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BY WEB POSTING

September 1, 2006

To: Parties Interested in the Board's Review of the Ontario Power Authority's Integrated Power System Plan and Procurement Processes

Board File No.: EB-2006-0207

Under the *Electricity Act, 1998* (the "Act"), the Ontario Power Authority (the "OPA") is responsible for developing both an integrated power system plan (the "IPSP") and adequate procurement processes for managing electricity supply, capacity and demand in accordance with the IPSP. The OPA's IPSP and procurement processes must both be submitted to the Ontario Energy Board (the "Board") for review and approval.

The Board is currently developing principles that will guide its review of the OPA's IPSP and procurement processes. The Board is also preparing filing guidelines in relation to the IPSP.

The purpose of this letter is to notify interested parties of the consultation process that the Board will use to solicit input in relation to the Board's approach to the review of the OPA's IPSP and procurement process and related filing guidelines. Subsequently, the Board will commence a separate process related to the IPSP and procurement process review hearing.

Background

IPSP

The IPSP is a plan "to assist, through the effective management of electricity supply, transmission, capacity and demand," the achievement by the Government of Ontario of its goals relating to the adequacy and reliability of electricity supply. In developing the IPSP, the OPA must follow directives issued to the OPA by the Minister of Energy in relation to the IPSP (the "IPSP Directives") and is required to comply with the *Integrated Power System Plan Regulation*, O. Reg. 424/04 (the "IPSP Regulation").

The Board's mandate in relation to its review of the IPSP is to ensure that the IPSP complies with the IPSP Directives, the IPSP Regulation and that it is economically prudent and cost effective. As such, the Board will be required to determine whether

the IPSP reflects the supply mix set out in the Minister's June 13, 2006 IPSP Directive, and whether the OPA has complied with the requirements of the IPSP Regulation that relate to, among others, environmental matters.

Section 1(2) of the *Ontario Energy Board Act, 1998* states that the Board must facilitate the implementation of an approved IPSP when it exercises and performs its statutory duties. Further to that statutory direction, and to the Board's general commitment to regulatory efficiency, the Board will be seeking opportunities to streamline its regulatory processes for projects that are examined as part of its review of the IPSP. In other words, where an issue has been adequately addressed as part of the IPSP review, it will not be addressed again in the context of another process. For example, if the need for a transmission project is adequately established through the IPSP review, the need for the project will not later be re-examined as part of a leave to construct or capital budget proceeding. In such cases, the IPSP review hearing will be the forum in which persons interested in such projects should make their positions known.

Procurement Processes

Under section 25.31 of the Act, the OPA is required to develop "appropriate procurement processes for managing electricity supply, capacity and demand" in accordance with its approved IPSP. The *Ontario Power Authority Procurement Process Regulation*, O. Reg. 426/04, establishes parameters for the development of those processes.

Once the OPA's procurement processes have been approved by the Board, the OPA may enter into "procurement contracts" in accordance with those procurement processes. Procurement contracts are described in section 25.32(1) of the Act as contracts for: "(a) electricity supply or capacity, including supply or capacity to be generated using alternative energy sources, renewable energy sources or both; or (b) measures that will manage electricity demand or result in the improved management of electricity demand on an on-going or emergency basis". Because procurement contracts are deemed by section 25.20(4) of the Act to be approved by the Board, costs incurred under such contracts are automatically passed through to electricity consumers and are not required to be approved by the Board.

Overview of Consultation

Board staff is preparing a Discussion Paper that sets out proposed principles to guide the Board's review of the OPA's IPSP and procurement processes, as well as filing guidelines to be followed by the OPA in relation to the IPSP.

The Board will post the Discussion Paper on its web site in early to mid-September, and solicit comment on it through written submissions.

Once the OPA has filed its IPSP and procurement processes with the Board, the Board will hold a hearing to review those documents. Details of that hearing will be addressed separately at the relevant time.

Invitation to Participate and Cost Awards

The Board encourages participation in developing its approach to reviewing the OPA's IPSP and procurement processes and to establishing filing guidelines related to the IPSP.

Those interested in participating in this consultation should indicate their interest in writing by letter addressed to the Board Secretary at the Board's mailing address set out above by **September 15, 2006**.

Cost awards will be available to eligible persons in relation to their participation in this consultation process under section 30 of the *Ontario Energy Board Act, 1998*. The costs to be awarded will be recovered from OPA. Appendix A contains further details regarding cost awards for this consultation. The OPA will be provided with an opportunity to object to any of the requests for cost award eligibility, following which the Board will make a determination on the cost eligibility of the parties requesting an award of costs. Any person intending to request an award of costs must file with the Board a written submission to that effect by **September 15, 2006**.

The submission must be addressed to the Board Secretary at the Board's mailing address set out above with copies sent to:

Miriam Heinz
Regulatory Affairs Coordinator
Ontario Power Authority
120 Adelaide St. W., Suite 1600
Toronto, Ontario
M5H 1T1
miriam.heinz@powerauthority.on.ca

All filings to the Board in relation to this matter must quote file number EB-2006-0207 and include your name, address, telephone number and, where available, an e-mail address and fax number. The Board requests that parties make every effort to provide 5 hard copies and an electronic copy of their filings in searchable Adobe Acrobat (PDF) or Word. Electronic copies may be submitted on diskette or by e-mail to boardsec@oeb.gov.on.ca.

Copies of all filings to the Board in response to this letter will be posted on the Board's website.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Appendix A –Cost Awards

Eligibility

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person intending to request an award of costs must file with the Board a written submission to that effect, identifying the nature of the person's interest in this process and the grounds on which the person believes that it is eligible for an award of costs, addressing the Board's cost eligibility criteria as set out in section 3 of the Board's *Practice Direction on Cost Awards*. An explanation of any other funding to which the person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known.

Activities Eligible for Cost Awards

Cost awards will be available in relation to written submissions on Board staff's Discussion Paper, up to a maximum of 25 hours or such additional time as the Board may permit.

Cost Awards

When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied.

The Board expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process.