



EB-2004-0476

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule. B;

AND IN THE MATTER OF an application by Hydro One Networks Inc. for an Order or Orders granting leave to construct a transmission reinforcement project in the Niagara Peninsula area.

Procedural Order No. 5

An application dated October 29, 2004 (the "Application") has been filed by Hydro One Networks Inc. (the "Applicant") with the Ontario Energy Board (the "Board") under section 92 of the *Ontario Energy Board Act, 1998* (the "Act"), seeking an Order of the Board granting leave to construct a transmission system reinforcement project in the Niagara Peninsula area (the "Project"). The Application was assigned Board File No. EB-2004-0476.

The registered intervenors in this proceeding are the Independent Electricity System Operator, the Association of Major Power Consumers of Ontario, Imperial Oil, and Susan Morrison and John Palcic ("Intervenors").

The Board has previously issued four procedural orders in relation to this proceeding. On December 17, 2004, the Board issued Procedural Order No. 1 establishing a process for the submission of interrogatories and interrogatory responses. On February 2, 2005, the Board issued Procedural Order No. 2 that addressed certain confidentiality issues, the timing of a technical conference and other scheduling issues. On February 24, 2005, the Board issued Procedural Order No. 3 establishing a schedule and process for the filing of responses to supplementary interrogatories and submissions. On March 11, 2005, the Board issued Procedural Order No. 4 that revised the dates for the submission of supplementary interrogatories and the filing of submissions by Intervenors.

On May 18, 2005, the Board issued an Interim Decision in this proceeding. In its Interim Decision, the Board stated that it will not grant leave to construct the Project at this time as there is insufficient evidence before the Board to allow it to make a determination that the Project is in the public interest as required by the *Act*. However, the Board also stated that it accepts that the combination of the benefits of congestion reduction and reliability enhancement that may result from the Project could be considerable. The Board therefore directed the Applicant to file additional evidence in support of the Project.

The Interim Decision also indicated that the Board would issue a procedural order identifying the evidence that it wishes the Applicant to file. A description of that evidence is set out in Appendix A to this Procedural Order.

In so describing the additional evidence to be filed by the Applicant, the Board should not be understood as limiting the evidence that the Board would be prepared to consider in this matter. Nor is the Board seeking to limit the right of the Applicant to file such additional or further evidence as the Applicant considers appropriate in support of its Application. In that regard, the Board notes that the Applicant has previously filed evidence relating to the reduction in energy costs that could result from the Project, based on a study that assumed the use of locational marginal pricing in the Ontario market. Should the Applicant wish to rely on evidence that assumes the use of locational marginal pricing, the Board has set out in Appendix B to this Procedural Order certain parameters to guide the Applicant on this issue.

In order to assist the parties in their planning and to promote the expeditious completion of this proceeding, Appendix C to this Procedural Order sets out a projected timeline for the remainder of this proceeding. Definitive dates for the completion of various steps in this proceeding will be established by the Board in a subsequent procedural order.

The Board may issue further procedural orders from time to time.

The Board considers it necessary to make provision for the following items related to the Application.

THE BOARD ORDERS THAT:

1. The Applicant shall file with the Board and deliver to all intervenors the additional evidence described in Appendix A. Such evidence, and any additional evidence that the Applicant may wish to file, shall be filed and delivered by a date to be determined by the Board and communicated to the parties.
2. The Applicant shall contact Board staff by May 27, 2005 to develop a schedule for the filing of evidence by the Applicant.

ISSUED at Toronto, May 18, 2005.

ONTARIO ENERGY BOARD

Original signed by

John Zych
Board Secretary

Appendix "A"
to Procedural Order No. 5

EB-2004-0476

Dated: May 18, 2005

Appendix A

Description of Additional Evidence

EB-2004-0476

1. Congestion Reduction Benefits

1. A revised study using the GE-MAPS program to assess the savings associated with reductions in congestion that would result from the Project. The revised study should assume the continuation of the present system of uniform wholesale energy market pricing with payments to manage congestion through “congestion management settlement credits” or “CMSC” payments.

The additional evidence should address and cover the impact of variations in certain key assumptions (i.e., a sensitivity analysis), including:

- the number of hours that the Queenston Flow West interface is congested. Estimates vary between 85 hours (according to the Independent Electricity System Operator’s (“IESO”) April 29, 2004 “10-year Outlook”) and 350 hours (the number of hours used in the Applicant’s original GE-MAPS study);
- the amount of nuclear generation assumed to be in service;
- the fuel cost assumptions for each of Ontario and New York; and
- the difference in wholesale market or “spot” prices between New York and Ontario.

To the extent that some of these sensitivity analyses have already been carried out earlier in this proceeding, the results can be incorporated with the additional studies as required.

2. Adjust the economic horizon of the study to reflect the useful life of the Project assets, taking into account alternative projects that may come into service during the horizon period.

2. Capital Cost Estimate

Revised estimates of the capital cost of the Project to reflect:

- the cost of removing the existing 115 kV line that is presently used as back-up supply for the town of Dunnville (this would increase the estimated Project cost); and

- the cost of replacing that same portion of the 115 kV line in the event that it was scheduled for replacement during the economic horizon for the Project (this would reduce the estimated Project cost).

3. Quantification of Transmission System Reliability Benefits

Quantification of the reliability benefits that the Applicant has indicated would result from the Project, including the following benefits:

1. Enhanced reliability in circumstances where a high-impact, low-probability event such as the August 2003 blackout occurs. For example, quantification of the reduction in rotational load shedding that the Applicant has submitted might occur were the Project to be completed.
2. Increased interconnection capacity. For example, quantification of the benefit of increased interconnection capacity in relation to Ontario generation reserve margins given the IESO's projection that those reserve margins will be markedly lower than in New York, New England, Michigan, and Ohio (based on the IESO's April 29, 2004 "10-year Outlook").

4. Land Use

With regard to submissions by the Intervenors Susan Morrison and John Palcic (the "Landowners"), evidence or submissions that would allow the Board to make a determination as to whether the existing easement, dated March 7, 1930, covers the work to be done as part of the Project, including:

- a detailed description of the nature of the work to be done on the Landowners' property including, but not limited to, the exact location and design of the towers; and
- the extent to which the work on the Landowners' property is covered by the existing easement, having regard to the terms ("erect", "maintain", and "renew") of that easement.

Appendix "B"
to Procedural Order No. 5

EB-2004-0476

Dated: May 18, 2005

Appendix B

Evidence that Assumes Locational Marginal Pricing

EB-2004-0476

Should the Applicant wish to rely on evidence that assumes the existence of locational marginal pricing (“LMP”) in Ontario, the Board would wish to have the following:

1. description of the form(s) of LMP that is (are) being assumed (i.e., “full LMP” at all zones where consumers pay the locational price at their respective zones; “partial generator-only LMP” where consumers pay a weighted average of generation zone prices) and identification of the date on which each form is expected to be introduced in Ontario;
2. rationale or justification for assuming each form of LMP that is being assumed and for determining the date on which it is expected to be introduced;
3. for each form of LMP that is used, an analysis of the cost savings resulting from the Project that are attributable to a reduction in congestion costs;
4. for each form of LMP that is used, an analysis of the cost savings resulting from the Project that are attributable to a reduction in what economists refer to as “congestion rents”; and
5. clarification as to whether “congestion rents” may be largely suppressed in a partial nodal or zonal pricing system.

Appendix "C"
to Procedural Order No. 5

EB-2004-0476

Dated: May 18, 2005

Appendix C
Projected Timeline
EB-2004-0476

The following table sets out the projected timeline for completion of this proceeding. The period between events is expressed in calendar days. For instance, if the Applicant's additional evidence is received by June 30, 2005, then a decision can be expected by September 2, 2005.

Step	Day
Receipt of the Applicant's additional evidence	1
Interrogatories to be filed and served by	10
The Applicant's response(s) to be filed and served by	25
Intervenor submissions to be filed and served by	35
The Applicant's reply submissions to be filed and served by	45
The Board's decision to be rendered by	65