EB-2006-0207

Before the Ontario Energy Board

Comments on the Board Staff Discussion Paper Concerning Principles and Filing Guidelines for the IPSP

Submitted on behalf of the Green Energy Coalition (GEC)

These initial comments are submitted by the GEC, which is comprised of the David Suzuki Foundation, Eneract (Energy Action Council of Toronto), Greenpeace Canada and Sierra Club of Canada. All of the GEC's member groups are charitable or non-profit organizations active on environmental and energy policy matters.

While most of our comments below focus on the items we feel need improvement and are therefore in the form of a critique, we do wish to note that the bulk of the Board Staff paper is quite helpful and is a welcomed effort.

Our comments are ordered to reflect the format of the discussion paper.

PART ONE: THE IPSP

II. Principles Guiding Review and Implementation of the IPSP

B. The Supply Mix Directive

Achievement of conservation targets:

Section 25.30(4) of the Act reads:

> The Board shall review each integrated power system plan submitted by the OPA to ensure it complies with any directions issued by the Minister ***and*** is economically prudent and cost effective. (emphasis added)

Under II. A. *Board Mandate*, the staff paper recognizes this dual mandate as it does at page 7 in the discussion of item D. *Economic Prudence and Cost Effectiveness*.

Moreover Section 1 of the Energy Board Act includes the purpose:

> (g) to promote economic efficiency and sustainability in the generation, transmission, distribution and sale of electricity;

Accordingly, while the Board must certainly determine whether the Plan meets the minimum CDM requirements of the Directive, it must also determine whether the Plan and its components are economically efficient and economically prudent and sustainable, i.e. not only must the level of CDM be adequate to meet the minimum requirement but the Board must determine whether a higher, more optimal level is available and if so, if the plan is adequate to achieve it.

The Directive sets out a 6300 MW goal for conservation that provides a minimum requirement for the Plan to be acceptable. However, the Directive defines conservation very broadly and it is quite possible that more than 6300 MW can cost effectively and prudently be achieved by 2025. The Discussion Paper does not discuss how the OPA should address this matter. The OPA seems to be treating this minimum requirement as a *de facto* cap. In our submission, the requirement of an economically efficient, prudent and a sustainable Plan requires the OPA to present an analysis of alternative plans that include conservation components exceeding 6300 MW if they may meet these criteria and other mandatory parts of the Directive (such as the minimum renewable generation requirement) and the guidelines should so state. As recently as September 28th during the stakeholder consultation on CDM the OPA acknowledged that the Directive's 6300 MW goal for CDM is not a cap. However, despite that acknowledgement, the OPA continually refers to the 6300 as the working target and this will inevitable be a self-fulfilling prophesy if the OPA is not required to actively consider strategies to go beyond the minimum. The guidelines should be clear that the OPA Plan should include the highest economically (broadly defined) level of CDM and not assume that 6300 is sufficient.

Achievement of renewable energy targets:

As with conservation, the Directive sets out a floor but does not displace the need to consider more aggressive plans in this regard and the guidelines should make this clear.

D. Economic Prudence and Cost Effectiveness

This section of the paper uses the phrase 'total cost' in an ambiguous manner. We suggest the following:

First, it should be made clear that the Board will consider all societal costs whether monetized or not to determine prudence and sustainability and to evaluate the adequacy of the consideration of environmental impacts as required by the regulation.

Second, the implication of the paper is that the burden is on the OPA to justify any departure from the lowest monetary cost plan, suggesting that the lowest monetary cost option, if it is the preferred plan, would not need to be otherwise justified and contrasted with alternatives. If so, this would be an unduly narrow definition of 'economic' and would elevate monetary costs above other costs such as risk and externalities. It would also elevate economic efficiency above economic prudence and sustainability. The Board should be careful not to predetermine its ranking or weighing of these sometimes competing criteria before hearing the evidence and submissions of the parties. For example, reliability concerns for a particular type of plant may preclude reliance upon that particular technology despite it being the least (monetary) cost alternative (either compared to all options or within a supply category contained in the Directive). The OPA should not be excused from defending its proposal and comparing it to a range of reasonable alternatives even if it is the lowest (monetary) cost option.

III. IPSP Filing Guidelines

B. General

3. Demand and Supply Forecasts and Adequacy Assessments

This section quite appropriately calls upon the OPA to file "a range of forecasts to reflect future possible load changes resulting from various economic and end-use scenarios". It then calls for a separate identification of the impact of conservation on the forecasts. It also separately calls for an identification of commodity price impacts. Given the interrelationships between economic activity, end uses (including fuel choice), conservation and commodity prices, the requirements should specifically require an analysis of a range of scenarios that capture various combinations of these factors as well as uncertainty in economic and underlying drivers of demand.

C. Resource Planning and Acquisition: the near term plan

1. General

To allow the Board to fulfill its mandate (discussed above) the guidelines should require estimates of externalities.

The OPA should also be required to analyze the risk of non-operation for each component of the plan and evaluate the related impacts and costs for different scenarios. The risk analysis should distinguish between risk of non-operation before implementation and after and should relate that risk to the consequences. For example, energy efficiency alternatives may have a risk related to achievability but once installed may be very reliable whereas nuclear plants may have a continuing and even increasing risk of unavailability after installation. As to consequences, the risk of energy efficiency options not fully materializing may be apparent early in the deployment phase and can be

mitigated whereas problems arising for a centralized facility may only be apparent after several years of construction and sunk costs.

2. Conservation Resources

As discussed above, the Act does not limit the review to a determination of meeting the Directive's targets but rather requires a review to determine if economically efficient levels are being achieved. Accordingly, the reference to achieving targets in this section of the discussion paper should instead refer to achieving optimal cost-effective levels in the short and long-term considering all costs including externalities.

3. Generation Resources

b. Renewable energy generation resources

Paragraph iii refers to the intermittent nature of the generation resource, if applicable. The paragraph should also require a consideration of strategies to mitigate any concerns about intermittency where it is applicable. For example, coordination of gas, imported hydraulic and wind resources and geographic dispersion of wind generation may allow for a greater reliance on renewables as might coupling with flow battery technology or some other technique.

D. Resource Planning and Acquisition: Beyond the Near-term Plan

As discussed above, this section should list: 'g. externalities'.

E. Evaluation of Preferred Plan

This section continues to assume that the least (monetary) cost plan is somehow the default plan. While it is certainly an option that must be considered it should not in our submission have elevated status. Further, limiting the filing requirement to elaboration of two plans – the preferred and the lowest (monetary) cost – would defeat meaningful evaluation and consideration of the issues before the Board. There will likely be a range of plans (or plan variants) that are reasonable alternatives, that may or may not include the lowest (monetary) cost plan, that the Board should have before it, and that the public should be informed of. The Staff position unduly narrows the comparisons and elevates cost-effectiveness above prudence and sustainability and other considerations and would be a dangerous misdirection to the OPA and an abdication of jurisdiction by the Board.

Further, the limitation of sensitivity and contingency analysis to the preferred plan would also obscure informed evaluation and comparison.

F. Satisfying the Requirements of the IPSP Regulation

1. Plan Preparation

In our submission, the definitions provided for Safety, and Environmental Protection are unduly narrow.

Safety is equated with compliance with applicable laws. While such compliance may be evidence of safety it cannot be equated with safety, which is not a binary condition (safe versus unsafe). There are degrees of safety and the level of safety (even though in compliance with other statutes) is a factor to be evaluated and considered in reviewing the merit of competing plans or technologies within a component of the plan.

Similarly, compliance with environmental laws does not eliminate the need for an understanding of residual impact.

3. Environmental Issues

The paper suggests that nuclear generation projects are outside the scope of Paragraph 8 of section 2(1) of the regulation. We are at a loss to understand why such projects would be excluded if they are to be assessed within the 5 year trigger. Indeed, at page 18 the paper notes that OPA has been instructed to begin environmental assessment of various nuclear options.

In any event, as noted in section 2.(1)7 of the regulation, OPA must consider the environment in developing the plan even if a more detailed consideration at the specific project level is not required by virtue of section 8. While project or site-specific evaluation may be premature, consideration of the impacts at an option level is clearly required.

The Board should not speculate on which projects may be captured by paragraph 8 in the absence of the proposed plan or specific regulations. We are unaware of any regulation exempting nuclear plants from assessment under the EAA and public musings by the Minister in that regard should not be equated with legal requirements.

PART TWO: PROCUREMENT PROCESSES

II. Principles Guiding Review of Procurement Process

B. Procurement Process Elements

2. Competitive Procurement

This section should include a requirement for the OPA to demonstrate how it has complied with section 25.31(2) requiring simpler processes for alternative and renewable energy sources.

All of which is respectfully submitted this 29th day of September, 2006.

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