

Hydro One Networks Inc.

8th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5700
Fax: (416) 345-5870
Cell: (416) 258-9383
Susan.E.Frank@HydroOne.com

Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

November 26, 2007

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

Dear Ms. Walli:

EB-2007-0691 – Kruger Energy Inc. Application under Section 81 regarding construct and operate a 100 MVA substation in the Municipality of Chatham-Kent – Hydro One Networks Submissions

On July 17, 2007, Kruger Energy Inc. (“KEI”) filed a notice with the Ontario Energy Board (the “Board”) under section 81 of the Ontario Energy Board Act on its proposal to construct and operate a 100 MVA substation in the Municipality of Chatham-Kent. The Board assigned the notice of proposal file number EB-2007-0691. Pursuant to Procedural Order No. 1 in this proceeding, KEI provided responses on November 19, 2007, to a number of interrogatories from intervenors.

From KEI’s response to Board Staff interrogatory #5, it is understood that KEI intends to operate as an “unlicensed transmitter”. We defer to the Board on the question of eligibility to operate in this manner. However, it is Hydro One’s view that before deciding on KEI’s section 81 application, the Board should satisfy itself that there is a legislative basis for exempting KEI from a transmitter’s licence, and that all applicable requirements are met, including those under the OEB Act, the Electricity Act, and the Transmission System Code. Furthermore, even if an exemption from the requirement to hold a licence were granted, it is Hydro One’s view that KEI should still be required to provide non-discriminatory access to ensure proper maintenance of the competitive market.

The response to OPA interrogatory #1 states that KEI’s proposed process for allocating transformation capacity at its substation will be “similar” to Hydro One’s queuing process. It is Hydro One’s view that there is insufficient clarity with respect to the extent to which KEI’s proposed process will be similar to Hydro One’s. Hydro One is concerned that, where dissimilarities do exist, those dissimilarities may result in unfairness in allocating substation capacity, where the substation is also intended to serve other

generator customers unrelated to KEI. Hydro One is particularly concerned with KEI's view that it would not be subject to the requirement for non-discriminatory access. Hydro One believes that this will have harmful effects on the competitive market.

From KEI's response to Board Staff interrogatory #13, KEI intends to initiate a Customer Impact Assessment (CIA) with Hydro One in January, 2008. To ensure fair and consistent treatment of all participants in the competitive market, KEI will also need to meet all other requirements of Hydro One's customer connection process, and the connection process of the IESO (including a System Impact Assessment), in order to connect to Hydro One's transmission system.

In light of KEI's (proposed) status as an unlicensed transmitter, Hydro One urges the Board to consider the system, regulatory and competitive implications of connecting KEI to the Hydro One transmission system under section 57 of the OEB Act and Hydro One's transmitter licence, which requires Hydro One to connect consumers, generators, distributors, and retailers.

It is Hydro One's view that the concept of an unlicensed transmitter serving and connecting to customers other than itself is not explicitly contemplated in the Transmission System Code, the OEB Act, or the Electricity Act. Hydro One believes that a licence is required under such circumstances to protect customers who may otherwise be harmed in the market.

Finally, Hydro One is of the view that ad hoc expansions to transmission, in the absence of proper input from the OPA and the IESO, could dilute integrated planning, and lead to sub-optimal transmission solutions that bias the competitive market in favour of specific generators.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

c. Mr. Guy Paquette, Kruger Inc.
Mr. Andrew Smith, Borden Ladner Gervais LLP
EB-2007-0691 Intervenors