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BY ELECTRONIC MAIL AND REGULAR MAIL

December 01, 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: Independent Electricity System Operator ("IESO") response to proposed changes to the Transmission System Code ("TSC") issued by the Ontario Energy Board ("Board") on October 29, 2008

I. Introduction

The IESO thanks the Board for the opportunity to provide comments on the proposed changes to the TSC to incorporate the definitions of enabler facilities, and renewable resource cluster and the "Hybrid" cost recovery mechanism for such enabler connection facilities.

II. Background

In a staff paper issued by the Board on July 8, 2008, the Board staff highlighted four options to establish transmission connection cost responsibilities for "enabler" facilities. The IESO provided comments to the Board staff paper on August 13, 2008.

The Board is now proposing amendments to the TSC to incorporate enabler facilities under this cost recovery option. The amendments include:

- A definition of "enabler facilities" and an associated new definition of "renewable resource cluster";
- Changes to the TSC supporting the "Hybrid" option cost allocation responsibility; and
- Changes to enable transmitters to construct such enabler facilities.

III. Comments on the proposed TSC Amendments

The IESO is generally supportive of the Board suggested changes to the TSC and its selection of the "Hybrid" model and offers the following comments:

- The definitions provided by the TSC amendment for "enabler facility" (Section 2.0.28A) and "renewable resource cluster" (Section 2.0.57A) seem to address the intent and requirement of the amendment. The IESO understands that under the existing TSC definitions, by defining enabler facilities as a connection facilities (i.e.; line or transformation), does not preclude consumers of energy from connecting to such facilities. In other words, the scope of such facilities includes both load and generation which we believe is appropriate.
- The amendments to Sections 6.3.3, 6.3.4, 6.3.8, and 6.3.8A seem appropriate.
- The IESO is not clear on the Board's suggested changes to Sections 6.3.10 and 6.3.14A. The cost allocation amendments indicate that the pro-rata share of a generator customer will be dependent on the ratio of the nameplate capacity to the total capacity of the enabler facility. It is not clear how the total capacity of the enabler facility will be determined or how the nameplate capacities of individual generators would contribute to the total capacity of the facility while pro-rating the aggregate allocation cost. The Board must clearly establish and stakeholder a process for determining the capacities of the enabler facilities and the pro-rata cost allocation share of individual resources in the cluster. An effective, transparent and inclusive stakeholdering process up front

could ensure that enabler facility ratings, once determined, would not be contested by a particular resource in a cluster.

- The amendments to Sections 6.5.1A and 13.0.2 seem appropriate.

IV. General Comments

- Since the issue of load and generation connections are strongly related, the IESO recommends that the Board release its white paper on the subject of cost allocation to loads at the earliest opportunity. This would help the IESO and others understand the issues behind load connections and how cost responsibility would be allocated to loads connecting to enabler facilities.

- The IESO understands that a single entity, the "designated" transmitter, once chosen will be responsible for both the development and construction of the enabler facilities. However, the IESO is not clear how the Board plans to designate the transmitter. It is recommended that this process be defined by the Board as part of the TSC review and amendments process in order to avoid delays or inefficiencies in the designation of a transmitter and by implication the development and construction of the enabler facilities.

- The development and construction of enabler facilities is a lengthy process and involves coordination, through a central entity, of all the parties involved. The IESO is concerned that without further detail being prescribed in the TSC the development and construction of enabler facilities would be unnecessarily complex, lengthy, and financially risky. In this regard it is submitted that the Board may wish to address the following issues:

    a. Lack of clarity of the OPA's role in the process - The Board has not clearly established the role of the OPA in terms of coordination or in analysing and establishing the capacity of the enabler facility.

b. Lack of risk mitigation plans - Due the complex and lengthy nature of the process, the transmitter and generator proponents are likely exposed to significant financial risk throughout the process. The transmitter is particularly at risk should the generator resources fail to proceed resulting in the stranding of the enabler facility. The Board should address the issue of risk mitigation in the process.

c. Potential inefficiencies - The IESO is concerned that the two-step approach suggested by the Board – i.e. the development (Transmitter Designation) phase and the construction (Leave to Construct) phase - will add to the complexity and length of the process.

- It is recommended that the Board address the concern, previously identified by the IESO, regarding the end points of enabler lines. Given that the 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. To the extent possible, the placement of enabler lines should provide non-discriminatory access and a financially and technically equitable solution to all proponents of the renewable resource cluster.

Respectfully submitted,

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