

UNDERTAKING

Undertaking

TO IDENTIFY RISKS AND MITIGATION IN GREEN ENERGY PLAN.

Response

The Green Energy Plan (GEP) filed at Exhibit A, Tab 14, Schedule 2 includes consideration of risks and mitigation in accordance with Board Guideline G-2009-0087.

Hydro One notes in its GEP that there exists technical and system constraints on the distribution system that present challenges to effectively connecting renewable energy generation and identifies the technical constraints that would require to be addressed to facilitate the highest amount of renewable generation connection (page 8, lines 16-17; page 10, lines 9-10).

Hydro One plans to mitigate this risk by working with the OPA to identify whether connection requests in excess of existing available system capacity can be enabled with economic additions to wires facilities (GEP page 8, lines 19-25) and by working with the OPA to ensure distribution capacity is considered in the issuing of FIT contracts (GEP page 9, lines 3-5). Hydro One will also continue to track and monitor connection requests and make adjustments to its plans according to changing conditions that would provide opportunity for these applicants to obtain a FIT contract (GEP page 9, lines 10-14).

Hydro One also recognizes there are risks associated with using the level of interest in RESOP as indicative of the interest that will materialize under the Feed-in Tariff ("FIT") program (page 7, lines 1-3 and 15-16). The Company believes this risk is mitigated by the fact that FIT prices are higher than under the RESOP program and by the DSC code amendments which reduce the costs to be borne by generation developers (page 7, lines 16-20). In addition, the response to interrogatory filed at Exhibit H, Schedule 10, Tab 14 also notes that it is anticipated that generators applying under the FIT program are more likely proceed to connection given the higher financial security deposits / fees introduced under the FIT program and in recent amendments to the DSC. In summary, Hydro One Distribution expects to see higher levels of connection of new renewable generation than under RESOP.

The GEP notes that an increased level of generation connections will introduce complexities into the operation of the distribution system (page 14, lines 4-6). The increased complexities associated with generation connections pose a risk to customer reliability and quality of power. Hydro One is mitigating this risk by investing in the analysis required to safely, reliably and economically operate and develop its distribution system while meeting the needs of an increase in renewable generation connections. The development OM&A work described at Exhibit C1, Tab 2, Schedule 3 funds this work and includes increased engineering and technical studies as described in Section 2.1 of that Exhibit.

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The GEP also notes that the investments included in the GEP have gone through the same business planning and approval process as all other investments in Hydro One Distribution's Application (page 1, lines 15-17). As such, the residual risk associated with various spending levels for renewable energy generation and Smart Grid investments activity have been considered as part of the overall business planning process described at Exhibit A, Tab 14 and in particular through the investment prioritization model described at Schedule 6 of that exhibit. The business planning process also addressed the risks associated with being able to resource the increased work driven by the GEP investments and the Work Execution Strategy evidence provided at Exhibit A, Tab 14, Schedule 8 summarizes the specific actions being taken to ensure that the planned work program can be accomplished.

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In the interrogatory response at Exhibit H, Tab 1, Schedule 146 Hydro One recognizes there is a risk associated with not having a detailed forecast of renewable generation by MW and by location. However, as noted in the interrogatory response Hydro One has considered the four factors listed on page 8 of the GEP in developing its forecasts and the company has estimated the proportion of applications it expects to receive in different areas of the province.

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