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Ontario Energy Board

Minimum Filing Requirements for Transmission and Distribution Rate Applications and Leave to Construct Projects

August 2, 2006

Ontario Power Authority Comments on Board Staff Proposal dated July 17, 2006

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1.0 Background

By letter dated July 17, 2006 Ontario Energy Board ("Board") staff issued a draft proposal ("Draft Proposal") on the minimum filing requirements for electricity transmission and distribution rate applications and leave to construct projects. The objective of the document is to provide specific instructions for the minimum amount of information the Board requires to process and review rate and leave to construct applications.

Interested parties were asked to provide the Board with their comments on the Draft Proposal and the Board will then consider those responses and issue a final version by mid-August.

2.0 Introduction

The Ontario Power Authority (the "OPA") has a number of suggested additions and modifications provided here in this submission. All of these recommendations are related to Chapter 5.

We appreciate very much having the opportunity to participate in the Board's TAT (Technical Advisory Team) Task Group last Fall that developed much of the basis of the proposed minimum filing requirements related to Leave to Construct applications. The OPA believes that the requirements in the Draft Proposal balance practicality/efficiency and transparency/responsibility.

3.0 Recommendations

Our suggested changes are "red-lined" in the excerpt of the Draft Proposal below.

5.2 Project Categorization

Project categorization consists of two stages.

The first categorization stage is the classification of a project into one of three project classes:

- Development; or
- Connection; or
- Sustainment.

The second categorization stage is identifying the project need as:

- Non-discretionary – a "must do" project, the need for which is determined beyond the control of the Applicant ("Non-discretionary"), or

- Discretionary – the need is determined at the discretion of the Applicant ("Discretionary").

The following table captures these two dimensions of the project categorization and the subsequent sections of this Chapter provide further clarification.

		PROJECT NEED	
		Non-discretionary	Discretionary
PROJECT CLASS	Development		
	Connection		
	Sustainment		

5.2.1 Project Classification (Development, Connection, Sustainment)

The first stage of project categorization is the classification of a project as development, connection, or sustainment.

- Development projects are those for providing an adequate supply capacity and/or maintaining an acceptable level of customer or system reliability for load growth, meeting increased stresses on the system, or enhancing system efficiency such as minimizing congestion on the transmission system and reducing system losses.
- Connection projects are those for providing connection of a load or generation customer or group of customers to the transmission system.
- Sustainment projects are those for maintaining the performance of the transmission network at its current standard or replacing end-of-life facilities on a "like for like" basis.

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It is acknowledged that projects can have elements of development, connection, or sustainment. In these cases, the applicant should identify the proportional make-up of the project, and then classify the project based on the predominant driver.

An investment in the Network may be required in any of these three project classifications. Network facilities are comprised of network stations and the transmission lines joining them.

5.2.2 Project Need

The second stage of project categorization is to distinguish whether the project need is determined beyond the control of the Applicant ("Non-discretionary") or determined at the discretion of the Applicant ("Discretionary").

Non-discretionary projects may be triggered or determined by such things as:

- Mandatory requirement to satisfy obligations specified by Reliability Organizations including NPCC/NERC (the designated ERO in the future) or by the Independent Electricity Market Operator (IESO);
- A need to accommodate new load (of a distributor or large user) or new generation (connection);
- A need to address equipment loading or voltage/short circuit stresses when their rated capacities are exceed;
- Projects identified in an approved IPSP;
- Projects that are required to achieve Government objectives that are prescribed in governmental directives or regulations;
- A need to comply with direction from the Ontario Energy Board in the event it is determined that the transmission system's reliability is at risk.

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Discretionary projects are proposed by the Applicant to enhance the transmission system performance benefiting its users. Projects in this category may include:

- Projects to reduce transmission system losses;
- Projects to reduce congestion;
- Projects to build a new or enhance an existing interconnection to increase reserve margin within the IESO-controlled grid beyond the minimum level required;
- Projects to enhance reliability beyond a minimum standard;
- Projects which add flexibility to the operation and maintenance of the transmission system beyond an accepted standard or practice.

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5.3 Project Justification

Project justification delineates the responsibilities and necessary evidentiary components required for the project review. The responsibility for the provision of all evidence for the entire case rests with the Applicant.

5.3.1 Evidence in Support of Need

The Applicant's evidence in support of the need for the project must be comprehensive, and, where appropriate, could be supported by evidence of the IESO and/or the Ontario Power Authority:

- where a proposed project is best compared to other viable transmission or non-transmission alternatives, including the "doing nothing" alternative; and
- where the Applicant lists benefits of avoiding non-transmission alternatives such as "must run" generation requirements, it is helpful for the Applicant to include corroborative evidence from the IESO or the OPA regarding the Applicant's quantitative evaluation of such a benefit.

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In some cases, the need for a discretionary or non-discretionary project is driven by factors external to the Applicant, such as the need to satisfy an IESO requirement or to

serve an incremental customer load. The factors driving the project must be identified, but the burden remains on the Applicant to support the claim of need. If the Applicant identifies a customer or agency as the driver behind a project, it is the Applicant's responsibility to include evidence from that customer or agency as part of the evidence on the application. The Board expects the Applicant to work with that external party in the development of the required evidence. In many cases the external party will be the IESO and/or the OPA, although the additional evidentiary requirement would apply to any external party on whom the Applicant has relied for the justification of the need for the project. The evidence will likely consist of written material prepared by the customer or agency specifically addressing the proposed project, and the customer or agency must be prepared to provide witnesses to support the filed evidence if an oral hearing is held. It is not sufficient for the applicant to state that the customer or agency has established the need for the project; the Board must be able to test that assertion.

5.3.2 Options and Cost Benefit Analyses

In addition to the evidence regarding the need for the project, the Applicant must address how it proposes to accomplish the project including the identification of relevant options. This section outlines the required evidence for that aspect of the application. The basic form for such evidence should be cost benefit analyses of various options. The Board expects that Applicants will present a preferred option (i.e., the proposed project) and alternative options. It should be recognized, however, that the Board will either approve or not approve the proposed project (i.e. the preferred option). It will not choose a solution from among the alternative options. The Applicant should present the smallest number of alternatives consistent with conveying to the Board the major solution concepts available to meet the same objectives that the preferred option meets.

For connection projects, in addition to the cost benefit analysis, the Applicant must supply specific information on the nature and magnitude of the network impacts.

In the case of a non-discretionary project, the preferred option should establish that it is a better project than the alternatives. The Applicant does not need to include "doing nothing" as an alternative since this alternative would not meet the need. One way for an Applicant to demonstrate that that a preferred option is the best option is to show that it has the highest net present value as compared to the other viable alternatives. However, this net present value need not be shown to be greater than zero. In the case of an internally set project, "doing nothing" would count as a viable option.

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If the proposed project or alternatives are expected to have significant qualitative benefits that cannot reasonably be quantified, evidence about these qualitative benefits should be provided. These benefits may be taken into account in ranking the projects. Incorporating qualitative criteria may result in a different ranking of projects compared to the ranking based on quantitative benefits and costs alone.

5.3.3 Project Summary

The evidence supporting the application must contain a project summary. This should provide:

- a concise description of the location of the project;
- description of all project components, activities, and related undertakings;
- the purpose or need for the project;
- the rationale for selecting the proposed project, and how the project is in the public interest; and
- the project schedule.

5.3.4 Project Cost

Project costs should provide details covering:

- labour - including a breakdown by facility installations;
- materials - including a breakdown of all facility costs;
- acquisition of land use rights, and land acquisition including permanent and working easements, survey and appraisals, legal fees, crop and damage compensation;
- direct and indirect overheads broken down by facility installation; and
- allowance for funds used during construction (AFUDC).

5.3.5 Transmission Rate Impact Assessment

The Board requires information relating to the rate impacts anticipated from transmission investments. Information should cover the short-term impacts as well as long-term impacts of the proposed project.

Appendix 5-B

Summary of Transmission Investment Classifications and Filing Requirements of Rate Regulated Transmitters

Project Class	Information Requirements	Alternatives
Sustainment	Reasonableness of costs and compliance with any relevant standards, codes, norms, for good utility practice	Alternatives not relevant unless scope of project significantly exceeds previous requirements

Project Class	Information Requirements	Alternatives
Connection	1. Demonstrate compliance with relevant standards, codes, norms for good utility practice (e.g., TSC, NPCC, NERC). 2. For information purposes only, not used to judge application: a. From transmitter: when networks upgrades are required, supply information on the nature and magnitude of the upgrades. b. From IESO: information on other relevant impact(s) (e.g., line losses, congestion and congestion payments).	Alternatives not relevant
Development	1. Applicant's responsibility to complete transmission rate impact assessment. **2.** IESO's and/or the OPA's (or other need-justifying party) responsibility to provide evidence for any non-discretionary project: • File cost-benefit analysis where proposed project is best compared to other viable transmission or non-transmission alternatives. • Existing published reports issued by the IESO and/or the OPA on a regular basis can be used as evidence by the Applicant to justify the need for some of the projects e.g. load growth require reinforcement of existing transmission facilities or building new ones; and • corroborating evidence from the IESO, and where appropriate, the OPA regarding the mandatory reliability standards applicable for a project. 3. Applicant's responsibility to justify cost effectiveness for any discretionary project: • File cost-benefit analysis where proposed project is best compared to other viable transmission alternatives and non-transmission alternatives, and including the "doing nothing" alternative: • IESO's and/or the OPA's evidence where a proposed project is selected as best compared to other viable transmission alternatives and non-transmission alternatives , including the "doing nothing" alternative; and • where the Applicant lists benefits of avoiding "non-transmission" alternatives such as a "must run" generation requirement, evidence from the IESO and/or the OPA would be helpful which would corroborate the Applicant's evidence quantifying that benefit.	1. Alternatives where feasible to be presented. 2. Number of alternatives provided: - smallest number consistent with conveying the major solution concepts.

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