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Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs

BY COURIER

June 24, 2013

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

Dear Ms. Walli:

EB-2013-0072 – Hydro Ottawa Application for Exemption from Section 6.5.4 of the Distribution System Code – Hydro One Networks Inc.’s Submission

I am attaching two (2) copies of the Submission of Hydro One Networks Inc.

An electronic copy of the submission has been filed using the Board's Regulatory Electronic Submission System (RESS) and the proof of successful submission slip is attached.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

Attach.

c. Hydro Ottawa

EB-2013-0072

Hydro Ottawa DSC Exemption

HYDRO ONE NETWORKS INC. SUBMISSION

Hydro One Networks Inc. (Hydro One) makes the following submissions in respect of the Hydro Ottawa Limited (Hydro Ottawa) application seeking an exemption from section 6.5.4 of the Distribution System Code.

As stated in Hydro One's unconditional support letter provided in the response to Staff Interrogatory 1.2, continuing with the current long-term load transfer (LTLT) arrangements remains the most prudent and efficient use of existing assets. Further, it is Hydro One's position that until a rate impact solution to reciprocal transfers between Hydro One and neighbouring LDCs is implemented, maintaining the status quo with respect to these LTLT arrangements ensures the optimal use of existing infrastructure. In Hydro One's view, Hydro Ottawa has presented several issues for the Board to consider with regard to the present Distribution System Code (DSC) requirement to eliminate all LTLTs by June 30, 2014. More detail on these issues as well as additional items Hydro One submits the Board should consider in its decision is provided below.

Hydro Ottawa has demonstrated through Section 5.0 of its pre-filed evidence that building facilities to connect the remaining LTLT customers that are the subject of this application is not economically prudent. Due to similar concerns, Hydro One has managed its LTLT elimination program by eliminating LTLTs on a selective basis, where a business case to do so exists and, where possible, in conjunction with planned distribution system upgrades or other system-related changes occurring at the border with an adjacent LDC. This was noted in Hydro One's latest annual LTLT status update letter to the Board of November 28, 2012. This approach serves to mitigate cost and rate impacts on customers and avoids unnecessary spending at a time of rising customer bills. On that basis, Hydro One supports Hydro Ottawa's position that the expenditure required

1 to expand its facilities, strictly for the purposes of eliminating LTLT arrangements, are
2 imprudent expenditures and will result in unnecessary rate impacts on customers.

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4 As documented in Hydro Ottawa's evidence starting at page 14 and contained in Hydro
5 One's letter of April 20, 2009 to the Board, filed as Appendix A to Hydro Ottawa's
6 application, Hydro One's position is that a resolution to the rate impact issue must be
7 implemented before wholesale LTLT eliminations can be carried out. This position is
8 informed by Hydro One's experience in the Milton (EB-2008-0389) and Thunder Bay
9 (EB-2008-0347) applications. These applications, as referred to in Hydro One's letter of
10 unconditional support of June 10, 2013 filed in response to Staff Interrogatory 1.2, were
11 ultimately withdrawn due to significant customer opposition to the proposed transfers.

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13 As noted in Hydro Ottawa's evidence at page 25, in situations when a physical distributor
14 has assets present at the border and the geographic distributor does not, LTLT
15 arrangements are an efficient response to supplying customers in these areas. This will
16 remain the case until such time as organic growth in the area warrants expansion of the
17 geographic distributor's system to provide supply to these customers, or supply
18 arrangements are rationalized through some other means, such as sector consolidation. It
19 is therefore Hydro One's view, in concert with Hydro Ottawa's, that a forced program of
20 LTLT eliminations subject to an arbitrary timeline is neither a rational nor an
21 economically efficient solution.

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23 Furthermore, consistent with the Ontario Distribution Sector Panel report *Renewing*
24 *Ontario's Electricity Distribution Sector: Putting the Customer First*, the potential for
25 mergers and acquisitions, both present and future, as well as other sector consolidation
26 activities, may ultimately eliminate the need for most LTLT arrangements.

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28 For the above reasons Hydro One reaffirms its unconditional support of Hydro Ottawa's
29 application seeking a permanent exemption from Section 6.5.4 of the DSC, as noted in
30 Hydro Ottawa's IR response 1.2.

1 As a matter of practical and regulatory necessity, Hydro One submits that should the
2 Board ultimately decide to approve Hydro Ottawa's application, it should extend the
3 exemption to Hydro One as it is the geographic distributor for the LTLTs that are the
4 subject of this proceeding, and it should amend Hydro One's distribution licence
5 accordingly.

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7 Finally, as a matter of regulatory efficiency, Hydro One submits that in rendering its
8 decision in this case, it would be appropriate for the Board to consider implementing one
9 of the following additional options in relation to LTLT arrangements:

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- 11 • Amending the DSC to eliminate section 6.5.4 in its entirety;
- 12 • Providing a permanent LTLT elimination exemption to other LDCs, upon request; or
- 13 • Extending the current LTLT elimination deadline for a further 5 years to give time for
14 organic growth or pending sector consolidation activities to occur.

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ALL OF WHICH IS RESPECTFULLY SUBMITTED