

September 25, 2006

File 15011

**VIA COURIER AND EMAIL**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto, ON M4P 1E4

Dear Sirs:

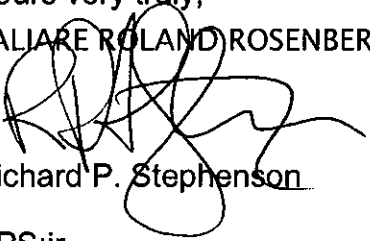
**Re: Ontario Power Authority's Integrated Power System Plan and  
Procurement Processes  
Board File No. RP-2006-0207**

Further to the Board's correspondence dated September 8, 2006 regarding this matter, enclosed herewith please find submissions filed on behalf of Power Workers' Union regarding the OEB Staff's Discussion Paper.

As per your instructions we enclose five copies of the document, and will provide an electronic copy by email delivery.

Yours very truly,

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# **POWER WORKERS' UNION**

## **OEB IPSP COMMENTS**

### **ONTARIO ENERGY BOARD STAFF DISCUSSION PAPER IPSP**

On September 8, 2006 the Ontario Energy Board (OEB or the Board) issued a Staff Discussion Paper on the Review of the Ontario Power Authority's Integrated Power System Plan (IPSP) and Procurement Process (PP). The Board invited Stakeholders to provide written comments on all aspects of the staff's Discussion Paper.

Given, as the Board has noted, both the review of the IPSP and the Procurement Processes are new activities for the Board and the OPA, the Board should allow some flexibility for Stakeholder submissions as it is unlikely that the OPA or the OEB can fully contemplate how these issues will evolve or what issues Stakeholders may need to raise as the OPA develops the IPSP/PPs and the OEB reviews the IPSP/PP. The overall objective is to develop an approved IPSP in a manner that is in the best interest of Ontario and to the extent that it is necessary, the Board should allow Stakeholders to make submissions that bring greater planning confidence, reduce risk and increase clarity of the proposed plans and processes.

Given the importance and potential impacts of the OEB review and approval on Ontario's energy market, Stakeholders and consumers, it is essential that the Board manage this review in a manner that:

- Ensures adequate analysis of the scenarios
- Provides parties adequate time to consider the submissions of the OPA and other parties
- Provides parties sufficient time to prepare reply submissions

Given the manner and timing of the development of the IPSP (i.e. parties are being provided 8 sections over the IPSP stakeholder consultation period followed by a review of the consolidated plan) it is likely that parties will develop a better understanding of some of the key issues and sensitivities of the IPSP as the OPA develops it. As a consequence, the fact that a party has made submissions to the OPA should not prejudice the ability of that party to make further submissions on those issues to the OEB.

The Power Workers' Union (PWU) makes the following submissions to assist the Board in developing a fair and balanced review of the IPSP and PP such that it results in a plan that ensures Ontario has adequate, reliable, safe and reasonably priced electricity supply.

1. The Board's discussion paper does not provide a description of the process that the OEB intends to follow with respect to the Board's review of the IPSP/PP. As a consequence it is not possible for Stakeholders to reasonably anticipate how they should proceed and what work they will need to complete and on what timeline. It would be helpful to Stakeholders to know, as soon as practical, how

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the Board plans to deal with these issues in parallel with the development of the requirements that the OEB is establishing for the OPA. This will allow parties to determine if they have issues with this process and content, as well as, determine how best to plan for both the OPA and OEB processes. Without knowing how and when the Board will be dealing with the 3 primary issues (IPSP, PP and facilities/contract approvals) it is difficult to determine whether the information in the Discussion Paper is sufficient. Stakeholders would benefit if the Board more clearly defined what information will be dealt with, when and what criteria the Board may be using to measure the OPA's recommended options.

2. Given that the Board has chosen to include the approval of new facilities and contracts as part of the IPSP process, Stakeholders would benefit from knowing whether there will be a preliminary finding by the Board on the IPSP prior to the review of the proposed facilities and contracts.
3. In addition, the Board has indicated that it intends to assess potential competing transmission alternatives for transmission facilities brought before it during the IPSP. By potentially adding these approval processes to an already complex process the PWU is concerned that by expanding the IPSP to include these additional issues that the Board's review may be more complex and lengthy than necessary. The PWU encourages the Board to consider the merits of obtaining consensus or approval of the IPSP followed by the review of facilities, contracts and transmission proposals in the context of the consensus view of the IPSP review. This would assist with a more expeditious and effective review of the facilities, contracts and transmission proposals. It would therefore be preferred if the IPSP process was completed with an interim decision followed by a short break to allow for facilities, contract and transmission applications to be filed, reviewed and commented on. The facilities and contract section of the IPSP should then follow the approved IPSP.
4. There is no mention in the Discussion paper of an assessment of the impact of assumptions regarding congestion pricing and the possible introduction of a Day Ahead Market. The Board should direct the OPA to provide the underlying assumptions for both these issues and the potential significant impacts that these could have on the merits of the each OPA reviewed scenario.
5. In Section D and in other sections of the paper the Board uses the term "economic prudent and cost effective". It would be helpful if the Board or the OPA proposed a set of principles that more clearly define what economic prudent and cost effective mean and how the OPA would be expected to measure them. The information in the Board's draft paper is unclear as to how the Board would measure and weigh each of the criteria.
6. Although the Board states that the Supply Mix Directive specifies a mandatory portfolio of supply and conservation resources mix (pg 3) it appears to the PWU

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that the Directive sets out goals and targets for renewables and may place a cap on installed nuclear capacity. It does not state how the ramp up to the targets should occur. The Directive does not limit the use of coal generation sites for clean coal projects. Nor does the Directive state when or how the coal phase-out should occur. Although the PWU understands that the Board does not intend to solicit views of stakeholders on the goals of the Directives (Pg 3 "not goal to solicit input on the goals of the Directives") this should not prevent Stakeholders from assisting the OPA and the OEB by submitting alternative analysis if the consequences of the Directives could have a material detrimental consequence.

7. At page 5 the paper refers to cleaner sources. The definition of cleaner sources should allow inclusion of clean coal technologies. The Board and OPA should define the reference point for evaluation (i.e.: is it today's emission levels on a plant by plant basis that all projects will be measured against?).
8. It is not clear what the Board means by "earliest practical time and adequate generating capacity and reliability" and how these would be assessed. It would be helpful if the OPA or the Board provided some guidance to how these would be determined and measured.
9. Where the Board, on page 6, describes the transmission system being strengthened to enable achievement of the supply mix goals; facilitate renewable resources. The OEB should make it clear that this would not be done at the expense of or disadvantage other resources without the economics and other factors being fairly weighed.
10. The Board has indicated that it intends to address the Procurement Process. The PWU recommends that the Board include in this review the major processes related to the OPA selling power whether it is under the NGX auctions or should the OPA consider selling all or a portion of the CES and ACES contracts whether by negotiated sale or auctions. Given that the OEB is reviewing the purchase practices of the OPA it would be appropriate to have some control and review of the NGX auction processes and any selling of OPA contract capacities. The Board may wish to include a set of guidelines and measures with respect to these potential activities as they are part of the Board's responsibilities under the OEB Act. Given that the OEB is dealing with the procurement process this is an appropriate time to deal with any proposed sale of power by the OPA as there are similar issues that should be assessed together, given that such activities could be taken to facilitate market evolution (i.e. in the IPSP last section).
11. Given that the Board has chosen not to review the Pre-IPSP Projects the OPA should be directed to include sufficient information in the IPSP plans for Stakeholders to determine and examine the impact that these projects may have on the optimal IPSP and the sensitivity that various load factor utilization of the Pre-IPSP projects could have in future years.

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## OEB IPSP COMMENTS

12. It would be helpful to Stakeholders if the OPA or the OEB defined how the OPA and the OEB will rank projects (i.e. the criteria that they would use and how they would use and weigh the input submitted by stakeholders).
13. The OPA should be directed to file risk adjusted sensitivity analysis of the various scenarios to illustrate the likelihood of demands and weather extremes and the impacts that these scenarios would have.
14. To facilitate easier comparison and ranking relative to Stakeholder proposed analysis, the Board should direct the OPA to develop and provide Stakeholders assumptions regarding exchange rates, discount rates, interest rates etc for the various scenarios. The OPA should provide these to Stakeholders early in the consultation phase.
15. Below are some additional comments regarding the Staff Discussion Paper with page references:
  - a. At page 13 the Board states that "the OPA will have identified resources based on a consideration of alternatives ...and present the smallest number" – consideration should include a reasonable assessment of each option available based on acceptable valuation and ranking methodologies.
    - i. The OEB should direct the OPA to define and must demonstrate how good planning practices and principles and commercial practices have been used in arriving at the IPSP
    - ii. Where the Board directs the OPA ((3 a) General) to identify the criteria that the OPA will use in evaluating, selecting and prioritizing the generation resource the Board should also direct that that criteria should also include the rationale for the weighting of the criteria used by the OPA.
    - iii. As part of its review and assessment of Conservation Resources the Board should direct the OPA to assess and quantify the risks associated with all proposed activities
  - b. Pg 16 3 a) ii what risk analysis is the Board contemplating and what would it contain?
  - c. Pg 17 As part of its review and assessment of Renewable Energy Generation Resources the OPA must assess and quantify the risks associated with proposed activities

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- d. Pg 18 The Board should add as part of 3d) an assessment of the load balancing capabilities and costs for in Ontario gas services to serve Gas-Fueled Generation and quantification of the risks associated with their gas supply contracts.
- e. Pg 19 The Board should add as part of 4) for generation resources outside Ontario the OPA must provide the estimated delivered cost of power and the risks associated with these projects and the mechanisms that will be required to underwrite the projects along with any Federal or Provincial approvals and special tax requirements.
- f. For any project that requires the decommissioning of existing facilities the Board should direct the OPA to provide all costs and risks associated with the decommissioning. For planned phase out of any existing generation facility the OPA should be directed to provide a cost estimate for "idling" the generation until phase out is completed or the costs and risks associated with a change in commercial practice (i.e. shorter term or spot market acquisition of coal and impact on the cost of coal)
- g. Pg 22 where the Board states that the OPA must file both plans this should not be a choice between only 2 options but rather the OPA has been directed to file plans while identifying the OPA's preferred plan. The OPA should be directed to file 3-4 plans and sensitivities along with the OPA's preference and the rationale for their preference. The other plans should likewise be scored to illustrate how and on what basis the OPA selected their preferred alternative.
- h. Pg 24 the OPA should be directed to not only indicate how Stakeholders' views were determined and considered but also on what basis they were weighed and factored into the OPA's decision making.

### **PROCUREMENT PROCESS**

1. It is not clear what the Board expects when it states (page 29) that the OPA must design at the outset to minimize or reduce the financial risks and obligations of electricity consumers. Consumers bear some risks associated with most energy procurement activities. The PWU concurs that good contract practice should be followed but the price associated with risk coverage minimization, as suggested, may be too high and conflict with the concern expressed about barriers to participation. The PWU requests the Board and the OPA to provide the meaning, expectation and rationale for establishing such a policy. If this position is to be taken forward in the OEB review then the OPA should be directed to provide evidence to support such a position along with risk measurement criteria and the

## **POWER WORKERS' UNION OEB IPSP COMMENTS**

costs associated with the various risk levels. The Board should also allow Stakeholders the opportunity to provide evidence on this issue.

2. In addition to the Board's comments, the OPA should be directed to develop practices that provide adequate planning and timing of procurement to avoid short notice and rush procurement activities.
3. The Board in accordance with the Act should direct the OPA to submit for the OEB's approval any proposed change to the approved procurement practices such review and approval should be under an OEB approval process that allows for public comment.