October 11, 2006

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

Re: EB-2006-0226 Proposed Amendments to the Distribution System Code and the Retail Settlement Code

Dear Ms. Walli,

I am writing to provide you with the perspective of Ontario's waterpower industry on the above-noted notice of proposal to amend the Distribution System Code and Retail Settlement Code.

At the outset, I would like to provide you with some context for the waterpower developments that are likely to be affected by the proposed amendments, particularly in light of the impending introduction of the Standard Offer Program. More than one half of the province's 200 operating waterpower facilities are located in organized Ontario, and the vast majority of those have an installed capacity of less than 10MW. Given that more than 300 small waterpower stations were de-commissioned after the introduction of large fossil and nuclear generation in the province, we expect the Standard Offer Program to create significant interest in re-development and retrofitting infrastructure in southern Ontario.

Our primary interest in the proposed amendments relates to the Queuing sections (6.4.9.1 and 6.4.9.2). As we observed to the Ontario Power Authority in the development of the Draft Program Rules document, waterpower developments do not meet the "standard" timelines originally suggested for the program. I strongly encourage the OEB to recognize this difference in finalizing code amendments.

In order to obtain “site control”, waterpower developments most often are subject to a Ministry of Natural Resources Crown land site release process, through which “Applicant of Record” status is conferred. It is at this stage in the process that proponents will be seeking a Standard Offer Contract (or other procurement mechanism) and, of relevance to the OEB proposal, a Connection Impact Assessment. No land tenure is granted at this stage, rather the proponent is given the “privilege” of pursuing environmental approvals – a process that typically takes 2-3 years. Once this pre-development stage is completed, the proponent may be granted approvals to construct and have the confidence to finalize the Connection cost agreement. As such, it is recommended that the timelines between CIA and CCA be extended from the proposed 12 to 24-36 months for waterpower projects.

Our second concern relates to the potential for Connection Impact Assessments to overwhelm the “Queue” under the first-come-first served model, particularly in a program that most have observed will result in many proposals but only a percentage of projects. By way of example, the Ontario Hydro Renewable Non-Utility Generation Program generated almost 200 waterpower development applications and resulted in only 50 new developments and re-developments. We would suggest, therefore that:

- the CIA be the final element required of a proponent pursuing a Standard Offer or other procurement mechanism. For waterpower, this will ensure that proponents have already met the core requirements of site control and the commencement of the EA process; and

- the CIA establish initial priority of application review, but the CCRA be the queue confirmation, recognizing, as suggested above, that there may be differing timelines for technologies in moving from a CIA to a CCRA, based on development requirements. This may mean that some projects making demonstrable progress toward development approvals (and a CCRA) are in the “queue” for the purposes of system modeling and/or capacity allocation.

In closing, I would point out that the Minister of Energy has also requested the OPA to develop a mechanism consistent with the objectives of the Standard Offer Program for waterpower proposals connecting to the transmission system, primarily in northern Ontario. I would be pleased to work the OEB to ensure that the same considerations are brought to that discussion.

Sincerely;

Paul Norris
President
Ontario Waterpower Association