



By E-mail

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Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto ON M4P 1E4

Borden Ladner Gervais LLP
Lawyers • Patent & Trade-mark Agents
World Exchange Plaza
100 Queen Street, Suite 1100
Ottawa ON K1P 1J9
tel.: (613) 237-5160 fax: (613) 230-8842
www.blgcanada.com

PETER C.P. THOMPSON, Q.C.
direct tel.: (613) 787-3528
e-mail: pthompson@blgcanada.com

Dear Ms Walli

**Release of Staff Discussion Paper and Information on Cost Awards
Transmission Connection Cost Responsibility Review
Board File No.: EB-2008-0003
Our File No.: 339583-000003**

We are writing on behalf of our client, Canadian Manufacturers & Exporters (“CME”), to provide comments on the July 8, 2008 Staff Discussion Paper entitled “Generation Connections – Transmission Connection Cost Responsibility Review” (the “Discussion Paper”).

The focus of the Discussion Paper is “enabler lines” being defined as facilities that serve multiple generation facilities with different owners. In its Integrated Power System Plan (the “IPSP”), the Ontario Power Authority (“OPA”) refers to “enabler lines” as dedicated radial transmission lines to connect clusters to the grid. “Clusters” are geographically specific areas which appear to have good potential for development of wind and other renewable resources.

The Discussion Paper evaluates various options for allocating between transmitters, as regulated utilities, and generators, as competitive market participants, the responsibility for constructing and paying for “enabler lines” and the recovery of such costs from electricity consumers.

The evaluation criteria applied in the Discussion Report, with a view to assessing the overall public interest of each option, include economic efficiency and regulatory predictability and administrative efficiency.

The four (4) options identified and evaluated in the Discussion Paper are as follows:

1. The Status Quo Option, where the generator builds and pays for the “enabler lines” and recovers such costs from electricity consumers through the unregulated prices it charges for electricity;
2. The Pooling Option, where a regulated transmitter builds and pays for the “enabler lines” and recovers such costs from electricity consumers in the “rolled-in” regulated tolls it charges for electricity transmission;
3. The Hybrid Option, where a regulated transmitter builds and pays for the “enabler lines” but recovers such costs primarily from generators by way of a partial contribution-in-aid of construction. The generators will recover costs they incur in the unregulated prices they charge for the electricity they generate. Regulated transmitters will recover the portion of the costs they incur in the “rolled-in” regulated tolls they charge for transmission; and
4. The Shared Option, where the regulated transmitter builds and pays for the “enabler lines” and recovers these costs from generators by way of a full contribution-in-aid of construction. The generators will recover these contribution-in-aid costs in the unregulated prices they charge for their electricity.

The Board asks stakeholders to structure their comments as responses to six (6) specific questions. CME’s comments on the six (6) questions the Board poses, which are set out below, are preliminary in the sense that CME requires a better understanding of the estimated impacts of the costs of any particular “enabler lines” on Ontario electricity consumers, compared to prices being paid by manufacturers located elsewhere, before finalizing its position on the transmission cost responsibility option which best serves the overall public interest.

The objectives of CME’s 1,400 Ontario manufacturer members, which inform this preliminary response to these questions, include their need for secure supplies of electricity at prices which are reasonably stable and predictable and, most importantly, competitive with electricity prices being paid by their manufacturer competitors located in places outside Ontario.

We believe that a follow-up Board-managed Stakeholder Conference of the type recently held in the 3rd Generation Incentive Regulation for Electricity Distributors proceeding might help CME obtain for its members a better understanding of the consumer impacts of various “enabler lines” scenarios which might reasonably be expected to materialize.

In this context, CME’s preliminary responses to each of the questions the Board asks stakeholders to consider are as follows:

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

CME believes that it is appropriate to consider such changes.

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?

At a conceptual level, CME has no reason, at this time, to question the manner in which enabler facilities have been defined. Comments from other stakeholders could prompt CME to re-consider this preliminary position.

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 enable facilities? If not, what process should the Board use to ensure that development work on the enabler facilities proceeds?

At a conceptual level, CME has no reason, at this time, to question the proposed process for designating a transmitter as responsible for the development phase of the enabler facilities. Comments from other stakeholders could prompt CME to re-consider this preliminary position.

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?

At a conceptual level, CME has no reason, at this time, to question the appropriateness of the timing suggestions contained in the Discussion Paper. Comments from other stakeholders could prompt CME to re-consider this preliminary position.

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

Electricity consumers will ultimately pay the costs incurred to construct and operate enabler lines under each of the cost responsibility options identified and evaluated in the Discussion Paper. A determination of the cost responsibility option which best serves the overall public interest cannot be made before considering the total costs involved and their probable impact on consumers compared to the electricity prices being paid by consumers located outside Ontario.

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)?

Some evidence of probable consumers impacts is required before a determination is made, in the overall public interest, of the most appropriate way to allocate between regulated transmitters and unregulated generators the costs of owning and operating the portion of enabler facilities which remains unutilized.

Please contact me if the Board requires any clarification of these comments.

Yours very truly,

A handwritten signature in black ink, appearing to read "P. Thompson", with a long horizontal flourish extending to the right.

Peter C.P. Thompson, Q.C.

PCT\slc

c. Paul Clipsham (CME)
Vince DeRose & Nadia Effendi (BLG)

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