

March 7, 2022

Ms. Vanessa Ieraci  
Ministry of Energy  
77 Grenville Street, 6th Floor  
Toronto, Ontario  
M7A 2C1

**Re: ERO # 019-4926**  
**Supporting Critical Transmission Infrastructure in Southwestern Ontario**

Dear Ms. Ieraci,

Entegrus Powerlines Inc. (EPI) appreciates the opportunity to provide a submission regarding the *“Supporting Critical Transmission Infrastructure in Southwestern Ontario”* proposal currently before the Environmental Registry of Ontario (ERO).

EPI’s comments focus on two areas: (i) EPI’s support of a competitive process for major transmission investments, and (ii) transmission cost allocation and the “Beneficiary Pays Principle”.

### **EPI’s Support of a Competitive Process for Major Transmission Investments**

Ontario’s electricity system is moving towards a more competitive process led by the Independent Electricity System Operator (IESO). EPI supports a more competitive process for generation and transmission projects, to ensure that customers are protected with respect to costs and rates (i.e. customer affordability).

EPI also understands that there may be situations that necessitate the Ontario Government, in consultation with the IESO and the Ontario Energy Board (OEB), to sole source or direct a transmitter to build critical transmission infrastructure to ensure the in-service date is achieved (under circumstances where there is a documented urgent need). In these situations, EPI recommends that the transmitter be required to undergo a more rigorous prudency review of the project costs; this process would include benchmark reporting of investment costs before, during and after construction completion. The additional reporting and prudence review will provide supplemental protection to Ontario customers in terms of the affordability of the associated costs and rates triggered when directives are used for transmission investments.

### **Transmission Cost Allocation and the “Beneficiary Pays Principle”**

EPI notes that the proposal materials do not address the magnitude costs for these projects, which EPI understands to be significantly above \$1B, nor the allocation of costs, so a determination of how the

proposed investments impact affordability cannot yet be made. It is the hope of EPI that there will be an opportunity to assess and provide feedback on costs and customer affordability considerations.

EPI is specifically concerned that the IESO and OEB's "Beneficiary Pays Principle" for allocating transmission costs could potentially result in the allocation of significant costs to Local Distribution Companies (LDCs) which receive little (or no) benefit from new transmission investments. Notably, the current and future growth driving the currently contemplated transmission infrastructure directive is occurring in areas of rural Southwestern Ontario served by Hydro One Network Inc. Distribution (HONID) customers. Accordingly, the portion of costs not socialized to the provincial transmission pool should be directly allocated to the distributor who benefits from these investments. This concern regarding the "Beneficiary Pays Principle" arises from a significant cost allocation issue EPI directly experienced in the original Supply to Essex County Transmission Reinforcement ("SECTR") Project. In the early stages of the SECTR Project Leave-to-Construct application (EB-2013-0421) in 2014, Hydro One Networks Inc. Transmission (HONIT) allocated approximately \$20M directly to three LDCs in the region, EPI, Essex Powerlines and E.L.K. Energy. The three LDCs formed a coalition and participated in a 6-year regulatory process, which ultimately resulted in the allocated costs to the three LDCs being adjusted to less than \$100K by 2019 (with the approximately \$20M difference being allocated to HONID). The takeaway for EPI was that with any significant transmission project, it is important that the allocation of costs be identified and justified early in the process, as misallocations can have significant consequences in terms of both customer impact and resourcing requirements.

All of which is respectfully submitted,

*[Original signed by]*

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