

September 29, 2006

VIA FACSIMILE AND COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON
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Dear Ms. Walli:

**Re: Board File Number EB-2006-0207:
Board's Consultation on the OPA's Integrated Power System and
Procurement Process**

Ontario Power Generation Inc. (OPG) has reviewed the Board Staff's Discussion Paper on the OPA's Integrated Power System Plan (IPSP) and Procurement Processes and offers the following comments.

General Comments

Overall, the Discussion Paper appears to provide a solid foundation on which to conduct the IPSP review. That said, OPG is concerned with the breadth of the proposed filing requirements included within the Paper.

Meeting these requirements could lead to a very significant documentation and analysis burden on the OPA. This could in turn result in a delay in the filing of the IPSP. In addition, there is a risk that the review process itself could become significantly extended as parties and the Board deal with all of the requested material. Both of these factors may result in a significant delay to the approval of the IPSP.



Finally, we would note that, although Staff has in some instances identified in the Paper some general principles, it has not provided a detailed explanation as to how these principles will be used in the review. These details need to be further developed so that the OPA, project sponsors and stakeholders have a clear understanding of what is expected.

Specific Comments

- Part One, Section I, subsection A, Page 1 – The paper indicates that the Board may require more frequent updates of the IPSP. Clarification on the purpose of more frequent updates would be helpful. If the intent of the updates is for the OPA to provide annual progress reports, then OPG recommends that the reports be made public.
- Part One, Section II, subsection B, Page 6 – With regard to the OPA needing to demonstrate how the IPSP provides for the strengthening of the transmission system, clarification should be provided as to how the “economically prudent and cost effective test” would apply, as S.25.30(4) of the Electricity Act applies to the entirety of the IPSP.
- Part One, Section II, subsection D, Page 6 – The emphasis appears to be on a comparison of costs between different, alternative investments or initiatives. Is the Board considering reviewing the economic prudence and cost effectiveness of the various options within the particular alternative itself?
- Part One, Section II, subsection D, Page 7 – The paper indicates that the IPSP may not necessarily be the “least cost” solution and that the onus will be on the OPA to satisfy the Board that the incremental benefits outweigh the extra costs. It would be helpful if the Board identified what evidence would need to be presented in relation to “non-cost” benefits.
- Part One, Section II, subsection F, Page 8– The paper notes that since there are no exclusive franchises for electricity transmission in Ontario, it may be necessary for the Board to ultimately determine who should provide transmission infrastructure for major new “greenfield” transmission initiatives. When dealing with this issue as well as with the cost responsibilities of transmission reinforcements, the Paper should be clear that these issues will be handled as per the Transmission System Code.
- Part One, Section III, subsection B2, Page 11 – OPG supports the requirement of Third Party input on the IPSP.

- Part One, Section III, subsection B3, Page 13 – It is suggested that the load forecasts should include the following additional requirements:
 - Line Losses: OPA should specify its assumptions regarding line losses (i.e. distribution and transmission) under the base case and alternative load forecast scenarios. The End-Use forecasting approach adopted by the OPA appears to use customer level electricity requirements. In order to estimate the generating requirements to meet the customer demand, line losses need to be included. Estimates of future line losses under different scenarios for demand and transmission system expansions should also be specified.
 - On-site Load Displacement Generation: This is generation used primarily for a customer's own use and it offsets demand and therefore reduces Primary Demand. Current estimates for load displacement generation by sector (e.g. residential, commercial, and industrial) and future expectations should be specified and included in the forecast.
 - Weather correction methodology for allocating weather effect by end-use: All demand load forecasts (by end-use and total) should be weather normal. It is very important that a consistent methodology is applied for allocating weather correction for the base year and future years. OPA should describe this methodology in its report and this should be subject to OEB review.

- Part One, Section III, subsection C3a, Pages 16-17 – The Paper identifies numerous requirements for each proposed generation resource initiative that the OPA identifies. Given the limited time that the OPA has to develop the IPSP, these requirements appear onerous. It is suggested that the Board assess the necessity of all of these requirements.

- Part One, Section III, subsection C3a, Page 19 – For generation resources located outside the Province, OPG suggests that the OPA be required to provide a list of all required external approvals.

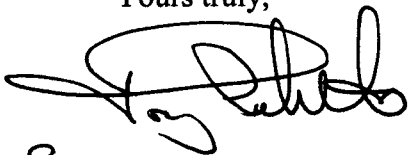
- Part One, Section III, subsection D.iii.c, Page 21 – It is suggested that the “expected in-service or availability dates” point be expanded to include an assessment of the risk of project delays.

- Part One, Section III, subsection D.iii, Page 21 – The portfolio compositions should also describe how First Nation issues will be taken into account.

- Part One, Section III, subsection E.ii.b, Page 23 – Clarification would be appreciated relating to how the OPA is expected to provide the “monetary equivalence” of the attributes of the “base case” and the “preferred plan” within the IPSP for comparison purposes. Does the Board anticipate providing guidance/standards for the OPA to use related to the value of the non-monetary “benefits”?
- Part One, Section III, subsection E.iii.a, Page 23 – It is suggested that the “risk of delay” factor be considered when conducting a sensitivity analysis on the preferred plan.
- Part One, Section III, subsection F.3, Page 26 – Makes reference to the need for “guidance” with respect to s.2.(1)8 of the Regulation, the paper should make clear when this guidance will be provided and by whom.
- Part Two, Section II, subsection B.1, Page 30 – The Paper notes that it is expected that competitive procurement processes will be used in the normal course, and that non-competitive procurement processes will be used on an exceptional basis (for example, in cases of urgency). It is recommended that the “exceptional basis” be broadened to include circumstances of a unique site, or a government directive.

If there are any questions with respect to the above comments, please do not hesitate to contact me.

Yours truly,



for Andrew Barrett
Vice-President, Regulatory Affairs and Corporate Strategy