EB-2006-0207

Before the Ontario Energy Board

Comments on the Draft Report of the Board Concerning Review of, and Filing Guidelines Applicable to the OPA's IPSP and Procurement Process

Submitted on behalf of the Green Energy Coalition (GEC)

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

GEC welcomes the clarity that the Board's report brings to the forthcoming process. We have previously submitted comments in response to the Board Staff discussion paper and in reply to OPA's comments. Our comments herein are limited to the need for externality analysis and illustrative scenario analysis to enable the Board to determine economic prudence as required by Section 25.30(4) of the *Electricity Act, 1998*.

The Board has acknowledged that the 6300 MW goal for CDM and the 15,700 MW goal for renewable generation in the Directive are minimums. Further, the Minister has acknowledged that exceeding the minimums would be welcomed as a means to reduce investment in nuclear generation. Accordingly, it will likely be necessary to consider whether a plan with a higher proportion of CDM and or renewable supply is more prudent or economic then one that simply meets the minimum required level. Similarly, the requirement to utilize gas technology where it is a high efficiency application (such as Combined Heat and Power – CHP) is not constrained by a cap in the Directive.

In the case of CDM and CHP there is the potential to locate such resources strategically to reduce future transmission investment, particularly in the Toronto area, which suggests that these components will play an important role in the early phase of the plan.

Further, CDM, CHP and certain renewables (including some imported resources) can potentially be implemented or arranged to be purchased in smaller increments with relatively shorter lead times and can therefore add to flexibility and robustness of a plan.

While a significant quantity of these resources is mandated by the Directive and may be clearly economically advantageous over centralized supply (i.e. without a consideration of non-financial matters) it is quite likely that at the margin of the plan, beyond the minimums set out in the Directive, there will be need to consider the tradeoffs between alternatives in a manner that considers more than the simple financial cost. This suggests there would be considerable benefit for the Board in having a common yardstick or set of yardsticks to compare competing scenarios and to have some elaboration of competing scenarios to evaluate economic prudence.

We note that the Board has asked for a comparison of the preferred and the 'least cost' alternative plans that considers "economic, environmental, reliability, safety, security, locational, congestion, system loss, land use and land acquisition, and other technical and non-technical attributes" as well as a risk assessment for the preferred plan (p.23). We agree that such a multi-facetted analysis is central to the Board's statutory role. We are concerned however that the Board has limited this comparison to two alternative plans, particularly so when it is likely that the 'least financial cost' alternative is not a realistic option. Given the many factors at play, it is expected that the real debate will be between a set of plans that seek to meet the government's policy goals with differing tradeoffs between the factors the Board has listed and others, most notably, flexibility and robustness. While the 'least cost plan' will provide a benchmark to enable an understanding of how the OPA has valued the attainment of other goals beyond least financial cost, it will not allow the Board and the public to see how marginal adjustments to the preferred plan would compare to the preferred plan or to one another.

One tool to allow such marginal comparison is externality monetization. Monetization of externalities has the added benefit of recognizing that compliance with regulations is not to be equated with zero impact. The Draft Report at page 25, mistakenly, in our view, equates compliance with safety regulation with safety *per se*. While it is certainly appropriate to recognize that safety, environmental emissions, land use and other externalities are all regulated by various statutes and regulatory authorities, such regulation cannot be equated with zero residual impact. Such impacts are of economic concern and must be considered in evaluating economic prudence and such impacts are central to the question of sustainability. For example, would it be economically prudent to approve a plan with a very low financial cost if all goes well but with the potential to destroy the economy if events go awry? Accordingly, we support the inclusion of a requirement that the OPA evaluate and where possible monetize all significant externalities (including risks associated with the plan) and we would not limit that analysis to those projects captured by paragraph 8 of section 2(1) of the IPSP Regulation as these matters are relevant to Paragraph 7 of section 2(1) and to Section 25.30(4) of the *Electricity Act* and to Section 1(g) of the *Energy Board Act*.

We wish to caution the Board that simple monetization of externalities would be inadequate. Some externalized impacts such as high consequence, low probability events cannot be reduced to 'expected cost' analysis. It is entirely appropriate to evaluate whether such risks should be more heavily weighted as might be the case for a risk that would entail prolonged and widespread inability to serve load or that would entail widespread economic or health costs or for security risks such as terrorist threat. While such impacts may not be amenable to simple monetization, they should not be ignored. Further, monetized externalities should generally not be discounted as this would explicitly devalue future impacts which would be contrary to the goal of sustainability.

We note that thus far the OPA has done a rather unimpressive job when it comes to evaluating externalities and considering sustainability. For example, the OPA has compared tonnes of waste created without any adjustment for toxicity, implicitly treating a tonne of fly ash as equivalent for planning purposes to a tonne of plutonium (see IPSP discussion paper 6 at page 18). Similarly, there has been no analysis of the risks being passed on to future generations. Accordingly, it is vital that the Board explicitly require the OPA to be more rigorous in its analysis of externalities and sustainability. In that regard we question the Board's rewording of the Brundtland definition of sustainability. Brundtland called for no compromising of the ability of future generations to meet their own needs whereas the Board's draft simply calls for OPA to seek to minimize such impacts. We do not feel it is appropriate for the Board to re-define terms specifically included in IPSP Regulation as part of the filing requirements specification process.

If the assessment of externalities is comprehensive (including, for example, those impacts listed by the Board at page 23 of its draft report) the ability of the Board and other parties to consider the tradeoffs between alternative plans or plan variants will be enhanced and the adequacy of the OPA's weighing of these factors in the development of the preferred plan can be considered. Further, while it is unrealistic to expect the OPA to anticipate and illustrate all the alternative plans that various parties may advocate, if the OPA is required to provide illustrative examples of alternate plans to demonstrate the impacts of plan changes at the margin, the Board's task will be assisted.

The Board is also charged with determining whether the coal phase out is being planned to occur at the earliest practical time. It is understood that use of existing coal facilities is among the lowest financial cost alternatives and the government's policy favouring a phase out is based on a policy determination that the externalities of coal burning are too high to tolerate. The government has thus implicitly placed a high value on externality reduction in the Directive. Accordingly it is in keeping with government policy that the inclusion of externality analysis and illustrative scenarios should be required to cover *inter alia* alternative coal phase out scenarios.

In conclusion we urge the Board to require the OPA to provide a comprehensive evaluation of externalities expressed as a monetized value where possible and to provide an illustrative set of alternative plan or plan variants to demonstrate the tradeoffs at the margin between competing plan objectives.

All of which is respectfully submitted this 1st day of December, 2006.

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