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BY COURIER

March 10, 2008

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

Dear Ms. Walli:

EB-2007-0662 – Revised Proposed Amendments to the Affiliate Relationships Code for Electricity Distributors and Transmitters – Hydro One Comments

Hydro One Networks ("Hydro One") is pleased to provide comments on the Ontario Energy Board ("the Board") *Revised Proposed Amendments to the Affiliate Relationships Code for Electricity Distributors and Transmitters* issued on February 11, 2008.

Overall, Hydro One Networks Inc. ("Hydro One") remains supportive of the Board's direction being set in the revised proposed amendments to the Affiliate Relationships Code (ARC). We are again offering our comments in the spirit of clarifying certain items where we feel that there may be confusion that creates interpretive 'bottlenecks' or potential compliance issues.

Section 1.1 - Purpose of the Code:

Hydro One welcomes the Board's proposal, amending section 1.1 of the Electricity ARC to more clearly articulate its objectives and to protect "ratepayers from harm that may arise as a result of dealings between a utility and its affiliate". On a general level the revised code remains focused on a regulated and unregulated affiliate relationship particularly where the non-regulated affiliate is an energy services provider. Hydro One believes that this focus is appropriate.

Hydro One's view is that, where there are two regulated affiliates that are governed by their respective licenses, their relationships are largely governed by their licences and by the decisions and orders stemming from the utilities' rate cases. Most of the risks and harms that are listed in section 1.1 of the proposed Code are mitigated by that regulatory oversight. Hydro One proposes that this should be reflected in the Code. For example, the ARC should be clear that the sharing of information and systems between two regulated, licensed affiliates is permissible subject to their licensing conditions.

Section 1.2 Definitions:

Energy Services Provider- We have noted in the revised definition for “energy services provider” that the exclusions have been broadened to include “a municipal corporation”. Hydro One does not understand the intent of this exclusion and whether it is the Board’s intention to exclude other owners as in the case of Hydro One.

System Planning Information- Hydro One is pleased that the definition concerning “strategic business information” has been replaced by “system planning information”. This term has a historical and specific meaning within the electricity industry and is relatively free of ambiguity. However, having said this, Hydro One suggests that the addition to the definition of computer systems may cause confusion and possibly be unnecessary. It is not clear why computer system development is included in this definition at all, even if it pertains to customer service systems. We would ask that the Board clarify this, or identify the harm or risk that is to be mitigated and consider a separate definition, if warranted.

Section 2.2 and 2.3 ‘Affiliate Contract vs Affiliate Services Agreement’

These two terms appear to have been used interchangeably whereas we see them as one and the same. We feel that, for consistency, only one term should be used and our preference is “Service Agreement” since it is already in use. In this regard, we also see no reason why the two provisions under “Outsourcing to an Affiliate” cannot simply be included in Section 2.2.

We welcome the revised heading for Section 2.2.

Section 2.3.3.2 Renewal of Affiliate Contract / Service Agreement

Hydro One believes that some clarification around agreement renewals is required. In some cases agreements/contracts are for an initial term with automatic renewal periods with the same terms and conditions unless one party terminates. Does this section mean that each time there is an automatic renewal period the utility is required to issue an RFP? Hydro One does not think that this is the Board’s intent, and therefore the wording should be amended accordingly.

Section 2.3.6.1 Transfer of Assets

The correct wording for this section should be “greater of the market price **and** the net book value”.

Section 2.3 Transfer Pricing

Consistent with our general comment for Section 1.1, Hydro One would prefer to see some reference to situations where two affiliates are regulated and licensed utilities. As an example the competitive tendering contemplated in 2.3.3.2 would apply to both affiliates if they were regulated.

Section 2.3.7.1 – Transfer Price Established by Law or Code

The word "Act" is defined as the OEB Act whereas Hydro One feels that the Board is trying to capture any act or law here, including the Act, Accordingly it would be more appropriate to say "where a statute

or regulation". (In fact there may be some other legal requirement that doesn't fit into this so it should say, "Where a statute, regulation, code established by the Board or any other legal requirement prescribes...".)

Section 2.6.1 Wording

The word "wholesaler" should be added after "smart sub-metering provider" in the second part of the sentence.

Section 2.6.2 –Confidentiality

Hydro One had suggested in its comments of October 19, 2007 that another exception within this section is warranted for those instances where outsourcing of work is required. Such outsourcing is undertaken where Hydro One Networks chooses to outsource to complete a task. Hydro One would again request that the Board consider this suggestion as we believe it is both practical and acceptable within the spirit of the Code. Proposed wording would take the form:

"(e) to third party service providers (which may include affiliates of the utility) to perform services on the utility's behalf provided the utility gives only confidential information necessary to perform those services that the utility has contracted them to provide."

I am enclosing three hard copies of Hydro One Networks' comments. An electronic version of the comments in searchable Adobe Acrobat (PDF) and Word is being provided to you via email to Boardsec@oeb.gov.on.ca, as requested.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank