



February 28, 2005

The Honourable Dwight Duncan
Minister of Energy
900 Bay Street, 4th Floor
Hearst Block
Toronto, Ontario
M7A 2E1

Re: Electricity Transmission and Distribution in Ontario – A Look Ahead

Dear Minister Duncan:

The Independent Electricity System Operator (the “IESO”) wishes to comment on the Ministry of Energy’s (the “Ministry”) paper entitled “Electricity Transmission and Distribution in Ontario – A Look Ahead” that was released in December 2004 to facilitate public input and help guide the government in developing a policy framework for the electricity sector.

As you know, the IESO was created in 1999 as part of Ontario’s restructuring of its electricity sector and is a not-for-profit corporation without share capital established pursuant to the *Electricity Act, 1998*. The IESO is the organization in Ontario that is responsible for establishing and administering the wholesale electricity system and for directing the operation and reliability of the integrated power system. The IESO’s responsibilities include a broad range of integrated operations, from operations planning, security assessment and scheduling, to real time co-ordination of the power system. Accordingly, we have an interest in the issues raised in the paper and welcome the opportunity to provide comments and to help fashion a policy framework that will promote a healthy and sustainable electricity sector.

The IESO comments on the issues related to transmission planning and investments, encouraging distributed generation, and improving regulatory approval processes. We do not comment on the distribution sector issues raised in the paper. Building on recommendations made by the Electricity Conservation and Supply Task Force, and on the discussion paper, we offer the following additional comments for your consideration.

A transmission planning process should be established.

The Ontario Energy Board (the “Board”) produced a draft report—pursuant to the recommendation of the Market Surveillance Panel—to establish a transmission planning process

for Ontario. We suggest this becomes a starting point for the next steps, taking into account the creation of the Ontario Power Authority (OPA). The scope of this work should be defined within the context of the OPA's responsibilities for assessment of adequacy and reliability of electricity supply. We are also encouraged by the Board's work on the Transmission System Code and the wide range of associated issues that is being addressed in that proceeding. These efforts should be integrated to yield a transparent process that, among other things, sets out the roles and responsibilities to facilitate effective transmission planning, and ensures timely review and approval of required transmission projects. .

Distributed generation policy must include provisions to facilitate effective connection and operation.

The IESO's connection standards, aggregation rules, metering, and provisions for intermittent generators already provide for non-discriminatory connection and access to the IESO-controlled grid. We note that the potential benefits of distributed generation are greatest when the generation is developed closer to load areas. Distributed generation that is remote from load and from transmission facilities adds complexities and costs for its incorporation. As such, we support the deployment of distributed generation resources where it makes economic sense. We will continue to work with stakeholders, such as at the Board and the Industry Task Force on Distributed Generation, to build on the current standards and operating protocols to accommodate and facilitate the growing deployment of distributed generation resources throughout the province.

Government policy should be supportive of streamlined stakeholder and regulatory reviews.

Streamlining is more essential than ever given the anticipated generation turnover in the province and government policies relating to fuel mix, renewable energy, and to clean power sources. The transmission system expansion and modifications necessary to implement these policies and meet load growth will be significant. The new structure of the industry in Ontario places responsibilities related to such expansion at several agencies and companies. Close co-ordination, efficient public oversight, and participation by stakeholders are essential if maximum value is to be provided to Ontario consumers.

Sincerely,

Original signed by

Amir Shalaby
Manager, Regulatory Affairs
Independent Electricity System Operator