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BY COURIER

December 1, 2008

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

Dear Ms. Walli:

EB-2008-0003 – OEB’s Proposed Amendments to the Transmission System Code Relating to Generation Connections and Enabler Facilities – Hydro One Submission

Introduction

On January 4, 2008, the Ontario Energy Board (the “Board”) initiated a policy review on the subject of cost responsibility for transmission connections. The Board subsequently released a Notice of Proposal on October 29, 2008, to amend the Transmission System Code (the “Code”), in which the Board proposes to define a new class of connection facilities, called *Enabler Facilities*, that would be subject to a *Hybrid Model* for cost responsibility and a new *Transmitter Designation Process* for the development and construction of such facilities.

Hybrid Option

The Hybrid option proposed by the Board assigns a portion of the enabler facility costs to the pool. Hydro One supports the sharing of the pooled costs among all electricity ratepayers.

Identification of Enabler Facilities

Hydro One supports the Board’s proposal that radial transmission lines facilitating the connection of remote renewable generation clusters are identified as enabler facilities through either an approved Integrated Power System Plan (“IPSP”) or a Ministerial Directive. It is Hydro One’s view that the question of “need” in relation to such enabler facilities is inherently addressed in such identification – i.e. the need for an enabler facility is already established and tested by virtue of its inclusion in an approved IPSP or Ministerial Directive and, therefore, should not be re-visited in subsequent proceedings.

Improved Process Efficiency

The various Directives issued by the Minister of Energy (as noted on page 1 in the Board’s *Notice of Proposal*) highlight the urgency associated with meeting the government’s policy objective of promoting the timely and efficient development of renewable generation resources, in accordance with the Supply Mix Directive.

Hydro One commends the Board for streamlining the overall process for the development and construction of enabler facilities by eliminating the dependencies on steps such as the Request for Expressions of Interest (“REI”) and Request for Proposals (“RFP”). Hydro One agrees that an approved IPSP, or a Ministerial Directive, should be sufficient to proceed with the development of an enabler facility without the need to await further confirmation from generators.

Hydro One further agrees with the Board’s proposal that an enabler facility be constructed by the same licensed transmitter that performed the development work for that facility.

Transmitter Designation Process

In Hydro One’s view, the key issue in designing the process for the development and construction of enabler facilities is the trade-off between streamlined, efficient processes and informed decision-making. Hydro One believes that the selection of a transmitter for the development and construction of an enabler facility should take place early in the process. Furthermore, the manner in which regulatory decisions are rendered should be transparent. Finally the process, and the results of the process, should deliver value for money to ratepayers.

The part of the overall process presenting the greatest risk to the timely connection of renewable generation is the new and untested transmitter designation process. In designing a process to identify and designate a transmitter, Hydro One suggests that careful consideration be given to the following:

- The transmitter designation process should focus on the project proposal. Naturally, the Board would need to ensure that only project proposals by qualified transmitters are considered. Applicable criteria would include:
 - Project cost
 - Project schedule
 - Technical innovation
 - Project risk
 - Transmission licence
 - Financial viability of the corporation
 - Experience in Ontario
 - Technical expertise and industry leadership
- The design, construction, and operational and maintenance standards for the enabler facilities require careful consideration.
- A competitive process involving multiple parties utilizing limited expert resources on pre-development work for the same project has the potential for duplication and inefficiencies.

- Effective and efficient First Nations and Métis consultation.
- Avoid duplication in Environmental Assessment activities.
- Efficient land acquisition.
- The approach to the ordering of long lead time materials, in light of the uncertainty as to which transmitter might be selected or which transmitter's design and standards would apply.

The introduction of more steps generally leads to more delay. Protracted delays to a project due to any one or more of the above issues would not only increase costs but could result in further delays by exposing the project to external factors such as prevailing public sentiments or policy changes at various levels of regulatory and government oversight.

Recommendation

In light of the clear urgency associated with the need for enabler facilities in Ontario, Hydro One recommends that the end result of this regulatory review must be a streamlined implementation process. The implementation process must facilitate the timely connection of remote renewable resource clusters, in accordance with the government's policy objective of promoting the development of renewable generation resources.

Sincerely,

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Susan Frank