

May 6, 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 the Ontario Energy Board (“Board”) comments and proposed changes to the Transmission System Code (“TSC”) issued on April 15, 2009

I. Introduction

The IESO thanks the Board for the opportunity to provide comments on the proposed changes to the TSC to incorporate additional changes based on comments received by the Board previously. The IESO agrees with the Board that the overall process should be flexible but requests that the Board provide additional clarity on a few issues including the transmitter designation process and treatment of line losses associated with enabler facilities.

II. Background

The Green Energy Act of 2009 amends the Ontario Energy Board Act, 1998 and incorporates additional objects for the OEB:

- To promote the conservation of electricity;
- To facilitate the implementation of a smart grid in Ontario, and
- To promote the use and generation of electricity from renewable energy resources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

The OEB Act was also amended to mandate that the OEB will take steps as specified in Ministerial directives relating to the connection of renewable energy generation facilities to a transmitter's transmission or a distributor's distribution system and that it may amend the licence conditions of distributors, transmitters, and other licensees in order to meet the directives.

In response, the Board has proposed additional changes to the TSC based on the above-mentioned additional objects and stakeholder comments received by the Board during its previous comment period (December 2008) on the issue of transmission cost allocation for enabler facilities.

III. Response to Board Comments

- The Board remains of the opinion that there will be a "transmitter designation" process in which the designated transmitter would develop the enabler facility plan. The Board expects that the "designated transmitter" would then go on to the "leave to construct" phase but does not want to confirm this, at this point, and wants to retain its flexibility. The IESO believes that the Board should provide clarity up-front on the specific circumstances under which there would be separate entities involved in the development and construction process.
- The Board has indicated that line losses for enabler facilities will be settled through existing IESO mechanisms through uplift charges. However, existing IESO procedures account for a single entity or customer behind a delivery point ("DP"). It is not clear how the Board will define a DP for an enabler facility. Will the Board define the DP as the interconnection point of the resource or as the point where the enabler facility meets the transmission network? If it is the latter, then the Board will have to determine an appropriate method for allocation of losses among all the entities. The IESO believes that the Board should provide clarity on the treatment of line losses for multiple resources connected to enabler facilities.
- The Board believes that the end-point of an enabler facility should be determined as part of the leave to construct process. However, the sequence of activities chart for the Hybrid Model indicates that the request for proposals ("RFP") for generators would be between the development and leave to construct stage. This period extends for at least 6 months. During this RFP period, it is important that generators have an approximate idea of where the end point is located so that it can factor this aspect into its costs accordingly. The IESO suggests that the end-points should be made clear during the development stage as it removes ambiguity for generators wishing to connect.

IV. Response to proposed TSC Changes

- Section 6.3.10 is amended to confirm that security deposits are not payable in relation to the construction of enabler facilities. The IESO is concerned with this amendment because security deposits, as stated by the Board itself, do provide some measure of risk mitigation against entities which show initial interest but fail to develop and connect to the enabler facility.
- Section 6.3.16A is revised to state that no capital contribution is required by a load facility that connects to an enabler facility (apart from the modifications required to enable the connection

which would be paid by loads as in the current process). The Board, in its staff paper, seems to indicate that loads connecting to enabler facilities would get a “free-ride”, by not paying associated transmission charges, as compared to loads connecting to the transmission facilities. The IESO through its subsequent consultation with the Board believes that this is not the case. However, to ensure that all stakeholders understand the issue, the Board needs to provide additional clarity on what payments will be made by loads connecting to enabler facilities and how they form part of the transmitter rate base.

- The board, through revisions to sections 2.0.28A and 2.0.57 has revised the definitions of “enabler facility” and “renewable generation”. The IESO is supportive of the definition changes as the Board’s reasoning that these definitions need to be consistent with the definitions under the Electricity Act.
- The Board is proposing to revise section 6.3.14A of the Code to specify that a generator’s pro-rata share of the cost of an enabler facility is to be determined based on the depreciated cost of the facility at the time of the generator’s connection. The IESO agrees with the Board argument that an enabler facility will be included in the transmitter’s rate base and as such, the enabler facility’s depreciation expense will be paid for as part of the rates. Charging generators for depreciation costs would only amount to double recovery of these costs, as noted by the Board.

Respectfully Submitted,

/s/Nicholas Ingman

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