

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27^e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL AND WEB POSTING

April 1, 2011

**To: All Licensed Electricity Transmitters
All Licensed Electricity Distributors
The Ontario Power Authority
All Other Interested Parties**

**Re: Regional Planning for Electricity Infrastructure
Board File Number: EB-2011-0043**

The Board is initiating a consultation aimed at promoting the cost-effective development of electricity infrastructure through coordinated planning on a regional basis between licensed distributors and transmitters. The consultation will be conducted in stages, with a view to developing a policy framework for regional planning that will likely be implemented through appropriate amendments to the Transmission System Code (“TSC”) and the Distribution System Code. There will be links to the consultations on the renewed regulatory framework and smart grid implementation.

This letter provides an overview of this consultation and of how to participate in it.

Background

Ontario’s electricity sector has long recognized the value of regional planning – where transmission and distribution facilities are planned jointly by the transmitter and one or more distributors.

The Transmission System Code governs transmitters in relation to, among other things, planning and cost responsibility for new assets. The framework as set out in the TSC:

- Treats a distributor as a transmission “customer” who, in the normal course, would pay for connection-related upgrades to a transmission system that are triggered by the distributor (including as a result of the connection of renewable energy generation facilities to the distributor’s distribution system);
- Requires a transmission capacity evaluation process to be undertaken when the available capacity on a connection facility falls below a certain pre-set percentage of total normal supply capacity; and

- Does not require transmission customers to pay for connection-related upgrades that at the relevant time were 'otherwise planned' by the transmitter, except for any advancement costs.

A revised TSC was issued following two successive consultation processes (RP-2002-0120 and RP-2004 0220) in July, 2005. Shortly before that time, the Ontario Power Authority ("OPA") was created with the objective of, among other things, conducting independent planning for transmission in Ontario. The OPA is expected to have a role in regional planning initiatives, including through the development of the Integrated Power System Plan.

The *Green Energy and Green Economy Act, 2009* and, more recently, the government's Long Term Energy Plan contemplate the connection of increased numbers of renewable generation facilities. This in turn is expected to drive the need for transmission enhancements and reinforcements, including in circumstances where the renewable connection is at the distribution level. This is, in fact, the circumstance contemplated by the recent amendments to Hydro One Networks Inc.'s transmission licence further to a directive issued to the Board by the Minister of Energy. Among other things, the licence amendments require Hydro One to work with the OPA to establish the scope and timing of increases to short circuit and/or transformation capacity at transmission stations to enable the connection of small-scale renewable generation over a specified period, and then to implement the projects based on the OPA's recommendations.

Consultation Overview

This consultation is intended to develop a regulatory framework for regional planning, having regard to the principles articulated in earlier TSC consultations as well as the following:

- that an optimized solution is desirable as being the lowest cost in the long term;
- that a coordinated solution is desirable as allowing for a consideration of broader needs and for involvement by a larger set of stakeholders; and
- that cost responsibility for optimized solutions is attributed in an appropriate manner.

It is anticipated that this consultation will focus on the development of regional planning requirements that will apply in circumstances where a localized geographic issue can be resolved through a number of different transmission and/or distribution solutions.

Stakeholder Meeting

The first stage in the consultation process will be a stakeholder meeting that will provide a forum for discussion of topics such as:

- objectives for regional planning;
- a status check on current practice;
- best practices for regional planning and examples of successful processes;
- cost responsibility for optimized, regional infrastructure projects; and

- the identification of any barriers to regional planning in the current regulatory framework and how these may best be addressed.

The stakeholder meeting will be held at the Board's offices on Thursday, May 12, 2011. Further details will be made available in the near future.

Staff Discussion Paper

A Board staff Discussion Paper that sets out Board staff's proposals for regional planning in Ontario will then be released for comment. In developing this Discussion Paper, it is expected that Board staff will build on the discussions during the stakeholder meeting as well as on written comments¹ provided by stakeholders in the early stages of a prior consultation on cost responsibility for load connections to transmission systems (EB-2008-0003).

Board Policy

The final stage in this consultation process will be consultations regarding proposed regulatory instruments (likely the TSC and the Distribution System Code) that will embody the Board's policy on regional planning.

Links to Other Initiatives

On December 17, 2010, the Board announced an initiative to renew the regulatory framework for electricity. The regional planning consultation is most closely related to Distribution Network Investment Planning (EB-2010-0377). The latter consultation is concerned, more broadly, with utility planning and prioritization. This regional planning consultation, for its part, will examine the more specific circumstance of how a particular infrastructure need can be addressed through regional planning between utilities. The two consultations will be conducted in parallel, and will be managed with a view to ensuring that they result in a principled and cohesive framework.

On January 13, 2011, and further to a directive received from the Minister of Energy, the Board initiated a consultation on guidance to be provided to licensed electricity transmitters and distributors (among possible others) in relation to the implementation of a smart grid (EB-2011-0004). Among other things, the directive requires the Board to consult for the purpose of developing a regional or otherwise coordinated approach to the planning and implementation of smart grid activities. There will be much common ground between the Smart Grid consultation and this broader regional planning initiative, and it is expected that these two projects will be managed in a manner that optimizes the use of stakeholder resources.

Invitation to Participate

¹ These can be found on the Board's website at:

<http://www.ontarioenergyboard.ca/OEB/Industry/Regulatory+Proceedings/Policy+Initiatives+and+Consultations/Transmission+Connection+Cost+Responsibility+Review/Transmission+Connection+Cost+Responsibility+-+Subs>

The Board encourages participation in this consultation process by all interested parties. Those interested in participating should indicate their intent by letter addressed to the Board Secretary by **April 13, 2011** in accordance with the filing instructions set out below. The letter should include:

- i. a statement as to whether the participant intends to attend the stakeholder meeting referred to above; and
- ii. a statement as to whether the participant wishes to request cost eligibility, all requests for cost eligibility should comply with the requirements referred to under “Cost Awards” below.

Cost Awards

Cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998* in relation to their participation in this consultation process. The costs to be awarded will be recovered from all licensed rate-regulated electricity transmitters and all licensed rate-regulated distributors based on their respective transmission or distribution revenues.

Appendix A contains further details regarding cost awards for this consultation, including in relation to eligibility requests and objections, and eligible activities.

In order to facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

Filing Material with the Board

Three (3) paper copies of each filing must be provided, and should be sent to:

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

The Board requests that interested parties make every effort to provide electronic copies of their filings in searchable/unrestricted Adobe Acrobat (PDF) format, and to submit their filings through the Board’s web portal at www.errr.ontarioenergyboard.ca. A user ID is required to submit documents through the Board’s web portal. If you do not have a user ID, please visit the “e-filings services” webpage on the Board’s website at www.ontarioenergyboard.ca, and fill out a user ID password request. Additionally, interested parties are requested to follow the document naming conventions and document submission standards outlined in the document entitled “RESS Document Preparation – A Quick Guide” also found on the e-filing services webpage. If the Board’s web portal is not available, electronic copies of filings may be filed by e-mail at boardsec@ontarioenergyboard.ca.

Those that do not have internet access should provide a CD or diskette containing their filing in PDF format.

Filings to the Board must be received by the Board Secretary by **4:45 p.m.** on the required date. They must quote file number **EB-2011-0043** and include your name, address, telephone number and, where available, your e-mail address and fax number.

All written comments, requests for cost award eligibility and other filings received by the Board in relation to the initiatives described in this letter will be available for viewing at the Board's offices and will be placed on the Board's website.

If the written comment, request for cost award eligibility or other filing is from a private citizen (i.e., not a lawyer representing a client, not a consultant representing a client or organization, not an individual in an organization that represents the interests of consumers or other groups, and not an individual from a regulated entity), before making the written comment, request or other filing available for viewing at the Board's offices or placing the written comment, request or other filing on the Board's website, the Board will remove any personal (i.e., not business) contact information from the written comment, request or other filing (i.e., the address, fax number, phone number, and e-mail address of the individual). However, the name of the individual and the content of the written comment, cost award eligibility request or other filing will be available for viewing at the Board's offices and will be placed on the Board's website.

Any questions regarding this consultation process should be directed to Laurie Reid at **Laurie.Reid@ontarioenergyboard.ca** or at 416-440-7623. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Attachment Appendix A: Cost Awards

Appendix A Cost Awards

Eligibility

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person requesting cost eligibility must file with the Board a written submission to that effect by **April 13, 2011**, 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. All requests for cost eligibility will be posted on the Board's website.

Rate-regulated licensed electricity transmitters and rate-regulated licensed distributors will be provided with an opportunity to object to any of the requests for cost award eligibility. If an electricity transmitter or distributor has any objections to any of the requests for cost eligibility, such objections must be filed with the Board by **April 28, 2011**. Any objections will be posted on the Board's website. The Board will then make a final determination on the cost eligibility of the requesting parties.

Eligible Activities

Cost awards will be available to eligible persons in relation to their participation in the stakeholder meeting, to a **maximum of actual meeting time plus 50% of meeting time** for preparation and reporting.

The Board anticipates that other activities associated with this consultation, such as the provision of written comments on the Board staff Discussion Paper, will also be eligible for cost awards. Further details will be provided at the relevant time.

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.

The Board will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the Board will act as a clearing house for all payments of cost awards in this process. For more information on this process, please see the Board's *Practice Direction on Cost Awards* and the October 27, 2005 letter regarding the rationale for the Board acting as a clearing house for the cost award payments. These documents can be found on the Board's website at www.ontarioenergyboard.ca on the "Rules, Guidelines and Forms" webpage.