



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.

BEFORE: Cathy Spoel
Presiding Member

Art Birchenough
Member

Pamela Nowina
Member

INTERIM DECISION

1. THE APPLICATION AND THE PROCEEDING

1.1 The Application

Hydro One Networks Inc. (the “Applicant” or “Hydro One”) owns and operates transmission facilities within Ontario. By application dated October 29, 2004 (the “Application”), the Applicant seeks Ontario Energy Board (the “Board”) approval, pursuant to section 92 of the *Ontario Energy Board Act, 1998* (the “Act”), to construct transmission facilities in the Niagara region (the “Project”) in order to alleviate transmission constraints at the Queenstown Flow West transmission interface (the “QFW”). Specifically, the Applicant proposes to construct transmission facilities that are comprised of a new 76-kilometer (km) double circuit 230 kilovolt (kV) transmission line primarily along existing Hydro One rights-of-way between Allanburg Transformer Station (“TS”) and Middleport TS. New rights-of-way will only be required for approximately 0.5 km of the proposed route. The proposed project also involves upgrades to Middleport TS that would enable a section of the new 230 kV lines (from Caledonia TS to St. Ann's Junction TS) to be operated at 115 kV as emergency back-up supply for Dunnville TS. The cost of the Project is estimated at \$116 million. The proposed facilities will be constructed, owned and operated by Hydro One. Construction is planned to commence in Spring 2005 and the planned in-service date is Summer 2007.

1.2 The Proceeding

The Board issued a Notice of Application on November 17, 2004. Hydro One served and published the Notice as directed by the Board. The following parties intervened: the Association of Major Power Consumers in Ontario (“AMPCO”); the Independent Electricity System Operator (“IESO”); Imperial Oil Limited (“Imperial Oil”); and Susan Morrison and John Palcic (the “Landowners”) (collectively, the “Intervenors”).

In Procedural Order No. 1, issued on December 17, 2004, the Board indicated that it would proceed with the Application by way of a written hearing unless any Intervenor satisfied the Board that there was a good reason for not proceeding by way of a written hearing. No submissions objecting to a written hearing were received by the stipulated deadline and the Board proceeded by way of a written hearing.

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In accordance with Procedural Order No. 1, Board staff, AMPCO, the IESO, and the Landowners filed interrogatories on January 10, 2005 and Hydro One's responses were received on January 24, 2005.

Following the completion of the first round of interrogatories, the Board decided to schedule a technical conference to allow the Intervenors and Board staff an opportunity to better understand the "GE-MAPS" study conducted by Hydro One, which was filed by Hydro One in response to the interrogatories. The GE-MAPS study is a central element of the Applicant's justification for the Project. Clarification of the various assumptions used in the GE-MAPS study was critical to assisting the Intervenors and Board staff in the formulation of supplementary interrogatories. In order to accommodate the holding of the technical conference, the Board advised Intervenors that the submission of supplementary interrogatories would be delayed pending the technical conference.

Procedural Order No. 2 was issued on February 2, 2005. It ordered Hydro One to provide an unredacted copy of the GE-MAPS study report to the Board by February 4, 2005. It also set the date of the technical conference, to be held at the Board's offices, for February 9, 2005. Procedural Order No. 2 also set February 18, 2005 as the date for the submission of supplementary interrogatories. Lastly, Procedural Order No. 2 advised the parties that the date for Hydro One's responses to the supplementary interrogatories would be determined in a further Procedural Order following the technical conference.

The technical conference was held as intended on February 9, 2005. The following parties attended the technical conference: Hydro One; Board staff and representatives of Navigant Consulting Inc., a consulting firm retained by Board staff; AMPCO; and the IESO. In order to minimize Hydro One's workload, Board staff and the Intervenors agreed that they would consider framing a single supplementary interrogatory that would require Hydro One to conduct GE-MAPS runs thereby avoiding unnecessary delays.

On February 24, 2005, the Board issued Procedural Order No. 3, establishing the dates for the remaining steps necessary to complete this proceeding. Following a request from the Landowners, the Board issued Procedural Order No. 4, which revised the date for submission of supplementary interrogatories to March 14, 2005, and the date for submissions by Intervenors to March 17, 2005. The date for the Applicant's response to Intervenor submissions remained at March 28, 2005.

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On Monday April 4, 2005, the Landowners provided additional material to the Board, which the Board accepted.

The full record of this proceeding is available at the Board's offices. The Board has considered the full record but refers in this Interim Decision only to those portions of the record that it considers necessary to explain its findings.

2. EVIDENCE AND SUBMISSIONS

2.1 Overview of Positions of the Parties

Hydro One

Hydro One asserted that the Project is in the public interest because it will:

- relieve existing transmission constraints on the QFW interface;
- result in a significant improvement in overall reliability, particularly in the Niagara and Southwestern zones;
- allow access to new sources of clean, low cost energy;
- enable speedier restoration times for electricity supply after blackout or load shedding events;
- help fulfill its transmission licence requirements;
- reduce losses across the QFW interface; and
- provide transmission capability that will be essential for meeting supply requirements arising from the Provincial Government's decision to shut down coal plants in 2007.

Hydro One also asserted that the proposed facilities would result in an approximate 2% increase to the network transmission tariff and that the tariff increase would be more than offset by the reduction in energy costs to electricity consumers.

IESO

The IESO supported the Project. The IESO's position was that its studies have shown that an enhancement of the QFW interface would significantly improve reliability in the Niagara and Southwestern zones. The IESO also submitted that there will be other positive benefits from the Project, including:

- increased QFW transfer;
- unconstrained operation of the Beck plant;
- better utilization of the New York-Niagara interface import capability; and
- room for expansion of generation within the Niagara zone.

The IESO further submitted that the direct current (DC) underwater cable project from Niagara to Toronto is far off and is not an alternative to this Project. The underwater cable project should therefore not be considered when evaluating this Project.

AMPCO

AMPCO recommended that approval should not be given to this Project at this time because a business case supporting this Project has not yet been made, and that the scope of the evaluation should examine the interaction of this Project with the possible future underwater cable supply to downtown Toronto.

AMPCO recommended that the Board should find that the planning for this Project should be fully co-ordinated between Hydro One, the IESO and the Ontario Power Authority, and that if the Board does grant leave to construct at this time, that a condition of the approval should require Hydro One to compensate customers for any financial losses caused directly or indirectly by outages to construct the Project.

Imperial Oil

Imperial Oil did not take a position.

The Landowners

The Landowners submitted that the public participation process used by Hydro One (i.e. the public information sessions that Hydro One held regarding the Project) was inadequate for landowners to truly understand the impact of the Project and to have their concerns addressed by Hydro One. The Landowners also submitted that the increase in electro-magnetic fields would be damaging to their health and negatively affect their property values.

The Landowners submitted that the Project should not be permitted to proceed until Hydro One provides conclusive evidence that property values will not be affected, or affected property owners are appropriately compensated. The Landowners also submitted that Hydro One had, in the past, been ordered to offer to buy out landowners whose properties were within a certain distance of a proposed transmission corridor, and that if the Project involves the same transmission corridor the Project should only proceed if Hydro One is similarly ordered to offer to buy out affected landowners.

The Landowners also recommended that Hydro One should be required to renegotiate its easement agreement because the Project was not part of the work contemplated by the easement granted to the Applicant's predecessor in 1930.

The parties filed evidence and made submissions related to the following aspects of the Project.

2.2 Reliability and Availability of Energy Supply

Hydro One stated that the Project would improve reliability and availability of electricity supply by relieving existing transmission constraints on the QFW transmission interface. Hydro One argued that this would allow electricity supply to move from the Niagara zone to other zones which would allow Hydro One to shorten the time required to re-establish electricity supply after blackouts or load shedding events.

Hydro One indicated that this Project would increase the rating of the QFW interface from its current level of 1800 MW to 2600 MW. According to the Applicant, the increase in rating is required because, for certain conditions, the present transmission system constrains the power being generated at Beck or imported from New York at the Niagara zone, and prevents such power from being transmitted to the rest of Ontario.

Hydro One submitted that economically priced power from the Niagara area and the Niagara-New York interface should not be constrained from reaching the load centres of Ontario. Evidence was provided that there are constraints at times with the current system and that with the increasing loads, constraints will likely become greater in the future. The Applicant stated that if the Project had been in place in the summer of 2003, the need for procurement of 249 MW of short-term portable gas generation (that was used for less than 100 hours at a cost of \$70 million) might not have been required.

In addition, Hydro One also emphasized that while Nanticoke generation is not a component of the power flowing through the QFW interface, removing such a station from operation, as is planned by the Government, may require replacement power transferred from sources which would rely upon the QFW interface (i.e. imports from New York via Niagara or new generation in the Niagara area).

Hydro One's reply submission emphasized that unlike nuclear, coal or oil generating stations, hydro-electric power at the Beck station is one of few such stations that does not require additional sources of power in order to start generating. As such, the hydro-electric power from the Beck station is important for system restoration following a blackout (such as that of August 14, 2003). The ability to transfer more of this power to Southwestern Ontario would contribute to a more rapid and secure restoration of power.

Hydro One also stated that in the last moments preceding the blackout, QFW circuits and the breakers associated with these five circuits were tripped and reclosed a number of times. This occurred in response to abnormal power flows, and as a result, a number of these breakers became unavailable due to the fact that they had reached their duty cycle limits. While the breakers did not constrain restoration in the 2003 blackout, they could in a similar future event if more of these breakers become unavailable. Increasing the number of circuits to seven circuits rather than the existing five circuits would positively contribute to the increased supply reliability of this interface.

As part of its evidence, Hydro One filed a System Impact Assessment ("SIA") report issued by the IESO on October 26, 2004. The report examined the Project and assessed its impact on the reliability of the system in the immediate term and in the long term. This report confirmed that the power flow on the QFW interface reaches its limit before exhausting the New York-Niagara interconnection import transfer capability and that the capability of that interconnection is not always fully utilized at present.

The SIA study examined possible upstream limitations (i.e., flow into and out of Burlington) that might prevent the use of the fully expanded capability of the QFW interface.

The SIA study also examined the Allanburg local area supply, and made recommendations that Hydro One install isolating devices just west of Allanburg on the proposed new circuits. The SIA also identified some vulnerability to a single tower contingency on the lines between Allanburg and Beck. No solution was proposed for this event.

The SIA study also recommended that various configurations to the transmission system be implemented should certain generation developments occur in the near future. These configurations affect the connection configuration at Middleport TS and cannot be determined at this time.

Hydro One also indicated that its electricity transmission licence includes a requirement that it use its best efforts to expand inter-tie capacity to neighbouring jurisdictions by 2,000 MW within three years of market opening (in other words, by May 1, 2005). Hydro One states that the Project would improve the interface capacity thereby contributing to Hydro One's ability to fulfill that licence requirement.

In responding to the AMPCO submission, Hydro One asserted that the primary intent of the reinforcements is to ensure improved reliability and availability of supply, particularly in view of the coal generation shutdown in 2007. The Applicant referred to the IESO's statement that "the Niagara interface and the Queenston Flow West are critical corridors for moving supply into the Province when the Province is in a shortfall situation."

Hydro One stated that AMPCO members will benefit more than average consumers because of the importance of maintaining electricity supply to AMPCO's members' operations. Hydro One also stated that in addition to the reliability benefits, the economic (GE-MAPS) study confirms that there are additional economic benefits that will result from the Project that are estimated to be between \$6 and \$60 million per year, depending on the market model used.

Hydro One questioned the certainty with which phase shifters could manage congestion due to unscheduled loop flows and maintained that regardless of phase shifter operations, improvements to the QFW are required during high levels of unscheduled loop flows.

2.3 Project Economics

Hydro One's evidence was that the Project would improve pricing by relieving a major source of congestion which prevents low-cost generation available in the Niagara zone from reaching major load centres located elsewhere in Ontario and by reducing losses across the QFW interface.

Hydro One's evidence was that the proposed facilities would result in an approximate 2% increase to the network transmission tariff and that the tariff increase would be more than offset by the reduction in energy costs to electricity consumers.

The Applicant initially estimated these savings using a GE-MAPS study to be \$60 million per year for the four year period between 2007 and 2010. These savings assumed locational marginal pricing (“LMP”).

As part of the supplementary interrogatory phase of this proceeding, following the technical conference, AMPCO asserted that the Applicant could rerun the GE-MAPS study using an approach defined by AMPCO’s consultant, in order to model the uniform pricing/constraint payment system in Ontario. In response, Hydro One declined to perform these studies, but agreed that if the assumptions underlying the study were changed to assume a uniform pricing system in Ontario with a system of constraint payments, the result would be a savings of an order of magnitude lower than the original estimate (i.e., \$6 million per year over four years rather than \$60 million per year over four years).

While the IESO did not assess or quantify the impact of the Project on future electricity prices in Ontario, Hydro One indicated that the IESO did comment on the methodology and assumptions used in the study and found them to be adequate and consistent with industry practice. The Board also notes that the IESO submitted that, irrespective of the assumptions used to assess the impact on future prices, there will undoubtedly be significant improvements in reliability of the system, and the reinforcement is consistent with the desired function of the integrated transmission system.

Hydro One also argued that the use of the GE-MAPS tool was appropriate and that as the IESO notes, the tool itself is a proven modelling tool and is widely used in the industry.

Hydro One maintains that the use of the LMP model at the time of the GE-MAPS study was reasonable in that the future market was highly uncertain and the IESO was actively pursuing the implementation of an LMP system in Ontario. Hydro One further stated that Ontario could yet adopt an LMP system in the future and the higher benefits originally estimated could be realized; however, the Applicant agreed that the revised level of economic benefits which were derived using the uniform pricing model should be considered the minimum possible benefits arising from the Project.

2.4 Transmission System Reliability

Hydro One argued that the Project would result in the following benefits for the reliability of the transmission system.

The first aspect of enhanced reliability is the impact of having seven 230 kV lines comprising the QFW interface instead of the current five lines. Hydro One advises that the seven lines would have improved geographical diversity when compared with the five lines. The impact of the loss of any one or two of the seven circuits might be demonstrated to be a situation of increased reliability relative to the existing configuration, since the consequence of the loss might be reduced and the assurance that there will be enough supply remaining might be increased.

The second aspect of the reliability issue occurs when there are high-impact, low-probability events such as the August 2003 blackout. The Applicant alluded to the August 14, 2003 blackout and stated that following a major blackout, the presence of additional circuits, as provided by the Project, might help to deal with circuit breaker operating restrictions thereby increasing the reliability factor. Hydro One indicated that after the reinforcement, there might be reduced rotational load shedding during restoration which would aid consumers and industry because they would face less disruptions.

According to Hydro One, the third aspect of reliability benefit is that the increased interconnection capacity would ameliorate the effect of having Ontario generation reserve margins that are lower than historical levels. As outlined in its 2004 "10-Year Outlook" forecast, the IESO is projecting that Ontario's reserve margins will be markedly lower than New York, New England, Michigan, and Ohio. Hydro One believes that the importance of higher import capability will continue to become more critical as reserve margins decline in Ontario. Imports mitigate against potential generation deficiencies in Ontario.

2.5 Transmission System Impacts

Hydro One stated that no adverse effects of the Project on the transmission system were identified by the IESO in its SIA study.

The Board notes that, in its report filed in relation to the “Downtown Underground Cable” between John and Esplanade, for which the Board recently granted Hydro One’s leave to construct application (Board file number EB-2004-0436), the IESO reviewed the fit of the proposed Niagara reinforcement Project with plans to provide a third supply to downtown Toronto. The report concluded that there would be no adverse impact on the IESO-controlled grid, and that the “Downtown Underground Cable” project and the Niagara reinforcement Project were compatible and complementary. The report therefore recommended that a Notification of Approval to Connect should be issued by the IESO for these related Projects.

In its reply submission, Hydro One agreed with the IESO’s recommendation (referred to above) against considering the cable project under Lake Ontario when assessing the benefits of the Project, as this underwater cable option is highly uncertain, and furthermore is not an alternative to the Project.

Hydro One has carried out a Customer Impact Assessment (“CIA”) in accordance with its customer connection procedures to determine the impact of the Project on customers. Hydro One submits that the report shows that these customers will not be adversely impacted.

2.6 Rights-of-Way

Hydro One proposes to use existing rights-of-way for these facilities along its 76 km route, with the exception of a small parcel of land north of Caledonia TS, which is less than 0.5 km in length and for which the easement rights must be acquired from the Ministry of Transportation. Hydro One has begun negotiations and intends to acquire all needed land rights prior to the commencement of construction.

The Landowners submitted that the Project should not be permitted to proceed until Hydro One provides conclusive evidence that property values will not be affected, or affected property owners are appropriately compensated. The Landowners also submitted that Hydro One had, in the past, been ordered to offer to buy out landowners whose properties were within a certain distance of a proposed transmission corridor, and that if the Project involves the same transmission corridor the Project should only proceed if Hydro One is similarly ordered to offer to buy out affected landowners.

The Landowners also filed a copy of Hydro One's existing (1930) easement over their land with the Board, and argued that the easement should be renegotiated.

Hydro One submitted that the evidence provided by the Landowners regarding the compensation and buy-out issues could be distinguished from the situation at hand. Hydro One, arguing on the basis that the reference in the Landowners' submission regarding a past order for Ontario Hydro to buy any residence within 75 meters of a proposed transmission corridor was referring to a 1987 joint Board decision, stated that the transmission line referred to in that decision was different from the transmission line in the Project. Hydro One also argued that the 1987 case dealt with a situation in which Ontario Hydro took entirely new easements and expanded the right-of-way. Hydro One maintains that in the current situation, there will be no expansion of the right-of-way.

Hydro One also pointed out that the current easement has been in place since the 1930's (well before the property was purchased by the Landowners). Hydro One submitted that the right-of-way is not being expanded and that the number of structures in the easement will not increase as it is simply rebuilding an existing line. Hydro One advised that it will enter into amendments to easements where required (i.e., where the number of structures will increase beyond those provided for in the easement agreement), but that this is not the case for the Landowners.

2.7 Routing of the Project

The specific routing has been the subject of a completed Individual Environmental Assessment process. This was carried out as part of the Niagara River Hydroelectric Development Environmental Assessment (EA) by the former Ontario Hydro. The EA was carried out in accordance with the requirements of the *Environmental Assessment Act, 1976*, administered by the Environmental Assessment and Approvals Branch of the Ontario Ministry of the Environment. It was approved through an Order in Council on October 14, 1998 (OIC 2283).

Hydro One stated that it has consulted with stakeholders in the area to identify potential concerns associated with this Project and that the feedback received from stakeholders was considered and incorporated into the preparation of this Application.

Hydro One responded to the issues raised by the Landowners by stating that its public consultation process was sufficient and effective in reaching all affected landowners and dealing with their issues. The Applicant submits that it responded to individuals' comments and concerns so well that many landowners did not feel the need to intervene in the proceeding before the Board. The Applicant indicated the dates on which it contacted the Landowners and the issues discussed with the Landowners.

Hydro One stated that it takes its direction on electro-magnetic fields from Health Canada and that this agency has stated that there is no scientific evidence linking electro-magnetic fields with negative health effects.

2.8 Specific Customer Issues

With regard to the request to compensate two transmission customers, Hydro One stated that a new switching procedure means that for one client no outages will be required during construction (other than a short one for safety) and that the outage that will be required will be coordinated with the client to minimize the impact on its operation. In the other case, for the second client, depending on the circuit termination configuration at Middleport, an outage may not be required at all but if it is required, the costs will simply reflect the approved tariffs that are a result of a connection arrangement chosen by the client. Hydro One would, in any case, coordinate its outage schedule to minimize the charges to the client.

3. BOARD FINDINGS

3.1 Introduction

Section 96(1) of the Act provides that if, after considering an application under Section 92 of the Act the Board is of the opinion that a proposed work is in the public interest, the Board shall make an order granting leave to construct the work.

Section 96(2) of the Act provides that with respect to an application under section 92 of the Act, the Board shall consider only the interests of consumers with respect to prices and reliability and quality of electricity service when determining if the proposed work is in the public interest.

In the context of this Application, the main issues for the Board are as follows:

1. Has Hydro One demonstrated the need for, and demonstrated the cost effectiveness of, the Project?
2. Has Hydro One demonstrated the reliability benefits of the Project?
3. Does Hydro One's easement over the Landowners' property cover the work to be done during the course of this Project?

The Board notes that Hydro One's transmission licence includes a requirement that Hydro One use its best efforts to increase the interconnection capacity with out-of-province transmission systems by 2,000 MW within three years from market opening (in other words, by May 1, 2005). In determining whether or not a project is in the public interest within the meaning of the Act, the impact of increased interconnection capacity on prices or reliability or quality of electricity service can be a factor.

AMPCO also raised an issue that deals with one of the "unknowns" in the operation of the system known as the Lake Erie Circulation. This is a superimposed and unscheduled power flow around Lake Erie that can increase or decrease the net flow on interfaces. When it acts to increase the flow on interfaces, it takes up a measure of the capacity that that interface has available for the scheduled flows. While the Board is of the view that the resolution of this issue would be beneficial for the operation of the

transmission system, it need not be factored into the economic assessment of this Project.

3.2 Has Hydro One demonstrated the need for, and demonstrated the cost effectiveness of, the Project?

Hydro One relied heavily on the GE-MAPS study as it represented the largest single quantified financial benefit of the Project. The study calculated the value of reducing congestion thereby increasing Hydro One's ability to transfer bottled hydroelectric generation during peak demand periods from the Niagara Peninsula (Sir Adam Beck Generation) to the load centres in Southern Ontario.

As noted above, this study was based on an LMP model for the Ontario electricity market. However, no evidence was filed as to the form of LMP assumed for purposes of the GE-MAPS study. The Board notes that there are various possible forms of LMP, such as LMP at all nodes where consumers pay the locational price at their respective nodes, and partial, generator-only LMP where consumers pay a weighted average of generation node prices.

Perhaps more importantly, the GE-MAPS study does not reflect the current electricity market in Ontario, and no evidence was provided to the Board that a market might come into being which would make an LMP-based study relevant.

The Board notes that currently the Ontario market uses uniform pricing with a system of constraint payments called Congestion Management Settlement Credit ("CMSC") payments.

While no study was undertaken using CMSC payments, the Board accepts that the result would be significantly lower savings. The only evidence available to the Board at this time is Hydro One's estimate that the result would be savings of an order of magnitude lower than those estimated using LMP (e.g. \$6 million rather than \$60 million/year). Therefore, the economic value of the Project over a four-year time frame is not clear, and should be evaluated over the expected useful life of the Project.

Hydro One estimated savings in transmission system losses of \$0.5 million to \$1.1 million per year as a result of the Project. The Intervenor did not challenge this estimate. The Board accepts Hydro One's estimation that there will be a \$0.5 million to \$1.1 million per year loss reduction attributable to the Project.

With respect to the costs of the Project, none of the parties challenged Hydro One's estimated cost of \$116 million, or \$1.5 million per km.

The Board notes that this figure does not include the cost of removing the existing 115 kV line. In accordance with the Transmission System Code, the cost of removing the existing 115 kV line should have been included as part of the estimated Project cost.

No evidence was provided as to whether the estimated Project cost has been adjusted to take into account the cost of replacing the portion of the 115 kV that is presently used as back-up supply for the town of Dunnville. The Board is of the view that, in accordance with the Transmission System Code, the cost of replacing the 115 kV line should be used to reduce the total cost of the Project if that replacement was scheduled to occur during the study horizon applicable to the Project.

Overall, the Board finds that the evidence does not establish the cost-effectiveness of the Project.

3.3 Has Hydro One demonstrated the reliability benefits of the Project?

While Hydro One has indicated it feels restrained from offering generation solutions to problems of inadequate supply, it has not, in the Board's view, adequately quantified the benefits of the improved transmission which would allow increased generation availability to the market.

The Board acknowledges the widely known cost of the August 14, 2003 blackout (estimated at between 4 and 10 billion US dollars), and that any improvement to the speedy restoration of the system has positive implications for every hour of reduced time of system restoration. Hydro One submits that the additional import capability that would be provided by the Project would have helped to alleviate the generation shortage during the blackout emergency.

While the Board acknowledges that there are benefits attributable to reducing the exposure to events such as the blackout of 2003, the Board observes that evaluations ought to have been included by Hydro One in its evidence in order to quantify: (i) the benefits of acquiring increased capacity at the QFW interface; and (ii) the enhanced delivery of the black start power to help restore the system when needed.

The Board accepts Hydro One's evidence that there are three aspects of reliability that are of value in this Project:

- the impact of having seven 230 kV lines comprising the QFW interface instead of the current five lines;
- additional interconnection capacity when there are high-impact, low-probability events such as the August 2003 blackout; and
- that increased interconnection capacity would ameliorate the effect of having Ontario generation reserve margins that are lower than historical levels.

The Board observes that while there are standard methods that could be used to quantify these three aspects of transmission reliability, Hydro One did not include any evaluation of such benefits in its evidence and, therefore, the reliability benefits have not been adequately demonstrated.

3.4 Does Hydro One's easement over the Landowners' property cover the work to be done during the course of this Project?

The easement in question was granted on March 7, 1930. The 1930 easement over the Landowners' property states "the Grantor doth grant and convey to the Grantee, its successors and assigns, the right and easement to erect and maintain two towers with all necessary anchors, guys and braces and to string wires thereon and to operate the same from the date of this Indenture." The easement then goes on to describe the lands in question and the placement of the towers on the land. Hydro One also has the right, under the existing easement, to "examine, repair and renew the said lines or other erections."

It seems to the Board that this easement is quite broad. The question remains as to what exactly Hydro One is doing on the Landowner's property.

The Landowners argue that the work Hydro One is doing as part of the Project is not covered by the 1930 easement (i.e., they argue that the Applicant is not re-building the existing line but completely replacing it with new towers, new lines and new voltage and that it therefore constitutes new construction). Hydro One submits that the current easement covers all of the work being done as part of the Project because Hydro One does not require any extra land for the purposes of this Project and it will not be placing

any additional towers on the land. The Applicant maintains that its intent is simply to rebuild the line that already exists (for which the easement was already granted).

The Board is not satisfied that it has enough information to make a determination as to whether the existing easement covers the work to be done as part of this Project.

3.5 Conclusion

The Board 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 accepts that the combination of the benefits of congestion reduction and reliability enhancement that may result from the Project could be considerable. The Board is therefore directing the Applicant to file additional evidence in support of the Project.

Procedural Order No. 5, containing a description of the additional evidence that the Applicant is directed to file in this proceeding, is being issued by the Board with this Interim Decision. The Procedural Order also sets out a projected timeline for completion of this proceeding.

The Board will defer dealing with AMPCO's submission regarding who should bear the costs of customer outages that may be required in order to complete the Project until a final decision is made regarding the Application.

Dated at Toronto, May 18, 2005

Signed on behalf of the Panel

Original signed by

Cathy Spoel
Presiding Member