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June 19, 2007
File No.: 120315.1001

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

Dear Ms. Walli:

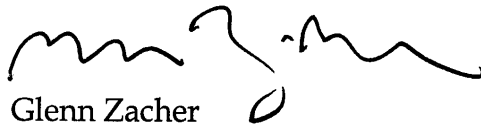
**Re: Hydro One Networks Inc. – Access to Lands Application,
OEB File No. EB-2007-0051**

**Hydro One Networks Inc. – Leave to Construct Bruce-to-Milton
Transmission Reinforcement, OEB File No. EB-2007-0050**

Further to the Board's Procedural Orders No. 1 in the captioned proceedings, we enclose:

- (a) Notice of Motion of the Ontario Power Authority (OPA) dated June 19, 2007; and
- (b) Responding Submissions of the OPA to Preliminary Motions of Powerline Connections dated June 19, 2007.

Yours truly,


Glenn Zacher

/sc
Encl.

cc: Glen MacDonald (HONI)
Intervenors

TORONTO
MONTREAL
OTTAWA
CALGARY
VANCOUVER
NEW YORK
LONDON
SYDNEY

EB-2007-0050

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B) (the "Act");

AND IN THE MATTER OF an Application by Hydro One Networks Inc. pursuant to section 92 of the Act, for an Order or Orders granting leave to construct a transmission reinforcement project between the Bruce Power Facility and the Milton Switching Station, all in the Province of Ontario.

EB-2007-0051

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B) (the "Act");

AND IN THE MATTER OF an application by Hydro One Networks Inc. pursuant to section 98 of the Act, for an Interim Order granting access to land in connection with the Applicant's request for leave to construct a new transmission line between the Bruce Power Facility and the Milton Switching Station.

**RESPONDING SUBMISSIONS OF THE ONTARIO POWER AUTHORITY TO
POWERLINE CONNECTION'S PRELIMINARY MOTIONS**

June 19, 2007

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I. OVERVIEW

1. The Ontario Power Authority (“OPA”) requested and was granted observer status in Hydro One Networks Inc.’s (“HONI”) Application for Leave to Construct (“Leave to Construct Application”) and Access to Land Application (“Access Application”) (HONI’s Leave Application and Access Application are collectively referred to herein as the “Applications”).

Letter from OPA to OEB dated April 30, 2007

Letter from OEB to OPA dated April 30, 2007¹

2. The OPA requested observer rather than intervenor status because the OPA did not intend to submit evidence, argument, interrogatories or cross-examine witnesses. The OPA anticipated that its participation would be limited to assisting HONI in answering interrogatories and serving as a witness.

3. Recently, certain directly affected landowners (collectively “Powerline Connections”) filed motions which directly implicate the OPA. The OPA requests leave to file and make submissions addressing these motions, in particular, the following grounds:

- The Applications are premature and should be stayed because the Board has not yet completed its review of the OPA’s Integrated Power System Plan (“IPSP”);
- The Applications are premature and should be stayed because the proposed Bruce-to-Milton transmission project does not comply with Ontario Regulation 424/04 (the “IPSP Regulation”) and the OPA does not have the authority to advance projects which do not comply with the IPSP Regulation.

¹ The Board’s April 30, 2007 letter only makes reference to observer status being granted in the Leave to Construct Application. The OPA believes this was an inadvertent error and that the Board intended to grant observer status in both Applications. The OPA is confirming this with the Board,

4. As more fully explained herein, Powerline Connections has mischaracterized the Bruce-to-Milton transmission project and the relationship between it and the IPSP.

5. The proposed transmission line is not part of the IPSP, nor is the principal need for the line triggered by the IPSP. The line is required to reliably meet governmental directives that will dramatically increase generation in the Bruce area.

EB-2007-0050, Exhibit B, Tab 6, Schedule 5, pp. 2-3

6. IPSP approval is not a pre-requisite in these circumstances; it is not required by the applicable legislation. In fact, the Board has expressly acknowledged that leave to construct applications may proceed in advance of the IPSP and the need for and costs of these projects will not be assessed as part of the Board's IPSP review.

7. The OPA is also not seeking to advance the proposed Bruce-to-Milton line to avoid the IPSP Regulation. The proposed line is not a recommended project in the IPSP and therefore the IPSP Regulation does not apply. Powerline Connections is also not prejudiced as construction of the line will ultimately depend on an EA.

II. ISSUES

8. The issues for determination are:

- (i) Is the Board required to review the IPSP before considering the Applications?
- (ii) Is the proposed Bruce-to-Milton transmission line governed by the IPSP Regulation and is the OPA seeking to circumvent the IPSP Regulation by initiating it in advance of the IPSP?

III. OPA'S POSITION

Issue No. 1 – The Applications are not required to await the Board's approval of the IPSP

9. The Bruce-to-Milton line is not a recommended project in the IPSP and the principal need for the line is to deliver new generation which has been committed outside of the IPSP.

10. The line is primarily needed to meet government policy directives which will increase nuclear and wind generation in the Bruce area. The project is therefore a “non-discretionary” project pursuant to the Board's *Filing Requirements for Transmission and Distribution Applications*.

EB-2007-0050, Exhibit B, Tab 6, Schedule 5, pp. 2-3

Ontario Energy Board Filing Requirements for Transmission and Distribution Applications, November 14, 2006, pp. 33-34

11. The OPA has explained the need for the Bruce-to-Milton line in its various discussion papers, letters to HONI and in other pre-filed evidence before the Board. In summary, the OPA has stated that:

- (a) Existing generation resources in the Bruce area total approximately 5,000MW.
- (b) The current transmission system out of Bruce is at its limit; it presently has the capability to transmit approximately 5,000MW.
- (c) In accordance with its supply mix goals, the Government of Ontario issued certain policy directives which has increased and will increase further the amount of generation in the Bruce area, in particular:
 - The Government undertook Renewable Energy Supply procurements (RES I and II) and directed the OPA to assume and/or enter into contracts with successful RES I and II proponents. As a result of this process, approximately 725MW of new wind resources in the Bruce area have been contracted for and are expected to come into service by 2009.
 - The Government negotiated an agreement with Bruce Power for the refurbishment and return to service of two idle nuclear units

and directed the OPA to execute these agreements. As a result of this process, approximately 1,500MW of new nuclear generation will return to service in 2009 (this will initially result in a net increase of 750MW because Bruce Power is scheduling outages of other units for maintenance between 2009 and 2011).

- The Government directed the OPA to develop a standard offer program (SOP) for renewable projects. Approximately 650MW from the Bruce area is in the SOP queue, but in light of the system constraints in the Bruce area, the OPA has imposed a moratorium on issuing contracts for developments in the Bruce area until sufficient transmission capacity has been built.
- (d) Starting in 2009, new transmission will be needed from the Bruce area to reliably meet the Government's policy objectives of delivering nuclear and new renewable energy. Success in meeting these objectives is tied to the achievement of other Government policy objectives, including retiring coal-fired generation in the earliest practical timeframe.
- (e) HONI advised the OPA that the end of 2011 is the earliest possible in-service for date a new Bruce to GTA transmission line if the various approval processes could be run in parallel with each other and concluded in a timely manner.
- (f) For the period 2009 - 2011, the OPA recommended certain near-term measures (uprating Hanover to Orangeville 230kV circuits and providing reactive power support in southwestern Ontario) and interim measures (generation rejection of two Bruce units, moratorium on SOP contracts in the Bruce area and, possibly, series compensation) to bridge the transmission deficit that will exist until the construction of a new transmission line.
- (g) The interim measures are stop-gaps which cannot be maintained permanently without jeopardizing the Government's policy objectives and reliability.

EB-2007-0050, Exhibit B, Tab 6, Schedule 4, p. 9; EB-2007-0050, Exhibit B, Tab 6, Schedule 5, Appendix 1, pp. 2-6; Exhibit B, Tab 6, Schedule 5, Appendix 2, pp. 2-5; Exhibit B, Tab 6, Schedule 5, Appendix 4, pp. 2-4; Exhibit B, Tab 6, Schedule 5, Appendix 5, pp. 39-53

12. As the foregoing amply demonstrates, there is a pressing need for the Bruce-to-Milton project which is unrelated to the IPSP.

13. The Government and the Board have recognized that as Ontario transitions to integrated planning, projects that need to get developed will not have to await the first IPSP.

14. With regards to generation and conservation, the Government has issued a number of directives to initiate projects in advance of the IPSP.

15. With respect to transmission, the *OEB Act*, does not require IPSP approvals before leave to construct applications are initiated. Moreover, the Board has acknowledged in its *IPSP Filing Guidelines* that certain transmission projects may proceed outside of the IPSP and, that in these cases, the need for and costs of these projects will not be assessed as part of the Board's IPSP review:

Pre-IPSP Projects

The economic prudence or cost effectiveness of specific generation or conservation projects that were the subject of governmental procurement or OPA procurement prescribed by Ministerial Directive issued prior to the date of the approval of the IPSP (for example, the OPA's York region demand response process where the existing Standard Offer Program) will not be assessed as part of the IPSP review process, even if these projects are included in the IPSP.

To the extent that the need for and costs associated with the transmission project are examined in the case of the review of a transmitter's budget in a rates proceeding or in the case of a leave to construct proceeding that is pending prior to the approval of the IPSP, these issues will not be assessed a second time as part of the IPSP review process even if the project is included in the IPSP.

Report of the Board on the Review of and Filing Guidelines Applicable to, the Ontario Power Authority's Integrated Power System Plan and Procurement Processes (the "IPSP Filing Guidelines") dated December 27, 2006, pp. 9-10

16. Recently the Board has considered certain other HONI transmission projects outside of the IPSP and the Board has not required that these be linked these to any IPSP approval.

Issue 2 – The Applications are not governed by the IPSP Regulation

17. Contrary to Powerline Connections' assertion, the Bruce-to-Milton line is not governed by the IPSP Regulation and the OPA is not trying to circumvent this regulation.

18. Paragraph 8 of section 2(1) of the IPSP Regulation requires that the OPA include an environmental impact analysis for "each electricity project recommended in the plan" that will require an individual environmental assessment (EA) within five years of the plan's approval.

19. The Bruce-to-Milton line, as noted, is not an "electricity project recommended in the plan". It is therefore not subject to the IPSP Regulation.

20. The affected landowners are also not prejudiced. As the Board states in its *IPSP Filing Guidelines*, paragraph 8 of section 2.1 of the IPSP Regulation can have the effect of providing electricity project proponents with the opportunity to streamline and scope future EAs.

IPSP Filing Guidelines, pp. 29-30

21. The fact that the Bruce-to-Milton line is not required to comply with the IPSP Regulation means only that HONI may be unable to benefit from the IPSP Regulation and thereby streamline the EA process. This in no way short-changes the EA process for Powerline Connections or any other affected landowners. The Board has no ability or jurisdiction to scope the EA process; this lies solely within the jurisdiction of the Minister of Environment and/or the Environmental Review Tribunal to decide.

EB-2007-0050, Exhibit B, Tab 6, Schedule 8

Conclusion

22. Lastly, the Bruce-to-Milton projects remains urgent and any delay will adversely impact the ability to meet the Government's objectives and reliably transmit generation from the Bruce peninsula.

23. HONI states that if there are further delays, its ability to meet the projected in-service date will be harmed.

HONI's Response

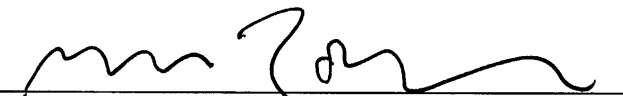
24. According to the IESO "without new transmission facilities, the IESO will be forced to operate existing facilities near their maximum capabilities, with little margin for unexpected events and requiring complex arrangements to do routine maintenance on critical facilities."

IESO Letter to OEB dated June 18, 2007

25. If Powerline Connections disputes this evidence of need, it will have the opportunity to challenge it in the Applications based on a full evidentiary record. This is not a matter, however, that ought to be decided on a preliminary motion.

26. Certainly weighed against the significant risk to the Ontario electricity system of delay, Powerline Connections has not discharged the heavy onus on it of justifying the extraordinary remedy of a stay.

All of which is respectfully submitted this 19th day of June, 2007



Glenn Zacher,
Counsel for the OPA