Joint Comments from Wikwemikong First Nation, and the Ontario Sustainable Energy Association (WFN/OSEA)

Comments on Proposed Amendments to the Transmission System Code - Board File No.: EB-2008-0003

Dear Madame Board Secretary:

We are pleased to provide our response to the Board's proposed amendment to the Transmission System Code (the "**TSC Amendments**") with respect to enabler line cost responsibility.

We applaud the Board's decision to look beyond "IPSP approved" enabler lines for candidates of a new model for transmission cost responsibility. Our initial comments reflected this concern as we strongly believe that the TSC Amendments should facilitate and support the development of a broad range of options to increase renewable generation in Ontario.

Our comments on the TSC Amendments are summarized as follows:

1. We disagree with the choice of the Hybrid model over the Pooling model. A Pooling model would be more responsive to the improvement of transmission capacity within the "orange zones" in northern Ontario and other parts of the province where development is limited. Accordingly, a Pooling model is in keeping with the new requirements of the Supplementary IPSP Directive.
2. In our view, the Hybrid model does not present a sustainable business model for new transmitters; and
3. It is not clear what threshold of line capacity would have to be committed before an enabler line would qualify for this new cost treatment.

1) Hybrid over Pooling

We have concerns about the timing of cost allocation with the proposed Hybrid model. The TSC Amendments do not specify when the generator would be expected to pay for these costs. So the relationship as between when the generator pays for its share of the line costs and when it obtains a Power Purchase Agreement ("**PPA**") remains undefined. Ideally, energy pricing happens much closer to the end of the completion of the transmission line.

In its assessment of the Pooling option, the Board points to an inequity that would be created between Status Quo projects and projects within a Pooling scenario. According to the Board, this would introduce a systemic bias against large single proponent bids in normal RFP procurement processes, which in the Board's view is undesirable. In our view, this reasoning is not persuasive enough to preclude future use of a Pooling model under certain circumstances. It would be too short-sighted for the Board to only consider the Hybrid option and not also be able to deploy a Pooling model where it is necessary to ensure effective and efficient renewable energy deployment. Consider that there may also be merit to a pooling model in the far north in order to encourage transmitters to bid for projects and to ensure deployment of renewable energy sources in order to ensure timely electrification of the far north.

The Board correctly sees the Pooling option's main virtue of removing the lead responsibility for the transmission line development from the generator, and solving the coordination problems associated with the status quo. For this reason, the pooling option provides stronger incentive for transmitters to respond to opportunities to develop enabler facilities. In our view, the Board must be mindful of the Supplementary IPSP Directive and consider the benefits to stimulating development of enabler of variying sizes by way of the Pooling model. Municipalities, Co-operatives and First Nations could use this model of transmission development to stimulate economic development in the form of generation projects and possibly new load customers and to electrify those communities that are not currently connected to the grid.

2) Hybrid Model is not a viable business model for transmitters.

In our view, there is a lack of incentive for transmitters to build enabler lines as the Hybrid model contemplates that they would ultimately dilute their total asset ownership to generators who would tie into the line. The transmitter's tariff revenue from the asset would be temporary, and given this, there is no compelling reason to undertake the long processes associated with developing transmission lines. We think few transmitters will be attracted to these projects. We are concerned that by limiting the transmitters business to project management services once the enabler line is fully committed would be to reduce incentive to engage in this business opportunity.

3) What committed capacity will be required in order to build an enabler line?

We are unclear about the evaluative process to select enabler lines. The Board provides neither selection criteria nor any details about this process. Will there be a pre-commitment percentage requirement? Assuming this is the case, we have serious concerns about forcing community proponents to build to full potential capacity. What happens if the market calls for a phased in approach? Will an enabler line candidate be forced to build to its total capacity in order to get a commitment? What if a generator has a large potential yet it does not have the ability to pre-commit all of its capacity up front? For these reasons, we strongly feel that a pre-commitment qualifier must be flexible enough to address these site specific issues and allow development to proceed according to market forces and not by only an arbitrary percentage. In other jurisdictions such as Texas, the enabler lines are evaluated as to the quality and extent of the renewable resource at the end and not on the quantity, quality and extent of the generation proponents. We agree with this approach. Without a better understanding of the selection criteria, we are concerned that there may be inherent prejudice to new proponents, First Nations and local municipal bodies who are biding for projects in contrast to other established proponents.

OSEA's Model for Transmission Development

As mentioned in our initial submission, we feel strongly that smaller enabler lines can also contribute to Ontario's renewable energy capacity requirements. It is OSEA's view that these lines could be built in a 12-24 month timeframe based on examples from other jurisdictions in Canada. We proposed a tariff based approach to costing in which a lead generator takes on the role of transmission proponent, with standardized unit prices for a proposed line based on location and terrain, and the resulting tariff would be embedded within the generator's PPA. The line could be built to defined minimum standards and excess capacity would be provided to other generators at no cost. Any variance from the standard cost could be justified by the developer only upon completion by a review process to consider unforeseen aspects of the project. A tariff adjustment formula could be embedded pro-forma into the PPA rate and any allowed adjustment amount need not necessarily be a full dollar-for-dollar award to the developers if the enabler line was more expensive than originally proposed. This puts the outcome in the hands of the generators and the risks would be reasonably shared between ratepayers and generators for unforeseen outcomes.

This model is in effect the Pooling option brought down to a smaller scale.

Contrast this with the current process where the transmission line is assessed for costs in great detail by a transmitter who has been awarded the exclusive privilege of the project and then the full cost is effectively passed back to the ratepayer by means of the tariff. This amounts to a cost plus approach, notwithstanding that the transmitter's final cost may deviate from the plan. So much time and effort is expended in the cost assessment process that the effect is to pretty well eliminate cost risk and then transfer the full cost back to the ratepayer along with an agreed profit to the transmitter. We don't think that is an appropriate model for smaller enabler lines that can be built in short time frames.

Conclusion

We feel that the Hybrid model will not sufficiently address the Supplementary IPSP Directive requirements to improve transmission capacity. We think the Pooling option is better and a wider spectrum of enabler line sizes should be given greater consideration. The Pooling option in our judgement appropriately positions the risks, opportunities and cost responsibilities in the lap of the ratepayer. We support the Pooling option as it is closer to the vision we see for Ontario's power networks.

In closing, we envision the Status Quo option continuing to co-exist with the proposed Pooling/Hybrid options. The Status Quo option can remain appropriate in many cases and it should be an option for those proponents who can manage the extensive burdens of developing both generation and transmission within one project.

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