staff discussion paper, the Board should ensure that there is sufficient flexibility to allow for modifications as experience is gained or to respond to drivers such as new government directives that might modify the investment targets for renewable resources.

End Points of Enabler Lines

To date there is a lack of clarity around the end points (the generator connection) of the enabler lines. Given that end point location could have a considerable impact on the costs of an enabler line and, perhaps more significantly, the costs borne by specific generation projects, the IESO suggests that further discussion on this subject is required.

Our comments on the specific questions raised by the Board staff are provided below:

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

Yes. There is currently no provision for enabler lines in either legislation, Transmission System Code or the market rules. The legislation and market rules refer only to the "connection facilities" which connect generators to the grid. Such facilities represent significant incremental costs to the generator and a real barrier to project development. Hence, it is important that current policies be revised to accommodate the enabler line concept and promote the economic development of remote renewable resources. Enabler lines are an essential component in facilitating the government's directives to (i) facilitate the development and use of renewable energy in those parts of the Province where the most significant development opportunities exist; and (ii) increase the total capacity of renewable energy resources used in Ontario to 15,700 MW by 2025.

2. 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?

We generally agree with the definition of enabler lines, however, the use of the word "radial" is too restrictive. In order to economically connect a number of the remote resources enabler lines could have a minimal network configuration, such as in the case of a ring bus topology. In other cases, it may be economical to have a network topology. Defining enabler lines only as radial lines would limit the inclusion of these types of lines.

We do not agree with the Board's assessment that the alternate options are only applicable if there are multiple generator proponents. The critical determinant for an

enabler line is not so much whether there are multiple proponents but rather the OPA's determination of the need to meet the government's directives.

We agree that the revised policies should be applicable to the enabler lines that are part of an approved IPSP. This helps to ensure coordinated planning and development of these facilities. However, since the IPSP reviews are conducted every three years, we recommend that the new policy provide sufficient flexibility to proceed with the planning and development of additional enabler lines, if and as necessary, during the interim period.

There needs to be some clarity around who would be best positioned to size the capacity of the enabler line and what criteria that they would use to make this assessment. What would be considered an appropriate level of certainty surrounding resource development opportunities in a cluster? We believe that the OPA is best positioned to determine these factors.

3. 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?

In considering this question, it is important to note that that there are two possible situations; one in which the enabler line is intended to simply transmit electricity to the grid, and the second in which there will be both generation and load connections and also has aspects of a network facility. In the first case, the IESO supports the Board developing a cost effective and efficient regulatory process to designate a transmitter. In the second case operational complexities and market inefficiencies may be introduced by moving to a multiple transmitter model for enabler lines that serve both generation and load. For example, it is anticipated that outage programs would require more coordination, in both the planning and operating domains, for the IESO, transmitters, generators and load. The added complexity of these activities would likely lengthen planning timelines with potential operational impacts.

The IESO's outage process is driven by a time-stamp methodology, in which outages that can be accommodated while maintaining a reliable system receive approval. As required under the Market Rules, the IESO does not coordinate outages to improve economic efficiency. It is assumed that generators and transmitters coordinate their work schedules throughout the outage process timeframe to achieve the economic outcome. Achieving this economic efficiency could be become much more problematic if the number of parties in the conversations were to increase unduly.

Considering these potential impacts of a multiple transmitter model it would be appropriate for the OPA to develop a cost benefit assessment to determine the appropriate mechanism to select the transmitter.

4. 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 IESO would expect that the OPA have assessed interest as one factor in proposing particular enabler lines in an IPSP. While some update to that work may be required, the goal should be to efficiently move to the development stage.

5. Should the costs of the enabler line be recovered from transmission ratepayers or from generators?

Of the four options discussed the hybrid and pooling options would more effectively address the barriers to implementing enabler lines which contemplate recovering all, or a portion, of the costs through transmission rates.

6. 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)?

The unsubscribed portion of the enabler facility's capacity should be recovered from the transmission ratepayer rather than being paid for by the generators themselves. As additional generators are connected to these facilities, costs can be allocated to them on a pro-rata basis as proposed in the Discussion Paper. This would mitigate generator risk and credit exposure, should additional generation not materialize.

The IESO appreciates the opportunity to provide comments on the Board Staff Discussion Paper and at the recent question and answer session.

Respectfully submitted,

Nicholas Ingman
Manager
Regulatory Affairs