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**Susan Frank**

Vice President and Chief Regulatory Officer  
Regulatory Affairs

February 2, 2010

BY COURIER

Ms. Kirsten Walli  
Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2700,  
Toronto, ON.  
M4P 1E4

Dear Ms. Walli:

**EB-2009-0397 – OEB Review of Filing Requirements of the DSP under the Green Energy Act -  
Hydro One Networks' Comments on Draft Filing Requirements**

Attached are three (3) paper copies of Hydro One Networks' comments on the Board Draft Filing Requirements: Distribution System Plans under the Green Energy Act that was issued on December 18, 2009.

I have also attached proof of successful submission of these comments through the Board's Regulatory Electronic Submission System.

Sincerely,

ORIGINAL SIGNED BY ANDY PORAY FOR SUSAN FRANK

Susan Frank

**HYDRO ONE COMMENTS  
ON DRAFT FILING REQUIREMENTS:  
DISTRIBUTION SYSTEM PLANS UNDER THE GREEN ENERGY ACT**

Hydro One Networks (“Hydro One”) is pleased to provide comments on the Draft *“Filing Requirements: Distribution System Plans under the Green Energy Act”* issued by the Board on December 18, 2009.

This submission consists of an Introduction, followed by comments structured to align with the sections in the Board’s Filing Requirements

## **1.0 INTRODUCTION**

The Filing Requirements provide a framework for the structure and content of a system plan consistent with the requirements in the Green Energy Act (a “GEA Plan”). A GEA Plan is necessary to ensure that all distributors assess their systems and provide information regarding system readiness for renewable generation connection and, in future, for the development and implementation of a smart grid.

The Filing Requirements are recognized as transitional, and will be updated as needed to reflect legislative and regulatory developments.

In general, Hydro One agrees with the proposed GEA Plan framework and believes its distribution GEA Plan submitted as Exhibit A, Tab 14, Schedule 2 in its Cost of Service Application under Board Proceeding EB-2009-0096 is consistent with the Filing Requirements.

Hydro One has seen the vast majority of activity related to applications for connecting renewable energy generation development under the Renewable Energy Standard Offer Program (“RESOP”), and its comments are based on that experience as well as on the experience gained in the preparation of its distribution GEA Plan.

## **2.0 PURPOSE OF SYSTEM PLANS UNDER THE GEA PLAN**

The Filing Requirements allow for the filing of a Basic GEA Plan or a Detailed GEA Plan. Hydro One agrees that the circumstances of each distributor may warrant differing levels of detail in their GEA Plan. However, Hydro One does not believe that it is the size and resources of a distributor, as stated on page 5 of the Filing Requirements, that should be the determining factor in the design of a GEA Plan. Hydro One believes that the scope of a GEA Plan should be driven by the nature and circumstances of eligible investments contemplated by the distributor. A uniform expectation of rigour and detail

should be applied to all distributors for a planned level of investment to ensure compliance with the expectations of the Green Energy Act.

As noted on page 4 of the Filing Requirements, one of the main purposes of a GEA Plan is to provide information to the Board and interested stakeholders regarding the readiness of a distributor's system to accommodate the connection of renewable generation. Hydro One notes that the GEA Plan should avoid duplication of connection-related information that is publically available through the mandatory information published in accordance with Section 4 of Ontario Regulation 326/09. It may be more efficient for the GEA Plan to cross-reference the detailed publically available information, and reproduce in the GEA Plan only a summary of the key information the distributor feels is necessary to satisfy the Board of the prudence of planned investments.

### **3.0 FILING OF GEA PLANS**

The basis for the materiality thresholds defining the need for filing a Detailed GEA Plan is unclear, and it seems inconsistent to apply the same cost limit of \$100,000 for spending both in any one year and over five years. The reference on page 6 to "Exceed \$10,000,000" and "Exceed \$20,000,000" should be clarified that the numbers relate to the impact on the distributor's rate base.

Hydro One suggests that it may be appropriate to require LDCs to file a Detailed GEA Plan whenever they plan to access any provincial funding.

The Board should clarify its expectations with respect to the scope and content of the letter of comment to be solicited from the OPA and included in a Detailed GEA Plan.

It is noted on page 7 that "the Board may require a distributor to file a GEA Plan independently of a cost of service rates application". Hydro One suggests that distributors should also have the right to file updates to their GEA Plan between cost of service applications, if changing circumstances warrant it.

### **4.0 CONTENT OF GEA PLANS**

Hydro One is concerned with the ability of a distributor to provide the detailed information requested for specific projects over the five year horizon of the GEA Plan. The Filing Requirements need to recognize that information on specific renewable generation connections for the first couple of years, and certainly for the latter years of the 5 year plan horizon, may not be available at the time the GEA Plan is prepared for inclusion with a distributor's Cost of Service Application.

The majority of generation connection investments are done on a reactive rather than proactive basis. As such, prudent planning requires that a distributor budget the funds necessary to allow it to respond to specific requests for connections to the system as they

materialize. This is akin to the planning and budgeting for the load customer connections program that is based on an anticipated level of connection activity in future year(s), with little or no details on where specific connections will materialize.

Distribution generation connections is an evolving business, and while on an aggregate basis a distributor can reasonably forecast the extent and cost of connection activity on its system, it is unrealistic to expect precise and detailed project specific information at the GEA Plan development stage. As such, Hydro One respectfully submits that the information requested on pages 11 and 12 of the Filing Requirements can be provided on an “activity” basis, but is a level of detail that would usually not be available separately for each project.

In Hydro One’s GEA Plan submitted with its 2010 and 2011 Distribution Cost of Service Application, the information requested in the Filing Requirements is provided on what Hydro One considers to be an “activity”, or program, basis. Hydro One’s Application describes work related to anticipated generation connection projects consistent with how that work activity has traditionally been grouped at Hydro One. While Hydro One has a reasonable expectation of the level of generation connections to its distribution system in the test years, details on specific connection projects are largely not available until such time as the OPA has signed FIT contracts confirming where generators will connect and Hydro One assesses the generator’s connection application. In the case of planned renewable enabling improvement investments, the work on some programs are more specifically defined (e.g. Station Upgrades for Protection, Control and Load Rejection; Feeder Control Infrastructure; Wholesale Revenue Metering Modifications), but once again information on the specific projects to be undertaken (i.e. the specific distribution stations that will be upgraded, or specific feeders that will be modified for remote control operation) will not be determined until such time as there is a clearer understanding of where on the distribution system generators will be connecting.

Hydro One proposes that the following considerations should be taken into account prior to the Board requiring detailed project specific planning information:

- Extent to which investments are known in advance and can be proactively planned.
- Materiality of the investment for which project specific details are required.
- Cost of preparing and documenting such planning information in advance.
- Certainty of any detailed information provided.
- Loss of flexibility resulting from the requirement to implement Board approved specific investments contained in the plan, per the requirements of OEB Act S.70 (2.1)3.
- Value of the detailed information to the Board and intervenors.

The ability to anticipate specific project requirements will change over time as the capacity allocation and reserves for generation connections develop, which will allow distributors to better define the specific connection project location and the need for specific system enhancements.

The requirement on page 8 to provide “a qualitative analysis of the system benefits that the proposed projects and activities will bring” appears redundant given the requirements elsewhere in the document with respect to identifying and quantifying the direct benefits of the planned investments for the purpose of determining the costs to be recovered from provincial ratepayers. If the bullet on page 8 is not in reference to identifying direct benefits, the point should be expanded to clarify the Board’s expectations in this regard.

With respect to the Filing Requirements’ direction to provide a calculation of direct benefits for each project, Hydro One commented on the Board staff discussion paper “*Proposed Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09*” in its submission to the Board dated January 13, 2010. Hydro One’s concerns with determining direct benefits on a project specific basis are detailed in those comments. Hydro One believes that until more information is available, the Board should accept a high-level approach to determining direct benefits based on appropriate “rules of thumb” that may be proposed by distributors seeking to access to the provincial rate pool for funding.

It is Hydro One’s understanding that while the Board may approve a distributor’s five year plan, only those years covered by the distributors cost of service application will be approved for cost recovery from rate payers, provided a sufficient level of detail was provided to allow the Board to assess the need for, and prudence of, the planned projects and activities. A refresh of the GEA Plan would be provided, at a minimum, as part of the distributors next cost of service application.

## **5.0 GEA PLAN APPROVAL**

No comments.

## **6.0 REPORTING FOR DETAILED GEA PLANS**

No comments.

## **7.0 CAPITAL AND OM&A DEFERRAL ACCOUNTS**

The Filing Requirements already address the capital deferral account in respect of renewable connections (Account 1531) as well as the OM&A deferral account (Account 1532). However, it is Hydro One’s view that additional accounting procedures are required with respect to recovery of the provincially funded portion of eligible investments.

Similar to the accounting associated with Section 79 of the Act for Rural and Remote Rate Protection (RRRP), Hydro One believes an additional account is required to track the difference between provincially funded rate protection revenues actually received and the distributor’s approved revenue requirement for provincially funded investments. The difference would represent the net under or over recovery on an actual basis, thus

providing the required information for a specific distributor to be appropriately “trued up”.

In addition, Hydro One considers that there should also be a revenue variance account established to track the revenue impact of any significant changes to modified international financial reporting standards (IFRS), as approved for OEB accounting purposes. This account would be required once modified IFRS becomes the basis of rate setting in 2011. A significant change in calculated revenue requirement can arise within the rate period as a result of the issuance of new IFRS accounting standards or through significant changes in interpretation for standards that exist or which have been exposed in draft (e.g. the recent Exposure Draft on Rate Regulated Activities).

In its recent cost of service rate application (EB-2009-0096, Exhibit H, Tab 1, Schedule 119), Hydro One proposed a similar variance account for the portion of the impact that could affect the revenue requirement to be collected from its own customers.