



December 12, 2007

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Re: OEB File Number EB-2007-0707 – Review of Ontario Power Authority's (OPA) Integrated Power System Plan (IPSP) and Procurement Processes Applications

(1) Submission of the Ontario Energy Association (OEA) on the Draft Issues List Proposed by the OPA

Dear Ms. Walli:

The Ontario Energy Association (OEA) was pleased to participate in the IPSP consultations undertaken by the OPA earlier this year and has previously provided comments and input to the OPA as part of these consultations. Overall, the OEA endorses the proposed issues list developed by the OPA for the Board's review of the IPSP. The purpose of this submission is to reiterate and provide additional context on some of our earlier comments, positions and concerns, and to assist in the Board's consideration as it prepares the final issues list.

Conservation

Concerning the IPSP's compliance with the government's directive on conservation (the reduction in peak demand), we would stress the importance of examining not only how the IPSP will reduce projected peak demand by 1,350 MW by 2010 and by an additional 3,600 MW by 2025 (as set out in the OPA issues paper), but also how the IPSP will reach the total 6,300 MW set out in the directive; i.e., there needs to be attention given to the 1,350 MW reduction which was to have been achieved by 2007, and which is an essential base component of the 6,300 MW. We would be interested in how this bold, interim 1,350 MW target has been achieved (through what programs and actions?, whether delivery channels were sufficiently transparent, effective and efficient?, etc.), and how it has been or will be measured and verified.

In various statements, the IPSP appears to acknowledge the difficulty of central planning and delivery of conservation. (For example, “It is difficult to estimate energy savings and demand reduction opportunities that can be directly attributed to [demand management/conservation behaviour]”¹ and “it is very difficult to prove a causal relationship between Capability Building efforts and Conservation results.”²). Some of the elements of the conservation plan would appear on the face of it to be difficult to assess; in this regard, we would note that the IPSP calls for 65% of the 2025 conservation peak demand target to be met by energy efficiency (the Minister’s directive specifically mentions standards under the Energy Efficiency Act and Building Code) – inherently difficult to assess compared to, say, demand management such as was acquired through the government’s interim 2,500 MW Demand Management and Clean Energy Supply RFP in 2005.

Given the IPSP’s highly ambitious conservation target, we believe that careful analysis of the evaluation, measurement and verification (EM&V) of the proposed conservation and demand management programs, both in the long and the short term, and how they will be compared with generation alternatives should be an essential part of the Board’s review.

The Minister’s directive specifically mentions fuel switching as part of conservation. In the IPSP, the contribution of fuel switching to peak demand reduction is small, although its contribution to energy savings is significant.³ In its review, the Board should consider the wide range of fuel switching applications for natural gas, particularly in residential consumption.

Supply Issues

The overall approach of the IPSP is consistent with the OEA’s support for a diversified supply mix based on a balance among economic, environmental and social impacts, and for a plan based on the characteristics and relative costs of the different technologies. For example, nuclear is well-suited for long term baseload power in Ontario; natural gas is important in terms of supply adequacy, voltage support, local reliability, and as a dispatchable complement to renewables, high efficiency combined heat and power, and distributed generation. We would note moreover, that the actual components of the supply mix are a matter of government policy and, as such, should not be a major focus of the OEB’s review of the IPSP applications.

Turning to specifics, the government’s supply mix goals for natural gas as set out in both the Directive and the Regulation – that it be used in applications “that allow high efficiency and high value use of the fuel” – are relatively flexible. Gas-fired generation

¹ EB-2007-0707, Exhibit D, Tab 4, Schedule 1, p. 11, 23-25.

² EB-2007-0707, Exhibit D, Tab 4, Schedule 1, p. 22, 2-3.

³ EB-2007-0707, Exhibit D, Tab 1, Schedule 1, p. 13, 1-2.



can readily and quickly meet Ontario's need for clean intermediate as well as peaking generation, and more utilization and optimization of gas-fired generation is clearly a big part of the solution to meeting the revised coal phase-out commitment date.

Engagement with First Nations

We understand that the OPA has undertaken engagement with First Nations regarding the IPSP and that a number of First Nations, in turn, will be taking part in the OEB's IPSP review. The OEA applauds such engagement and has also been working with a number of First Nations interests to facilitate such engagement.

Most aspects of the IPSP, including several major transmission and generation projects, are likely to impact First Nations, either directly or indirectly, and it is important and of benefit to all interests that First Nations be directly involved and an active participant in the broader IPSP review. The time has come for constructive dialogue and engagement, partnerships and a focus on opportunities – all major themes and priorities identified in the Ontario government's recent Throne Speech, and an important message the OEA was pleased to see included in the Throne Speech.

Regulatory Issues

The need for regulatory efficiency and streamlining regulatory processes has long been a priority of the OEA. IPSP documents state that "most issues related to specific routes and sites must be addressed by proponents of specific projects...a project included in the Plan would still need to obtain all necessary regulatory and other approvals."⁴

We remain concerned that there is significant potential for some projects and initiatives identified in the IPSP to be unduly stalled by regulatory requirements and/or regulatory uncertainty. In this regard, it is important that the Board focus on those aspects of the IPSP that have not already been endorsed as government policy and, of course, that fall within the Board's mandate. In our view, once again, the supply mix should not be subject to further review or debate, nor should certain projects that have already been initiated as a result of government directives. The ultimate goal would be that a Board-approved IPSP, which also fully complies with directives issued by the Minister, should help facilitate – and certainly not hinder – approvals at the project level.

In the OEB, the province has in place a highly-professional, thorough and comprehensive process for public consultation and "due diligence" on energy-related developments, a process that allows for the airing of views from all sides. Once that public consultation process has been completed, however, it is imperative and in the public interest that projects move forward. Delay and duplication of process could prevent implementation

⁴ EB-2007-0707, Exhibit C, Tab 1, Schedule 1, p. 2, 4-7.



of key elements of the IPSP and hence compliance with the Minister's directives and achievement of the Ontario government's "goals relating to the adequacy and reliability of electricity supply..."⁵ This would not serve the broader public good.

The Procurement Process in the Context of the Evolution of Ontario's Hybrid System

The OPA procures supply/demand resources in one of three ways: competitive procurement (RFPs), standard offer procurement, and non-competitive (direct contract) procurement. As we noted in our submission to the OPA on this issue, the OEA strongly supports the position expressed in *IPSP Discussion Paper 8: Procurement Options* that the preferred option is competitive procurement.

While we agree that OPA procurement may be necessary and appropriate to managing electricity supply, capacity and demand in accordance with the IPSP in the near term, we believe that for the longer term, procurement must be considered in the context of the evolution of Ontario's hybrid electricity market. Over the long term, a transformed marketplace will be the means through which both new generation and peak demand reductions/energy savings can best be achieved on a sustained basis. We therefore suggest that the Board review the OPA's procurement process with reference to its review of the IPSP's compliance with Ontario Regulation 424/04 and whether the OPA has "identified and developed innovative strategies to encourage and facilitate competitive market-based responses and options for meeting overall system needs." Although a medium to longer term issue, this is nevertheless an important one which only serves to underscore the old saying – "If we don't know where we're going, how will we ever know if we get there!"

Clearly, the OEA supports the continuing long term evolution of Ontario's hybrid electricity market towards one which incorporates competitive approaches and that relies on true-cost pricing and consumer choice to achieve both generation and conservation targets to the greatest extent possible. Such an environment would not only encourage consumers to use energy more efficiently, especially when coupled with the appropriate metering technology, pricing incentives and consumer access to information; it would also help encourage investment in new supply.

Timelines – The Clock is Ticking!

Finally, we would urge the Board to move as quickly and as prudently as possible in its review of the IPSP and the OPA's procurement processes. Given the nature and magnitude of the energy-related infrastructure challenges currently facing the province,

⁵ Section 25.30 of the *Electricity Act*.



the risks of further delays and uncertainty has been greatly compounded in recent years. It will be important that the Board fully recognize these risks – risks to the adequacy and reliability of electricity supply, to the various economic engines which drive our economy, and to the overall quality of life and standard of living we currently enjoy – as it manages and oversees what can truly be referred to as the “critical path” of the IPSP review.

Yours truly,

A handwritten signature in purple ink, which appears to read "Shane T. Pospisil". The signature is fluid and cursive, with a large, prominent "P" at the end.

Shane T. Pospisil
President and CEO

c.c. Gregor Robinson, Vice President, Policy and Economic Analysis