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CANADIAN WIND ENERGY ASSOCIATION | ASSOCIATION CANADIENNE DE L'ÉNERGIE ÉOLIENNE

July 7, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St., Suite 2700
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

RE: Staff Discussion Paper on The Regulatory Treatment of Infrastructure Investment for Ontario's Electricity Transmitters and Distributors (EB-2009-0152) - Submission of the Canadian Wind Energy Association

These are the submissions of the Canadian Wind Energy Association ("CanWEA") in respect of the Ontario Energy Board's (the "Board's") consultation process on innovative approaches to cost recovery for electricity infrastructure projects (the "Consultation Process"), Board File No. EB-2009-0152, for which the Board issued its *Staff Discussion Paper on The Regulatory Treatment of Infrastructure Investment for Ontario's Electricity Transmitters and Distributors* (the "Discussion Paper") on June 10, 2009.

CanWEA is a national, not-for-profit association that works on behalf of its members to promote the responsible and sustainable growth of wind energy in Canada. CanWEA has more than 420 members, including wind turbine manufacturers and component suppliers, wind energy project developers, owners and operators, and a broad range of service providers. CanWEA's activities in Ontario are guided by its Ontario Caucus, which consists of over 100 members.

CanWEA and its members generally support the Board's efforts to pursue alignment with the direction taken by the Federal Energy Regulatory Commission ("FERC") in FERC's Order No. 679. Better alignment with the range of incentives available under FERC Order No. 679, which applies to all public utilities within FERC jurisdiction, reflects a recognition that Ontario needs to do more to attract the level of investment in Ontario's transmission and distribution infrastructure that will be necessary to support development of significant renewable energy supply.

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CanWEA and its members also applaud the Board for its efforts in reconciling the competing objectives that will be contained in section 1 of the *Ontario Energy Board Act* (the “Act”), once the amendments to the section under the *Green Energy and Green Economy Act* (“GEGEA”) come into force.

Our comments are as follows:

1. Strong support for accelerated cost recovery and incentive mechanisms

CanWEA strongly supports the accelerated cost recovery mechanisms presented in section 3.2.4 of the Discussion Paper. In particular, these are the inclusion of construction work in progress in rate base prior to the asset coming into service, as well as allowing for adjustments to be made to depreciation to reflect contract terms rather than the useful life of the asset. CanWEA also strongly supports the incentive mechanisms presented in section 3.2.5 of the Discussion Paper, which include ROE incentives, or “adders”, to encourage investment by making projects more attractive and therefore more likely to be implemented, as well as allowing project-specific capital structures so as to provide enhanced flexibility with respect to financing arrangements. From CanWEA’s perspective, any efforts to scale back or place limitations upon any of these accelerated cost recovery mechanisms or the incentive mechanisms would be unwelcome as this would detract from the Board’s underlying objective of promoting the timely expansion and reinforcement of transmission and distribution systems to accommodate the connection of renewable energy generation facilities.

2. Concerns for inconsistent treatment of transmission and distribution connections

CanWEA strongly supports the direction the Board has taken to recover at least part of the distribution upgrade costs through the regulated rate base. However, at the same time, we feel obliged to point out that generators who seek to connect their projects directly to a transmission system may be discriminated against relative to generators who seek to connect their projects to distribution systems. This would be the result of the Board’s previous move towards the hybrid model under the Transmission Connection Cost Recovery Review proceedings.

As the share of costs that would fall to a generator in connecting to a transmission system will be significantly higher than for a generator connecting to a distribution system, the Board may unintentionally be creating a significant disincentive that could deter development of some renewable energy projects.

For instance, a project that would be viable under the cost allocation methodology proposed under the Distribution System Code may, due to geography or other reasons, need to connect to a transmission system via an enabler facility. In this case, the greater costs associated with connecting to the enabler facility may render the project uneconomic. Therefore, CanWEA invites the Board to reconsider its previous position with respect to transmission connection cost responsibility in light of the *Green Energy and Green Economy Act, 2009* so as to align the cost recovery mechanisms for both distribution and transmission investments to attain a level playing field for renewable generators.

All of which is respectfully submitted on July 7, 2009.

CANADIAN WIND ENERGY ASSOCIATION

A handwritten signature in cursive script that reads "R. Hornung".

Robert Hornung
President

cc: Valerie Helbronner, Torys LLP