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Vice President and Chief Regulatory Officer  
Regulatory Affairs

September 9, 2013

BY COURIER

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

Dear Ms. Walli:

**EB-2011-0043 – OEB Supplementary Proposed Amendments to the Transmission System Code - Regional Infrastructure Planning – Hydro One Networks Inc.’s Comments**

Hydro One Networks Inc. (“Hydro One”) is appreciative of the Ontario Energy Board’s supplementary proposed amendments to the Transmission System Code (“TSC”) relating to cost responsibility and generally supports the amendments as proposed. Hydro One believes that the fundamental issue of fairness is addressed by these proposed amendments. With that in mind, Hydro One believes it may be helpful to further explore some specific aspects of the cost responsibility issue.

Network Pool Cost Recovery

The Notice of Amendments states (pages 11–12):

*The Board believes that the issue identified by Hydro One is most likely manifested in one scenario in particular; namely, where the construction of and/or modification to one or more transmitter-owned connection facilities is a more cost effective means of meeting the needs of one or more load customers than the construction or modification of the transmitter’s network facilities. Under such a scenario, it is expected that the construction or modification of network facilities can only be avoided by the construction of and/or modification to transmitter-owned connection facilities that exceed the capacity needs of the triggering load customer(s). In such a case, it is appropriate that the load customer(s) whose needs trigger the project should only bear the cost to the extent that they benefit from the construction of and/or modification to the transmitter-owned connection facilities. Any incremental costs should be*

*attributed to the transmitter and recovered from the network pool, as the costs associated with the avoided construction of or modification to the transmitter's network facilities would have been recovered from the network pool.*

In Hydro One's view, the most important aspect of the supplementary amendments is the re-introduction of a mechanism in the TSC to allow certain connection facility costs to be pooled. However, Hydro One also submits that there may be a more efficient way to pool such costs than through the network pool. To avoid the administrative complexities associated with pooling connection facility costs in the network pool, Hydro One suggests that the costs be recovered instead from the respective connection pools.

To further assist the Board, Hydro One offers the following example of a situation where the cost responsibility rules in the supplementary proposed amendments may be applied. An example of the need to provide for pool funding of a portion of connection facilities can be found in the planning of one of the regions in southwestern Ontario. In this case, the best overall option to address both capacity needs for the connected customers and regional system reliability needs, including the restoration requirements per the Ontario Resource and Transmission Assessment Criteria, involves the construction of connection facilities.

In Hydro One's view, it would be appropriate to provide pool funding to a portion of the investment where there are significant benefits beyond increased connection capacity for the connected customers. The absence of such a provision could lead to sub-optimal investments where the customers pursue different options that address only their specific capacity needs, leaving the transmitter to make separate investments to address the regional reliability issues.

#### Cost Effectiveness Assessment

Section 6.3.8A of the proposed amendments provides that the IESO undertakes a cost-effectiveness assessment in relation to new or modified connection facilities, but does not specify a role for the OPA with respect to such assessments. Hydro One understands that the OPA and the IESO are in discussions regarding the accountability placement for such assessments.

Although Hydro One welcomes any independent assessment from the OPA or the IESO to inform the cost allocation process, Hydro One is of the view that the OPA may be best suited to conduct assessments from a planning perspective (including cost-effectiveness), whereas the IESO may be better suited to conduct assessments from a reliability perspective (including restoration and system security).

#### Cost Allocation Approval

Section 6.3.8B of the supplementary proposed amendments states:

*6.3.8B Where section 6.3.8A applies, the transmitter shall apply to the Board for approval of the transmitter's attribution of costs between the triggering load customer(s) and the transmitter. Prior to applying to the Board, the transmitter shall notify the applicable load customer(s). Where the Board approves a*

*different attribution of costs, the transmitter shall recalculate the capital contribution to be made by the triggering load customer(s) accordingly.*

Hydro One assumes that the Board's Leave-to-Construct and Rates proceedings would be the appropriate mechanisms through which the requirement in the proposed section 6.3.8B for transmitters to seek Board approval would be satisfied.

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

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank