



PUBLIC INTEREST ADVOCACY CENTRE
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Michael Buonaguro
Counsel for VECC
(416) 767-1666

July 12, 2010

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: EB-2010-0002–Hydro One Networks Inc Transmission
Vulnerable Energy Consumers Coalition (VECC)
Comments on Proposed Issues List-REPLY**

These are the reply comments of VECC to comments on the draft issues list, as requested in procedural order 1. In reviewing the comments that have been posted to date, VECC would like to reply to comments that oppose the inclusion of an issue in relation to the Export Transmission Tariff.

As the Board is aware the issue of the appropriate Export Transmission Tariff has been lingering since Hydro One applied for rates covering the 2007-2008 test years; in that proceeding the issue of the appropriate Export Transmission Tariff was resolved by way of a Settlement Proposal that was accepted by the Board, which stipulated as follows:

The parties have agreed that the status quo ETS Tariff of \$1/MWh should be maintained until the 2010 transmission rate setting process. In supporting the settlement the parties are supportive of the IESO undertaking a study of an appropriate ETS Tariff to be completed prior to the 2010 transmission rate re-setting process and through negotiation with neighbouring jurisdictions pursue acceptable reciprocal arrangements with the intention to eliminate all ETS Tariffs. It is understood that any change to the ETS tariff must be approved by the OEB as part of a rate setting

process which Hydro One will initiate as part of the 2010 transmission rate re-setting process.¹

At the time Hydro One Transmission applied for 2010 rates the IESO study was not available, nor was it available at the time the Board made its decision with respect to 2010 rates. Accordingly the Board made the following order with respect to the Export Transmission Tariff in EB-2008-0272:

With respect to the IESO study, the Board agrees with intervenors that **the results of the IESO study should be reviewed** and any tariff changes implemented as expeditiously as practical. It may not be necessary to wait for Hydro One's 2011-2012 application to consider this matter. The Board directs Hydro One to put forward a proposal to the Board within 60 days of the release of the IESO study. **The Board can consider at that time whether it should review Hydro One's proposal in the context of 2010 or 2011 rates.**² (emphasis added)

The IESO study was completed and filed on August 28, 2009, and on September 21, 2009 Hydro One, in accordance with the Board's direction in EB-2008-0272, proposed that the existing tariff be continued for 2010 and that the IESO study could be reviewed as part of the 2011 rate setting process. Attached to these comments is a copy of Hydro One's letter dated September 21, 2009.

In response to the filing of the IESO Report and Hydro One's letter dated September 21, 2009 the Board issues a letter to Hydro One on October 6, 2009, confirming its earlier decision that the IESO study should be reviewed, and accepting Hydro One's proposal that it would appropriate to review the study in the context of the application for 2011 and 2012 rates:

The Board has decided that this matter should be considered in the Hydro One Transmission Rate Hearings for the 2011 and 2012 test years. The Board expects that the IESO will participate as necessary in that hearing to address its study. In the meantime the Board will make no change to the approved rates including the \$1/MWh applicable to export service for the 2010 test year.³

A copy of the letter is attached to these comments.

As a result, VECC submits that

¹ EB-2008-0272, Decision with Reasons dated May 28, 2009, pages 10-11, wherein the Board refers to and quotes the terms of the settlement reached with respect to the Export Transmission Tariff in EB-2006-0501.

² EB-2008-0272, Decision with Reasons dated May 28, 2009, page 12.

³ Letter from the OEB to Hydro One dated October 6, 2009, page 2.

- a) the Board has already decided that the IESO study with respect to the appropriate Export Transmission Tariff will be reviewed, and
- b) that the appropriate forum for the review of the IESO study is Hydro One's application for 2011 and 2012 rates.

The IESO Study was only filed in August of 2009, and has never been subject to review by the Board, despite clear and repeated directions from the Board that such a study be filed and reviewed as part of a Hydro One rate proceeding. Accordingly, VECC submits, it is inappropriate for any intervenor to suggest that the review of the IESO study, and the possible implications of that review to the appropriate Export Transmission Tariff, should be omitted from this proceeding.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

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Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

September 21, 2009

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

Dear Ms. Walli

EB-2008-0272 – Hydro One Networks 2009 and 2010 Electricity Transmission Revenue Requirements–Response to Board Directive respecting the IESO ETS Study

In the Board's Decision with Reasons dated May 28, 2009, one of the Board's directives to Hydro One dealt with the IESO's study of export transmission tariffs. Specifically:

“The Board agrees with intervenors that the results of the IESO study should be reviewed and any tariff changes implemented as expeditiously as practical. The Board has directed Hydro One to put forward a proposal to the Board within 60 days of the release of the IESO study. The Board can consider at that time whether it should review Hydro One's proposal in the context of 2010 or 2011 rates.”

The IESO study was been filed with the Board on August 28, 2009. They recommended that the ETS tariff remain at \$1/MWh applicable to export and wheel-through transactions. The IESO believed that this tariff would be the most beneficial for efficiency in the region until the conditions change or there is a potential for the reciprocal elimination of the export tariffs with its neighbours.

Since Hydro One's export revenues forecast for the 2009 and 2010 test years were based on \$1/MWh, the IESO recommendation of the status quo suggests that there is no urgency to a review of the ETS tariff recommendation. The Board did direct Hydro One to establish a variance account to record the difference in revenue forecast and revenue achieved for the test years which the Company has done.

Given the above, Hydro One suggests that the Board accept the IESO ETS Study findings for the 2010 test year. A review of the IESO Study results could be included on the issues list for Hydro One

Transmission's 2011 and 2012 test year revenue requirement application should the Board feel further review is necessary.

All intervenors, by copy of this letter, are notified of Hydro One's recommendation with respect to this specific Board Directive from the EB-2008-0272 Decision. Any questions regarding this submission should be directed to Allan Cowan at 416 345-6219.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

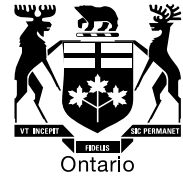
Susan Frank

Attach.

- c. EB-2008-0272 Intervenors (email)

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BY E-MAIL

October 6, 2009

Ms. Susan Frank
Hydro One Networks Inc.
8th Floor, South Tower
483 Bay Street
Toronto ON M5G2P5

Dear Ms. Frank:

**Re: EB-2008-0272 Hydro One Networks 2009 and 2010 Electricity
Transmission Revenue Requirements – IESO Export Transmission
Services Study**

In its decision and order in EB-2008-0272 dated May 28, 2009, the Board made the following finding with regard to the IESO's then upcoming study on the appropriate export tariff:

With respect to the IESO study, the Board agrees with intervenors that the results of the IESO study should be reviewed and any tariff changes implemented as expeditiously as practical. It may not be necessary to wait for Hydro One's 2011-2012 application to consider this matter. The Board directs Hydro One to put forward a proposal to the Board within 60 days of the release of the IESO study. The Board can consider at that time whether it should review Hydro One's proposal in the context of 2010 or 2011 rates.

The IESO's study was completed and filed with the Board on August 28, 2009. The study recommended that no changes be made to the current export tariff.

On September 21, 2009, Hydro One submitted its proposal to the Board, in which it recommended that the current export tariff remain in effect for 2010, and the study could be considered in Hydro One's next transmission rates case for the test years 2011 and 2012 if necessary. The Board has also received two communications expressing concern about the final stages of the consultation in the stakeholder process conducted by the IESO.

The Board has decided that this matter should be considered in the Hydro One Transmission Rate Hearings for the 2011 and 2012 test years. The Board expects that the IESO will participate as necessary in that hearing to address its study. In the meantime the Board will make no change to the approved rates including the \$1/MWh applicable to export service for the 2010 test year.

ISSUED at Toronto on October 6, 2009

ONTARIO ENERGY BOARD

Original signed by

John Pickernell
Assistant Board Secretary

cc. Don Rogers, Hydro One counsel
Intervenors