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BY COURIER

December 1, 2006

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

Dear Ms. Walli:

EB-2006-0207– Comments Respecting the Draft Report of the Board on the Ontario Power Authority’s Integrated Power System Plan and Procurement Processes

This memo is in response to the Ontario Energy Board’s (the Board) request for comments respecting the Board’s draft discussion paper entitled “Draft Report of the Board on the Ontario Power Authority’s Integrated Power System Plan and Procurement Processes, Board File No. EB-2006-0207”, issued on November 16, 2006. This response is supplemental to Hydro One Networks Inc. (“Hydro One”) initial comments with respect to the Board staff’s discussion paper on the same topic issued on September 8, 2006 which was filed with the Board on September 29, 2006.

Hydro One supports the Board principle to review specific aspects of transmission projects only once, either through the Board’s review of the IPSP, as part of a review of an applicant’s rate case or during a specific leave to construct application. To the extent a project proponent can rely upon the detailed rationale for a transmission project provided in the IPSP, any subsequent review in either a rate case or a leave to construct application will be expedited and the overall regulatory review process streamlined.

Hydro One is nevertheless still concerned with the Board’s expectations regarding the level of detail the OPA is expected to provide in their IPSP filing in March of 2007 as clarified in the November 16 draft report.

At page 8 of the draft discussion document, the Board notes that to the extent that the need for and costs associated with a project are assessed by the Board in the context of the IPSP, those issues need not be revisited except in relation to any material deviations. In order to realize and maximize these streamlined

benefits for transmission system investments the rationale for a project will need to be at a level of detail at least equal to that which would be required to satisfy the requirements of the Board's review of a transmitter's capital budget in a rates proceeding or the Board's approval of an application for leave to construct transmission facilities.

At page 27 the Board is also seeking a level of detail for projects at least equal to what would be required to satisfy the requirements of the Environmental Assessment Act with respect to the project description, the rationale for the project and the alternatives considered.

Hydro One has worked closely and will continue to work closely with the OPA and the IESO to ensure project need, costing details and environmental assessment requirements are provided where practical and where available within the IPSP. This information has been provided to the Board for the two Near-term projects Hydro One filed with the Board this fall. Similar information will be provided in the leave to construct applications for those pre-IPSP projects Hydro One will file in the first quarter of 2007.

For all other projects identified in the IPSP both near and longer-term it will not be practical to have leave to construct level detail available for project costs or environmental assessment detailed requirements in the March 2007 filing timeframe. The IPSP will however, be able to provide need justification for all planned transmission projects identified. Project costing at a leave to construct level is dependent upon finalizing routing once a preferred route has been determined and approved through an environmental assessment. The lead time to complete such studies will prevent the timely filing of such information within the IPSP. This level of detail will however, be available for review by the Board in the appropriate leave to construct application.

The Board notes at page 9 that there are no exclusive transmission franchises in Ontario and that it may be necessary for the Board to ultimately determine who should provide transmission infrastructure and services for any "Greenfield" initiatives identified in the IPSP, subject to existing land use rights and the ownership of existing transmission infrastructure.

Hydro One already expressed its concerns with respect to introducing new third party transmitters into the equation in our previous submission and still relies on those comments. Hydro One is fully supportive of allowing third party individuals to build and construct new transmission facilities providing they continue to be owned and operated by an existing transmitter if such facilities are constructed on existing right of ways. Were the Board to approve a new transmitter for a "Greenfield" project, Hydro One would expect such operators would be subject to all the guidelines, codes, licenses, uniform rates, etc. governing the operations of existing licensed transmitters.

With respect to the Board's request for comments regarding how environmental externalities should be considered in reviewing the IPSP as a whole and for specific electricity projects within the plan Hydro One suggests that any discussion of externalities be of a qualitative nature rather than a quantitative nature. Trying to quantify externalities within the IPSP is not practical in determining project need within the IPSP.

Hydro One is hopeful that these comments are helpful to the Board in determining the review process

for the OPA's IPSP. Hydro One would be pleased to meet with the Board staff to discuss any of our comments.

I am enclosing five (5) hard copies of Hydro One Networks' submission. An electronic version of the comments in searchable Adobe Acrobat (PDF) and Word is being provided to you via email to Boardsec@oeb.gov.on.ca. as requested.

Sincerely,

A handwritten signature in cursive script that reads "Susan Frank". The signature is written in dark ink and is positioned above the printed name.

Susan Frank

Attach.