

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF a review of an application filed by Hydro One Networks Inc. for an order or orders approving a transmission revenue requirement and rates and other charges for the transmission of electricity for 2011 and 2012.

SUBMISSIONS OF HQ ENERGY MARKETING INC.
November 1, 2010

Borden Ladner Gervais LLP
Scotia Plaza, 40 King Street West
Toronto, ON M5H 3Y4

Mark Rodger
Tel: (416) 367-6190
Fax: (416) 361-7088
Email: mrodger@blg.com

Counsel to HQ Energy Marketing Inc.

EXPORT TRANSMISSION SYSTEM TARIFF

1. HQ Energy Marketing Inc. ("HQEM") limited its participation in this proceeding to the Export Transmission System ("ETS") tariff issue.
2. HQEM has reviewed the IESO's submissions on the ETS dated October 15, 2010 and HQEM supports and adopts those submissions that the status quo ETS tariff of \$1.00 per MWh remain in place until at least 2013. HQEM notes that Board Staff submitted in its October 22, 2010 submissions that the status quo be continued for the 2011 and 2012 period.
3. In addition to the IESO and Board Staff's submissions, HQEM submits the following in support of the OEB maintaining the status quo ETS tariff.
4. Neither any intervenor nor Board Staff filed any evidence supporting a change to the existing ETS tariff. HQEM submits there is no basis on the evidence in this proceeding which the Board can reasonably rely upon to change or alter the existing ETS tariff or structure.
5. As indicated by Charles River & Associates, its quantitative assessment of the three ETS tariff options identified in Hydro One's 2007/08 rate case did not take into account any operational or reliability impacts which HQEM submits are important factors in deciding whether any change to ETS is warranted. When IESO management did consider operational and reliability impacts, particularly in the context of the *Green Energy Act* and the significant amount of intermittent renewal generation resulting therefrom, the system operator concluded that the existing ETS tariff should remain unchanged until such time as it gains experience with the new operational and reliability realities associated with the Ontario electricity system. IESO witnesses agreed that the time horizon to gain this new experience would likely be a period of years.

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6. HQEM submits that in the face of new and significant supply mix changes and with the associated operational and reliability uncertainties, it would be inappropriate at this time for the Board to change the ETS tariff which could impose higher costs on Ontario consumers through a reduction in export volumes and increased financial guarantee payments paid to Ontario generators during surplus baseload generation events. A reduction in export volumes during a period where surplus conditions are expected to continue represents an undesirable outcome which the Board must prevent from occurring. The best evidence before the Board is that continuation of the \$1 per MWh ETS is a tool which the IESO can continue to use to facilitate exports.

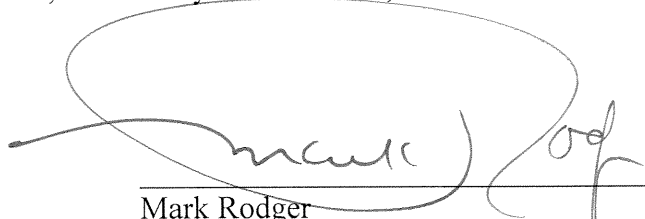
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7. Board Staff recommends that the Board direct that the IESO analyze the market again and produce an updated analysis and IESO recommendation at the Hydro One's

next rates case or at such other time as the Board considers useful. HQEM does not take any position as to whether a new study is warranted at this time. However if the Board does direct that IESO undertake another study, HQEM will actively participate in any stakeholder engagement process associated with this study.

Board Staff Submissions, Oct.22, 2010, p. 31

All of which is respectfully submitted, this 1st day of November, 2010.



Mark Rodger
Counsel for HQ Energy Marketing Inc.