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March 22, 2013 By E-Mail

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli,

RE: EB-2012-0031 - LPMA Submissions

Please find attached the Submissions of the London Property Management Association ("LPMA") in the above noted application.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates

Encl.

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.

SUBMISSIONS OF
THE LONDON PROPERTY MANAGEMENT ASSOCIATION

A - INTRODUCTION

These are the submissions of the London Property Management Association ("LPMA") in respect of the Ontario Energy Board's ("Board") determination of an Export Transmission Service ("ETS") rate for Ontario.

LPMA has been greatly assisted by the submissions of the Independent Electricity System Operator ("IESO") dated March 8, 2013.

B - COMPETING INTERESTS

There are four ETS tariff options that have been compared to the status quo in the IESO submissions, based on the evidence provided in this proceeding. These four options are the Unilateral Elimination, Equivalent Average Network Charge, Two-Tier Option A and Two-Tier Option B, which are described on page 2 of the IESO submission.

As shown in Appendix "A" to the IESO submissions, each of the four ETS tariff options have significantly different impacts on the components of the consumers surplus, which are the global adjustment, HOEP and uplift charges. Changes in one of these items are partially offset by changes in another item.

Similarly, the impact on the other two components of the overall surplus - the producer surplus and the intertie congestion revenue - also vary by tariff option and time. In some cases the movements are positively correlated, while in other instances, the changes in the surplus are negatively correlated. There is a clear competition for parts of the surplus between consumers and producers.

At the same time, the Board has its own balancing of interests to deal with. LPMA submits that the Board needs to protect the interests of consumers, promote economic efficiency, while facilitating a financially viable electricity industry and having regard to general ratemaking principles.

C - COST CAUSALITY PRINCIPLES

The Elenchus Research Associates ("Elenchus") report recommended that the ETS tariff be established pursuant to cost causality principles. LPMA strongly agrees.

While the four alternatives presented in this proceeding identify a range of potential tariffs, there is no evidence to suggest what a cost based rate would be for use of the transmission assets.

LPMA submits that the Board should not make any significant changes to the ETS tariff in the absence of any information related to the cost of exports using the transmission system. This vacuum needs to be filled before any prudent decisions can be made.

D - IMPACT ON ONTARIO CONSUMERS

LPMA notes that the IESO supports the Unilateral Elimination of the ETS tariff because it result in a higher level of consumer surplus than the other tariff options. LPMA notes that this consumer surplus is defined as the impact on the commodity cost only, including the global adjustment, HOEP and uplift charges.

LPMA submits that the true consumers surplus should be based on the delivered cost to consumers. This would include not only the commodity cost, but also the transmission cost.

This impact is shown in Table A3 in Appendix "A" to the IESO submission. In this table, the line labeled "Total Consumer Bill Impact (C)" shows that the Unilateral Elimination option is the only option of the four considered that results in Ontario consumers paying more. By 2017, the impact is an increase in the delivered cost of power of $18.4 million, as compared to decreases of $24.8 million under the Equivalent Average Network Charge, $14.6 million under the Two-Tier - Option A and $13.4 million under the Two-Tier - Option B.

E - A PRAGMATIC APPROACH

LPMA submits that the Board should not make any change to the current ETS tariff of $2.00/MWh at this time. There is simply no evidence to indicate whether the current rate it too high, too low, or just right, based on cost causality principles.

As illustrated throughout this proceeding, changing the ETS tariff is not an isolated issue related to the recovery of costs associated with the transmission system. Changes to the export tariff are forecast to have a larger impact on the total surplus than in the change in the ETS revenue. This can be seen in Tables A1 and A2 in the IESO submission. The allocation of this surplus between consumers and producers is also impacted by a change in the tariff.

LPMA submits that while the evidence in this proceeding shows the potential impacts on the components of the total surplus and the impacts on consumers, there is no evidence to suggest that the current tariff is not appropriate. In the absence of a cost allocation study there is simply no justification to decrease the tariff and shift the recovery of costs onto other transmission users, or to increase the tariff and reduce the burden on the other transmission users.

It is submitted that the Board should order a cost allocation study be completed in order to determine the costs of the transmission system associated with export use. When the results from this study are available, the Board will have a key component - that is currently missing - in order to make an informed and reasonable decision about any changes to the ETS tariff that will have far ranging impacts on consumers, efficiency and the allocation of any surplus.

F - COSTS

LPMA requests that it be awarded 100% of its reasonably incurred costs. LPMA relied on the cross-examination of other parties in this proceeding related to the ETS tariff while being an active participant in all other issues.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

March 22, 2013

Randy Aiken
Consultant to London Property Management Association