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June 17, 2013

BY COURIER

Ms. Kirsten Walli
Secretary
Ontario Energy Board
2300 Yonge Street
Toronto, ON.
M4P 1E4

Dear Ms. Walli:

EB-2011-0043 – OEB Proposed Amendments to the Transmission System Code and Distribution System Code – Hydro One Networks Inc. Comments

I am attaching two (2) paper copies of Hydro One Networks Inc.'s comments regarding proposed amendments to the Transmission System Code ("TSC") and Distribution System Code ("DSC").

Hydro One Networks Inc. ("Hydro One") is a subsidiary of Hydro One Inc. and operates extensive electricity transmission and distribution facilities throughout Ontario and will be affected by the proposed amendments to the TSC and DSC. Hydro One is a major stakeholder in the Ontario energy sector and a regulated Ontario electricity distributor and transmitter.

Given that significant changes are being proposed in these amendments, Hydro One encourages the Board during the transition period, to exercise some flexibility with respect to enforcement and codification of requirements, especially timelines.

An electronic copy of the comments has been filed using the Board's Regulatory Electronic Submission System.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

attach

EB-2011-0043

Hydro One Networks Inc.'s Comments on Proposed Amendments to the TSC and the DSC - Regional Infrastructure Planning

Hydro One Networks Inc. ("Hydro One") supports the Ontario Energy Board's initiative to amend the Transmission System Code ("TSC") and the Distribution System Code ("DSC", together, "the Codes") to facilitate a more structured approach to Regional Infrastructure Planning. In the face of increasingly complex planning requirements, and given the many parties involved, Hydro One agrees that there are significant benefits to be gained from clarification of roles and accountabilities and especially from clearly articulated cost responsibility rules.

Hydro One's submission comprises three parts:

1. General comments pertaining to the process and its implementation.
2. Comments from a transmitter's perspective (pertaining mostly to the proposed TSC amendments).
3. Comments from a distributor's perspective (pertaining mostly to the proposed DSC amendments).

1. GENERAL COMMENTS PERTAINING TO THE PROCESS AND ITS IMPLEMENTATION

Establishment of the 'Regional Planning Standing Committee'

Hydro One notes that the Board accepts that "the process set out in the Working Group Report is appropriate." The Board further states: "As such, the Board expects transmitters and distributors to follow that process."

Hydro One agrees with the Board's intention that the Planning Process Working Group ("PPWG") should remain in place as the 'Regional Planning Standing Committee' ("the Standing Committee") to consider the need for revisions to the regional planning process. During the infancy of the process, it is appropriate for a forum of expert stakeholders to monitor performance against expectations, collect feedback and implement lessons learned from the early days of process implementation.

Explicit inclusion in Codes of timelines for still-untested processes

While laying out the key obligations of transmitters and distributors, the currently-contemplated amendments to the TSC and the DSC also include "hard-coded" timelines for the various steps in the integrated regional resource planning process and the regional infrastructure planning process. These requirements therefore become licence obligations for transmitters and distributors.

It is Hydro One's view that it is premature and unnecessary to hard-code, as licence obligations, absolute timelines for new and untested processes. This is borne out in the experience of the Board and certain parties, including Hydro One, with respect to timelines for other new

processes involving generation connections. Difficulties with those codified timelines led to a number of exemption applications and ultimately to code amendments which now better reflect the realities and lessons learned from implementation. In the case of the regional infrastructure planning initiatives, refinements to timelines by use of licence and code amendment proceedings can be lengthy and time-consuming, and parties would be better served by avoiding them and focusing on delivering the new planning process. The PPWG intended these timelines to be conceptual in nature. It was recognized that the planning for some regions may take longer or shorter than the conceptual timelines depending on the complexity of the issues.

Since the Board expects distributors and transmitters to follow the process as it may be revised from time to time, Hydro One recommends that the Board include, in both Codes, wording which would give official status to the Process Document as it may be amended from time to time. Currently, the document is the May 17, 2013 version of “Planning Process Working Group Report to the Board - The Process for Regional Infrastructure Planning in Ontario” (‘the Process Document’). This would allow the Board to assert its expectations with respect to the adherence to the Process.

An additional benefit arises from giving the Process Document official status in the Codes, as the timelines stipulated in the proposed Code amendments can then be moved to the Process Document, and become subject to regular monitoring and adjustment, as needed, by the Standing Committee, reducing the regulatory overhead associated with any future refinements.

Level of adherence to new timelines

Whether the timelines are mandated directly in the Codes or in a document referred to in them, it is reasonable to expect, at least initially, that strict compliance to those timelines may be compromised as various parties to the planning process learn to work together, exchange relevant information, and deal with planning complexities. Hydro One submits that it would therefore be appropriate for the timelines to recognize that 100% compliance may not be immediately achievable, and to attach some lower compliance performance standard (e.g. 70%, initially) to certain timelines, with the performance standard increasing with time as more experience is gained.

Regulatory treatment of deviations from timelines

Hydro One suggests that, especially in the transitional stage, the Board implement a process for transmitters, distributors and the Ontario Power Authority (“OPA”) to self-report any deviations from the timeline requirements, with an explanation. The focus of such disclosures should encourage parties to provide valuable feedback and ‘lessons learned’ to the Standing Committee, and as such, the Board may choose to apply flexibility and delay any compliance actions and processing of exemption applications.

Consequential process implications of missing or delayed information from parties

The planning processes that are laid out in the Report and in the proposed Code amendments comprise, by necessity, a number of sequential and prerequisite steps, which are to be performed

within stipulated timelines. For example, the process depends heavily on information flows between distributors and their host distributors, the transmitter and/or the OPA. In case of difficulties on the part of certain contributing parties to generate the needed information by the expected deadlines, Hydro One suggests that the process should not be delayed. Instead, the host distributor, transmitter and/or OPA would discuss their needs with the contributing party to the extent possible, and if requested information is not available, make the necessary assumptions on the best information available to allow the planning process to continue. Any such assumptions should be documented in the Regional Infrastructure Plan, with the reasons for the lack of information, where these are known. This will allow the Standing Committee to monitor and respond to any process issues, where appropriate.

2. COMMENTS FROM A TRANSMITTER’S PERSPECTIVE

Cost Responsibility – “Otherwise Planned”

Removal of section 6.3.6

Hydro One supports the Board’s efforts to end the long standing confusion around the interpretation of section 6.3.6 in the TSC. Specifically, Hydro One agrees with the elimination of the phrase, “otherwise planned,” which inappropriately links cost responsibility to the level of discourse between transmitters and their customers.

Plans to meet load growth and maintain reliability

In the proposed deletion of section 6.3.6, Hydro One notes that the Board has been careful not to eliminate certain other useful concepts that also exist in that section. Specifically, the Board proposes to retain the obligation of the transmitter to “develop and maintain plans to meet load growth and maintain the reliability and integrity of its transmission system.” This obligation will now appear in section 3B.1 under the proposed amendments.

Fairness in cost responsibility for connecting customers

Hydro One submits that there is one other useful concept from section 6.3.6 that is important to preserve—the concept of fairness in assigning cost responsibility in situations where a new or modified connection facility is intended to provide benefits to both the overall transmission system and to a particular connecting customer.

It is Hydro One’s understanding that the current proposed amendments would attribute the full cost of the facility to the customer in such situations, even where the transmission system itself may be the primary beneficiary. The Notice of Proposed Amendments (on page 15) reads:

“The Board also believes that removing section 6.3.6 from the TSC will result in greater predictability . . . the transmission customer(s) that benefit from a transmission connection investment

will pay for the upgrade regardless of how the investment is planned.”

Hydro One is concerned about the potential unfairness of this approach to connecting customers. Should the Board share the same concern, and accept the notion that connecting customers should not be held responsible for the costs of facilities that are primarily required to address system needs, Hydro One would suggest the following amendment (shown underlined and in bold) to section 6.3.8 of the TSC for the Board’s consideration:

6.3.8 **A transmitter shall not require a customer to make a capital contribution in relation to a new or modified connection facility for any costs associated with meeting the general reliability and integrity needs of the transmission system.** *A transmitter shall **also** not require a customer to make a capital contribution for capacity added by the transmitter to a transmitter-owned connection facility in anticipation of future load growth not attributable to that customer or in anticipation of the future capacity requirements of other generator customers. For this purpose, where the transmitter-owned connection facility is an enabler facility, the capacity requirements of the renewable generation facilities expected to connect to the enabler facility shall not be considered as future capacity requirements.*

Hydro One notes that the cost responsibility treatment suggested in the revised section 6.3.8 above would be complementary to the treatment of “minimum connection requirements” for network facilities, as set out in Board Staff’s Compliance Bulletin 200606.

Assessment of system needs – roles of OPA and IESO

In determining whether a new or modified connection facility is driven by system needs, Hydro One believes that the Board’s decision, dated September 6, 2007, in the EB-2006-0189 (Connection Procedures) proceeding, provides helpful guidance in this area. Specifically, the Decision (on page 23) states:

“Perhaps most importantly, the plan should incorporate the input from other responsible agencies such as the IESO and the OPA and should be reflected in the planning documents produced by Hydro One and these agencies.”

By way of example, the following tables illustrate the cost responsibility outcomes arising from the two different code amendment scenarios for a \$10 million transmission investment that provides benefits to both the overall transmission system and to a particular customer.

Under Scenario 1 (current proposed amendments), the customer would have cost responsibility for the entire \$10 million, despite the fact that the transmission system itself would be the primary beneficiary. Under Scenario 2 (revised section 6.3.8 suggested above), cost responsibility for the entire \$10 million investment would reside instead with the Pool.

Scenario 1 – Cost responsibility outcomes under current Proposed Amendments for \$10M investment with both system and customer benefits

Current Proposed Amendments	Benefiting Party	Cost Responsibility
Customer	Secondary	\$10M
Transmission System (Pool)	Primary	Nil

Scenario 2 – Cost responsibility outcomes under Revised section 6.3.8 for \$10M investment with both system and customer benefits

Revised Section 6.3.8	Benefiting Party	Cost Responsibility
Customer	Secondary	Nil
Transmission System (Pool)	Primary	\$10M

In Hydro One’s view, the elimination of the cost responsibility aspect of section 6.3.6, without some alternative mitigating language elsewhere in the TSC, may lead to imprudent investments from a regional perspective, as customers may be motivated to pursue “cheaper” local options (e.g. a suboptimal distribution alternative) to avoid subsidizing transmission system investments that address common needs.

Proportional benefits

In Scenario 2 above, cost responsibility for the entire investment would be assigned to the pool, based on an independent assessment by, and input from, the OPA and/or Independent Electricity System Operator (“IESO”) that the investment is driven primarily by system needs. In lieu of the “all or nothing” approach to assigning cost responsibility, Hydro One submits that it may also be possible to try to align cost responsibility for new or modified connection facilities with proportional benefit between the customer and the overall system. Hydro One’s proposed revised wording for section 6.3.8 can allow such proportional allocation of costs between the pool and individual connecting customers. However, this may be difficult to accomplish with precision in practice, which may result in uncertainty in cost assignments.

Should the Board accept Hydro One’s proposed revised wording for section 6.3.8, Hydro One defers to the Board on the questions of whether proportional assignment of costs is desirable and whether the increased fairness of allocating costs, even on an approximate basis, justifies the increased effort and even possible disputes. Hydro One is prepared to work with the Board and its staff to develop a suitable mechanism for quantifying and comparing different types of benefits for the purpose of allocating costs between connecting customers and the Pool.

Transmission Asset Redefinition

Hydro One submits the following in respect of transmission asset redefinitions:

- 2.0.45A (iii) – The reference to “345/115 kV autotransformers” should be replaced instead by “345/230 kV autotransformers” to reflect the fact that 345/115 kV autotransformers do not currently exist in Ontario but 345/230 kV autotransformers do.

- 3.0.14 (a) – The definition of “network facility” should not be limited to only lines but, consistent with the definition of “facilities” in section 2.0.29 of the TSC, should be broadened to include all other facilities (transmission lines, switching stations, etc.) that satisfy the physical path condition as set out in the definition.

Hydro One suggests the following revision (shown underlined and in bold) to the definition of “network facility” in section 3.0.14 (a) for the Board’s consideration:

3.0.14 Subject to section 3.0.15:

- (a) a “network facility” includes **a network station and** any line that forms part of the physical path between:
- two network stations;*
 - a network station and **any line that interconnects to the** transmission system of a neighbouring Ontario transmitter or a transmission system outside Ontario, such that electricity can be transmitted along the entire path under some operating conditions, which may or may not reflect normal operating conditions; and*

Regional Planning Process

Hydro One submits the following in respect of the regional planning process:

- 3C.1.1 – Eliminate the reference to “near-, mid-, and long-term” in the definitions of “Integrated Regional Resource Plan” and “integrated regional resource planning process”, as these terms are undefined and the reference serves no practical purpose.
- 3C.2.2 (f)(ii) – Thirty (30) days would generally not be sufficient for transmitters to provide the OPA with any information requiring conceptual engineering studies (e.g. estimates, feasibility studies, etc.). Where such studies are required, the transmitter should be allowed to negotiate a mutually agreeable alternate timeline with the OPA.
- 3C.4.1 – The requirement for a distributor to identify whether it “foresees a need for a material investment” is inappropriate at this stage of the process, as distributors may not yet have the necessary information to make this determination at this point. Instead, the requirement at this stage should simply be to identify whether the distributor has any concerns with the proposed timing of the commencement of the regional infrastructure planning for its region.
- 3C.4.3 – The requirement for a transmitter to notify distributors whether they need to be involved in regional planning for the region is inappropriate at this stage of the process. Instead, the requirement at this stage should simply be for the transmitter to notify distributors of the order of the regions to be assessed. It is therefore also premature at this stage to provide a report to the OPA identifying whether regional planning is required for each region.

Integrated Regional Resource Plan

- 6.1.4 (i) – Hydro One submits that, to avoid confusion, the appropriate party to provide the OPA’s Integrated Regional Resource Plan to customers should be the OPA itself, as opposed to the transmitter.

Refund Issue

- 6.3.17 – To deal with transition issues and reduce administrative complexity, Hydro One submits that it would be helpful if the Board were to clarify that the same refund period applies to all capital contributions for the same project, even where some of the capital contribution progress payments were made prior to the transition date from the old refund period (5 years) to the new refund period (15 years). Hydro One recommends that the project in-service date be used for determining whether any capital contributions pertaining to a particular project shall be subject to the old or new refund period. Specifically, Hydro One suggests that the following wording be added at the end of section 6.3.17:

6.3.17 ...Where capital contributions made in respect of a project whose in-service date is after [insert date of coming-into-force of these amendments], all such capital contributions shall be subject to the new 15-year refund period.

3. COMMENTS FROM A DISTRIBUTOR’S PERSPECTIVE

Transparency of communications

In the production of each regional plan, considerable information will flow between distributors within the region, and also between those distributors and the transmitter or OPA, as needed. Decisions arising from these information flows between any two parties can affect the others in the region. To ensure that all distributors stay cognizant of the information needs of other potentially impacted distributors, Hydro One Distribution suggests the following wording for the consideration of the Board:

8.2.3 In the following sections 8.3 and 8.5 (which govern information flows between the transmission-connected distributor, host distributor, embedded distributor, the transmitter and OPA), distributors shall share, with all other distributors in their region, the information pertaining to regional planning that they provide to, and receive from, the transmitter or the OPA.

Consequential process implications of missing or delayed information

In support of the comments made in Section 1 on this issue, Hydro One Distribution suggests that the following wording specific to the information exchange between host and embedded distributors may be helpful for insertion in section 8.3.1, as follows:

8.3.1 *Where, for the purpose of supporting an application*

8.3.1.1 **If, after discussions between a host distributor and an embedded distributor, the requested information for an embedded distributor cannot be made available within the timeline, the host distributor shall provide to the transmitter, its assumptions based on the best information available. The host distributor shall disclose to the transmitter, any assumptions provided on behalf of distributors embedded in its service territory, with reasons, where known. The host distributor shall share these assumptions with the embedded distributor.**

A similarly worded statement could be inserted as section 8.3.3.1, with respect to information collected by a host distributor for submission to the OPA.

Dispute resolution

Hydro One Distribution supports the EDA's suggestion for a dispute resolution process. A new section for this purpose (worded similarly to that in Section 12 of the TSC, but adjusted for distribution needs), should be inserted in the DSC.

Alignment between the two codes on capital contribution refunds

Hydro One Distribution supports the Board's proposed change to the TSC which extends the period for refunding excess capital contributions to a customer, from five to 15 years. Hydro One Distribution believes that there may be benefit to reinforcing the obligation on distributors to flow-through refunds on "upstream" transmission costs to the benefiting customers. This would be a good opportunity for the Board to define in the DSC the term "upstream costs" as costs pertaining to the systems of transmitters and host distributors.

Transition – Identification of transmission infrastructure needs

Hydro One Distribution agrees with the comments of Hydro One Transmission and the Coalition of Large Distributors, that distributors should identify their capacity needs and issues affecting their distribution systems, rather than specific investments in transmission infrastructure, as distributors are not in the best position to identify the latter. Distributors' identification of capacity needs will enable the decision-making required for an optimized regional plan.