

Market Vision

Any vision must address the key concerns of consumers, large and small:

- Adequate and reliable supply
- Stable and predictable prices
- Environmental soundness
- Understandable to both consumers and producers

Any proposed vision should be demonstrated to deliver on these concerns, in both the near and long term, and must be robust enough to be sustainable under changing circumstances.

We should use these criteria to assess alternate models.

Must also reflect Ontario realities:

- Need for credit-worthy counterparties to enter into long-term contracts for new base-load generation as well peaking capacity;
- Recognition that large capital intensive nuclear and hydro plants will continue to supply the majority of Ontario supply;

In the current Ontario situation, adequate supply and predictable prices can likely only be delivered through a contract-based market complemented with a small balancing market. The counterparty or counterparties will need to be sufficiently credit-worthy to backstop the major generation investments Ontario needs.

Transmission must be an integral part of any vision for the energy sector.

Basic truths re transmission:

- Adequate and reliable transmission is essential to an efficient electricity sector in Ontario;
- The risks associated with inadequate transmission infrastructure are unacceptable and far outweigh any costs or risks associated with prebuilding transmission;
- Transmission is the highway system of the power business, facilitating efficient power supply;
- Like highways, the transmission grid is a natural monopoly;

- Under normal operating conditions, the transmission grid should be largely congestion free;
- Merchant transmission has not succeeded anywhere in driving needed improvements to the grid, other than with connections;
- Wherever practical, congestion should be exposed and eliminated, not hidden and rewarded;
- The transmission grid does not compete with generation;
- Transmission needs to be planned in an integrated fashion, taking account of potential generation investment;
- Transmission must be constructed ahead of generation to allow efficient generation investment decisions;
- Transmission availability should not be a barrier to economic generation investment decisions;
- The transmitter should provide open and non-discriminatory access to the grid;

Within the context of the OPA's integrated power system plan, Hydro One should plan the transmission system to meet the following objectives:

- Ensuring transmission reliability;
- Enabling supply adequacy;
- Ensuring the removal of transmission-related investment barriers;
- Ensuring that public sector policy goals are delivered efficiently;

Elements of the system should include:

- Clear and sole accountability for planning, regulation and approvals;
- Efficient, cost-effective and timely approvals processes, that actually allow needed infrastructure to get built when needed.

This transmission vision is reasonably straight-forward to implement. Similar approaches are already in place in Alberta, British Columbia and elsewhere. A clear understanding of the nature of transmission and how it should be planned is a precondition for a successful IPSP.