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Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
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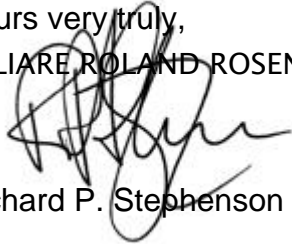
Dear Ms. Walli

**Re: Export Transmission Service Rates and the Board's Declaration of
Transmission Rates as Interim (EB-2012-0031)**

Attached please find the Power Workers' Union's submission with regard to Hydro One Networks Inc.'s application to the Ontario Energy Board for an order or orders approving a transmission revenue requirement and rates and other charges for the transmission of electricity for 2013 and 2014 – Export Transmission Service Rates and the Board's Declaration of Transmission Rates as Interim (EB-2012-0031).

Yours very truly,

PALIARE, ROLAND ROSENBERG ROTHSTEIN LLP



Richard P. Stephenson

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cc: John Sprackett
Judy Kwik

HONORARY COUNSEL

Ian G. Scott, Q.C., O.C.
(1934 - 2006)

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 2013 and 2014.

**Export Transmission Service (ETS) Rates and
the Board's Declaration of Transmission Rates as Interim**

Submission of the Power Workers' Union

1. BACKGROUND

On November 27, 2012, the Association of Power Producers of Ontario ("APPrO") requested that the Ontario Energy Board (the "Board") clarify that the Export Transmission Service ("ETS") charge will not be retroactively adjusted in 2013 (back to January 1, 2013) in the event that the ultimate decision of the Board is to change the ETS charge from its current \$2/MWh level. Alternatively, APPrO requested that in the event that the Board is of the view that no such clarification can be made in the absence of a formal motion to review and vary, that the Board consider APPrO's letter to be a motion.

On November 29, 2012, the Board issued Procedural Order #9 indicating that it would receive submissions from parties on APPrO's request.

2. PWU's SUBMISSION

The PWU supports APPrO's request that the Board make the existing ETS charge final (at the \$2/MWh) until such time when the Board determines a new ETS charge.

As the Board is aware, the previous ETS rate of \$1/MWh was set at market opening and remained at that level until December 31, 2010 when the Board in its EB-2010-0002 Decision with Reasons increased the rate to \$2/MWh, effective January 1, 2011. The Board's Decision in EB-2010-0002 was partially based on the initial ETS study and recommendations prepared for the IESO by Charles River Associates ("CRA") that was filed on August 28, 2009 as per the Board's direction in EB-2006-0501 (Hydro One's 2008 transmission rate application). In making the decision to increase the ETS charge, the Board recognized "the directional preference of the CRA study, and the absence of any particular analytical underpinning for the current rate (\$1/MWh)." Importantly, in that Decision the Board ordered that an additional, "genuinely comprehensive" study be undertaken to identify a range of proposed rates and the associated pros and cons of each option in time for the next transmission rate application. The PWU notes that the CRA Study so ordered is before the Board in the current proceeding.

In the PWU's view, the main reason the determination of the appropriate ETS rate has proved difficult so far is the complexity of the issues around it. The determination of the appropriate ETS tariff goes beyond the determination of just the appropriate charge level to help defray the costs to domestic customers for the use of network transmission facilities to facilitate export and wheel-through transactions. Other issues that need to be considered include, among other things, the impacts of the tariff on trade agreements, the efficiency of the regional markets, surplus baseload generation ("SBG") events, and other environmental consequences. Clearly, the determination of the ETS tariff should not be considered in the same manner as the determination of a utility's overall transmission rates that are based on an assessment of the utility's cost of

service. In this respect, APPrO's concern that the potential for a retroactive adjustment of the ETS charge creates market inefficiency and significant transaction cost uncertainty for traders is a genuine and significant concern.

Similarly, when the Board increased the ETS tariff in EB-2010-0002 from \$1/MWh to \$2/MWh, it stated that subsequent panels assessing the level of the ETS rate should not regard the new rate as having any particular precedential value. In other words, the Board panel presiding over the current proceeding may increase, decrease or maintain the current ETS rate of \$2/MWh when it renders its decision in the absence of any encumbrance stemming from the EB-2010-0002 decision. It is therefore clear that APPrO's request to make the existing ETS charge final until such time as the Board determines a new ETS charge will not prejudice any particular party. The request seeks only that the market be allowed to operate without unnecessary uncertainty and distortion related to the ETS tariff until new rates are established. Given that the \$1/MWh ETS rate had been in effect for over 8 years before it was increased to the \$2/MWh two years ago, it is unlikely that the Board's decision to keep the current rate as final for the next few months and until new rates are established will cause any material harm to any particular party.

All of which is respectfully submitted