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

**Attention: Ms Kirsten Walli
Board Secretary**

Dear Ms. Walli:

**Re: Hydro One Networks Inc.
Change to Electricity Transmission Revenue Requirement and Rates
HQ Energy Marketing Inc. ("HQEM") Responses to Interrogatories on Evidence
Board File No: EB-2012-0031**

Please find attached the responses to the Interrogatories of AMPCO, Board Staff and VECC on HQEM Evidence in the above-noted application.

Sincerely,

signed in the original

George Vegh

- c. Mr. Matthieu Plante, Hydro Québec
- Mr. Yannick Vennes, Hydro Québec
- Ms. Hélène Cossette, Hydro Québec
- Mr. Michael Roger, Elenchus
- Mr. D.H. Rogers, Q.C., Counsel to the Applicant (e-mail)
- Mr. Pasquale Catalano, Regulatory Affairs, Hydro One Networks (e-mail)
- All Interested Parties (e-mail)

HONI 2013/2014 Transmission Revenue Requirement Application
HQEM Responses to AMPCO Interrogatories on Intervenor Evidence
Prepared by Elenchus Research Associates Inc. for
HQ Energy Marketing Inc. (HQEM)

AMPCO #1

Please confirm whether HQEM is a wholly owned subsidiary of Hydro Quebec.

Response: Confirmed.

AMPCO #2

Please confirm whether Trans-Energie is a wholly owned subsidiary of Hydro Quebec.

Response: Hydro-Québec TransÉnergie is a division of Hydro-Québec.

AMPCO #3

Reference: Exhibit I/Tab23/Schedule 1.02 Staff 85/Attachment 1: CRA Report

a) Table 4.1 (Page 12): Please confirm whether the CRA report is correct that Trans-Energie has monthly, weekly, daily and hourly rates for non-firm exports, and if it is not, please correct.

b) Table 5.1 (Page 17): Please confirm whether or not the Rate Summary in this table is correct with respect to Trans-Energie's rates for non-firm transmission export service, and if it is not, please correct.

c) Table 5.1 (Page 17): Please confirm whether or not Trans-Energie charges for daily and hourly rates for off-peak non-firm transmission exports service.

d) If the answer to (c) is positive, please indicate either the rates applied by Trans-Energie for non-firm transmission service in off-peak hours, or, if there is not a fixed rate for this service, the components of cost that Trans-Energie uses to determine such rates.

Response (a to d): Relevant information on the current transmission tariff, as approved by the Régie de l'énergie of Québec, can be obtained at those links:

- http://www.oatioasis.com/HQT/HQTdocs/Tariff_2012-06-06_en.pdf
- http://www.oatioasis.com/HQT/HQTdocs/OATT_2012-06-14.pdf

AMPCO #4

Reference: Exhibit I/Tab23/Schedule 1.02 Staff 85/Attachment 1/CRA Report Page 32

Please confirm or update the ancillary rate information in the CRA report as it applies to non firm export transmission services.

Response: See response to AMPCO's Interrogatory #3.

Board Staff Interrogatories
HQ Energy Marketing Evidence
Prepared by Elenchus Research Associates Inc.

- 1) Does Elenchus believe that any of CRA's alternative scenarios offer a significant improvement over continuation of the current rate, in terms of matching the revenue to the cost allocated to the ETS?

Response:

If a cost allocation study or other analysis were to show that the variable (or marginal) costs are zero or negligible, the alternative of eliminating the ETS is the scenario that would most closely match revenues to allocated costs. This assumes all relevant allocators result in no allocation to exports. In that event, from a pure cost causality perspective, elimination of the ETS would be justified. The Board, however, may determine that in setting the final ETS rate, factors other than the allocated costs should be taken into account.

- 2) Is Elenchus aware of any related cost allocation studies that have been done in any other jurisdictions?

Response:

Elenchus is aware that Manitoba Hydro has filed, as part of its 2012/13 & 2013/14 General Rate Application, a cost allocation study and Manitoba Hydro filed a consultant's report on the study (see link <http://www.pub.gov.mb.ca/exhibits/mh-gra-2012-13-14/appendix 13 4.pdf>). The consultant's report proposes (still before the MPUB) to recognize opportunity export sales (defined as short-term sales on an "as available" basis) as a separate class in the cost of service study. The consultant's report also proposes that only variable costs be allocated to the opportunity export sales class.

**HYDRO ONE NETWORKS INC.
2013-2014 ELECTRICITY TRANSMISSION
REVENUE REQUIREMENT AND RATES (EB-2012-0031)
RESPONSES TO VECC INTERROGATORIES RE:
HQ ENERGY MARKETING INC (HQEM) EVIDENCE**

1. Reference: HQEM Evidence (by Elenchus Research), page 5 (lines 13-150)

a) What are the other principles that are used as “determinants of just and reasonable rates:?”

Response: Other principles used in determining just and reasonable rates are:

- Rates should be understandable and acceptable to customers
- Rates should be easy to implement
- Rates should be stable
- Rates should not discriminate
- Rates should encourage the efficient use of the system and not encourage waste

2. Reference: HQEM Evidence (by Elenchus Research), page 6 (lines 5 – 10) and page 12 (lines 13-16)

a) Please outline the circumstances under which export transactions are curtailed.

Response: Please see Exhibit I, Tab 23, Schedule 6.02 HQ 2, i and ii. In this exhibit the IESO describes in which circumstances it curtails export transactions.

b) Does the IESO take any control actions that affect load (either dispatchable or non-dispatchable) before exports are curtailed? If yes, please outline what they are.

Response: The IESO Emergency operating practices are described in Market Manual 4.3, Sections 2 and 3, and Market Manual 7.4, Appendix E, found at the following:

- http://www.ieso.ca/imoweb/pubs/marketOps/mo_RealTimeScheduling.pdf
- http://www.ieso.ca/imoweb/pubs/systemOps/so_GridOpPolicies.pdf

- 3. Reference:** HQEM Evidence (by Elenchus Research), page 12 (Footnote #7) and page 14
- a) Has Elenchus performed any “cost allocation studies” for utilities that explicitly recognized exports as a separate class for purposes of allocating transmission costs? If yes, for each such case, please indicate:
- The results of the study and the comparative costs (/MW and /MWh) allocated to export vs. domestic customers
 - The resulting rates that were implemented and whether or not they conformed to the results of the cost allocation study.

Response: Elenchus has not performed such cost allocation studies

- b) Is Elenchus aware of any Canadian utility that uses a cost allocation study, with exports as a separate class, to inform the derivation of its transmission tariffs? If yes, please provide details and indicate if and how the results of the study are used to set transmission tariffs for domestic and export customers.

Response: See Elenchus’ response to Board Staff IR #2.

- c) Is HQEM aware of any Canadian utility that uses a cost allocation study, with exports as a separate class, to inform the derivation of its transmission tariffs? If yes, please provide details and indicate if and how the results of the study are used to set transmission tariffs for domestic and export customers.

Response: No. See Elenchus’ response to Board Staff IR #2.