

# Elson Advocacy

January 7, 2019

**BY COURIER (2 COPIES) AND RESS**

**Ms. Kirsten Walli**

Board Secretary  
Ontario Energy Board  
2300 Yonge Street, Suite 2700, P.O. Box 2319  
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

**Re: EB-2018-0130 – Hydro One 2019 Transmission Revenue Requirement**

I am writing on behalf of Environmental Defence to respond to Hydro One's request for "clarification that the scope of the proceeding does not include consideration of the extent to which Hydro One has addressed prior Board directions, including the direction with respect to line losses."<sup>1</sup> We ask that this request be denied.

The status of the Board's direction to Hydro One regarding transmission losses is an important matter worthy of consideration. Transmission losses cost Ontario energy consumers hundreds of millions dollars every year.<sup>2</sup> Ensuring that losses are reduced to an optimal level (i.e. to the level that is most cost-effective) is incredibly important for consumers, and fits squarely within the statutory objective of this Board to "protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service."<sup>3</sup>

Hydro One's proposal would delay examination of the transmission losses issue by at least a year beyond what the Board intended in its direction in EB-2016-0160. That would not be appropriate or in the best interest of consumers. Seeing as transmission losses cost hundreds of millions of dollars each year, it would be better to ensure that this work is on track rather than "wait and see." Indeed, the Board's direction in Hydro One's previous transmission rates case specifically notes that further work is warranted because of the magnitude of the losses:

*The OEB finds that, given the magnitude of line losses, Hydro One should work jointly with the IESO to explore cost effective opportunities for line loss reduction. Hydro One should also explore, as part of its investment decision process, opportunities for*

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<sup>1</sup> Hydro One letter of January 3, 2019, p. 2.

<sup>2</sup> Ballpark estimates from EB-2016-0160 range from \$280 million to \$390 million in 2015 alone; see EB-2016-0160, Exhibit 5.4, tab 1, p. 1; EB-2016-0160, Transcript vol. 12, p. 99, ln 22 to p. 100, ln. 15; see also the Board's Decision in EB-2016-0160, p. 31 (finding that "the cost of transmission line losses is very large").

<sup>3</sup> *Ontario Energy Board Act, 1998*, s. 1(1)1.

*economically reducing line losses. The OEB requires Hydro One to report on these initiatives as part of its next rate application.*<sup>4</sup>

Although it is important that Hydro One explain how it is responding to the Board's directions regarding transmission losses, this can be achieved efficiently and may not absorb much (if any) of the Board's time or resources. It may only be necessary for Hydro One to answer interrogatories on this topic. If those responses show that Hydro One's work is on track, Environmental Defence may not seek to make further submissions on the topic in an oral or written hearing.

Hydro One's request also ignores the scope ruling in the recent IESO 2018 fee application. In that case, the Board expressly allowed intervenors to "appropriately examine the IESO's response to the OEB's direction in its 2017 fee application with respect to transmission losses."<sup>5</sup> This was allowed even though the IESO's study was not due yet and was in the process of being jointly prepared by the IESO and Hydro One. By the same reasoning, intervenors should be allowed to appropriately examine Hydro One's response to the Board's transmission losses direction in EB-2016-0160. Furthermore, in the IESO case, the issue was ultimately addressed among the parties without absorbing any of the Board's time.

Furthermore, Hydro One's request is premature and procedurally unfair to intervenors. Hydro One is seeking a blanket ruling that *all* prior Board directions are out of scope, which would include all 14 directions made in the previous transmission rates hearing (EB-2016-0160), not only the direction regarding transmission losses of interest to Environmental Defence.<sup>6</sup> However, intervenors will not have an opportunity to make submissions because Hydro One made its request as part of an objection to Environmental Defence's intervention, not in final submissions or in issues list comments. Indeed, Hydro One's letter was not even served on other parties.<sup>7</sup> It is likely that other intervenors would have an interest in at least one of the directions the Board made in EB-2016-0160.

Hydro One's scope ruling request is also premature because it cannot be addressed in isolation from other substantive issues in the case. Hydro One's decision to decline to respond to the Board's directions from EB-2016-0160 flows from its decision to decline to follow the Board's direction of March 16, 2018 that Hydro One "file the transmission revenue requirement application for a four-year test period from 2019 to 2022."<sup>8</sup> Whether Hydro One should be reporting back on the 14 directions from EB-2016-0160 is tied up with the question of whether its proposed approach to setting its 2019 rates is appropriate.

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<sup>4</sup> Decision in EB-2016-0160, p. 32.

<sup>5</sup> Procedural Order 2, EB-2018-0143, p. 5.

<sup>6</sup> Hydro One letter of January 3, 2019, p. 2 (Hydro One seeks "clarification that the scope of the proceeding does not include consideration of the extent to which Hydro One has addressed prior Board directions, including the direction with respect to line losses.").

<sup>7</sup> *Ibid.*

<sup>8</sup> Ontario Energy Board, Letter re Incentive Rate-setting for Hydro One Networks Inc. Distribution and Transmission Businesses, March 16, 2018.

Again, this important matter may not ultimately require any of the Board's time in a hearing and can potentially be addressed through interrogatories and/or resolved as it was in the recent IESO case. A preliminary scope ruling is unnecessary, unwarranted, procedurally problematic, and not in the interest of consumers.

Please do not hesitate to contact me if anything further is required.

Yours truly,

A handwritten signature in blue ink, appearing to read 'K. Elson', written in a cursive style.

Kent Elson

cc: Parties in the above proceeding