

April 2, 2015

Ontario Energy Board
Attn: Kirsten Walli, Board Secretary
PO Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Notice of New Cost Allocation Issue
Application by Hydro One for Transmission Assets in Essex County EB-2013-0421
EDA Interrogatories for Phase 2**

In accordance with Procedural Order No. 4 March 20, 2015, please find attached the Electricity Distributors Association's (EDA) interrogatories for the above-referenced application.

Sincerely,



Teresa Sarkesian
Vice President, Policy & Government Affairs
:mt

c.c.: Parties to Phase 2 of Proceeding EB-2013-0421

Attachment

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B;

AND IN THE MATTER OF an application by Hydro One Networks Inc. for an order or orders pursuant to section 92 of the *Ontario Energy Board Act, 1998* (as amended) granting leave to construct transmission line facilities in the Windsor-Essex Region, Ontario.

INTERROGATORIES TO HYDRO ONE From The ELECTRICITY DISTRIBUTORS ASSOCIATION

1.	<p>Reference: S. 6.5.2 of the Transmission System Code provides as follows:</p> <p><i>(b) provide that the economic evaluation period will be 5 years for a high risk connection, 10 years for a medium-high risk connection, 15 years for a medium-low risk connection, and 25 years for a low risk connection;</i></p>
(a)	Please indicate whether, in the methodology proposed by Hydro One for sharing the customer component of costs among LDCs, and subsequently among added large loads and “ratepayers”, whether Hydro One has considered the risk level associated with the various loads.
(b)	If Hydro One has considered the risks, are all the loads considered to be at the same level of risk, and if so, what is that level?
(c)	If all loads are not considered to have the same level of risk, please provide the detailed risk assessment, along with the percentage of the total incremental load considered to be in each category of risk.
(d)	If the various loads comprising the total incremental non-coincident peaks are viewed by Hydro One, or by the individual LDCs allocating costs, as having different levels of risk, how does Hydro One propose that these differences will be reflected in the allocation methodology?

2.	<p>Reference: S. 6.5.2 of the Transmission System Code provides as follows:</p>
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		(k) require that the customer provide its load shape in such form and detail as the transmitter may reasonably require;
	(a)	Please provide a copy of Hydro One's data request to the E3 LDCs specifying the form and detail required.
	(b)	If Hydro One has not requested load forecast and load shape data from the E3 LDCs, please explain why not, and whether it intends to do so in the future.

3.		Reference: S. 6.5.3 of the Transmission System Code provides for true-ups of required capital contributions, based on re-assessment at specified points in time.
	(a)	Is Hydro One intending to follow the Code with respect to this provision? If not, why not?
	(b)	If Hydro One has assessed the incremental loads as being low risk, does it intend to use only the incremental load in computing any true-up at the fifteen year point?
	(c)	Does Hydro One have any proposal as to the treatment that might be applied to true-ups in distribution rates?

4.		<p>Reference: Notice of Proposal to Amend a Code, Supplementary Proposed Amendment to the Transmission System Code, Board File No. EB-2011-0043, Attachment E, dated August 26, 2013 (Attached)</p> <p>This Notice contains specific wording for proposed Sections 6.3.8A, B, and C to the Code, with respect to the allocation of costs.</p> <p>Reference: OPA Comments dated September 9, 2013 (Attached)</p>
	(a)	Please clarify whether the Board's proposed modification to the Code has been reflected in the OPA's and Hydro One's proposals for allocation of the project costs as between the transmission network and load customers. If the answer is no, please explain why not.
	(b)	Please recompute the allocation of costs between transmission network and load customers based on Hydro One's and/or OPA's best understanding of the Board's proposed Code modification. Please recompute the allocation between customer contributions and the line connection pool that would result.
	(c)	If the answer to (b) above does not result in an allocation to load customers of \$34.2 million (i.e. the cost of upgrades to connection facilities under the \$97.7 million option), please explain why not.

	(d)	Please provide any precedent in regulation or other support for the method being proposed by OPA.
	(e)	Did the OPA, as part of its comments dated September 9, 2013, express any concern about the methodology or potential results for purposes of cost responsibility that might flow from the Board's proposed TSC sections 6.3.8A, B, and C (other than a concern as to its role in the process)?
	(f)	To the knowledge of the OPA or Hydro One, was any consultation process held as to the method by which the OPA proposes to allocate costs between the network pool and connecting distributors? If so, please provide the dates of such consultations, the names of the parties consulted, and their written comments if any.

5.		
	(a)	Please provide the forecast used for Hydro One Distribution in computing the contribution to incremental non-coincident peak load for purposes of allocation.
	(b)	Please provide a detailed description of the methodology by which Hydro One has broken down, or proposes to break down, its total distribution incremental load between new large customers and "ratepayers".
	(c)	If actual computations in (b) above have been made by Hydro One, please provide them. Otherwise, please illustrate the methodology with a quantitative example.

6.		
		Please specify how growth in generation embedded in distribution systems and CDM have been accounted for, or are proposed to be accounted for, in computing incremental non-coincident peak load for purposes of allocation.

7.		
		<p>Please provide an Excel spreadsheet with formulas that computes, for the following theoretical example:</p> <ul style="list-style-type: none"> Each LDC's allocated cost responsibility for a project and percentage share of the total customer component The breakdown of each LDC's total cost responsibility between "new large loads" and "ratepayers".

<p>Assumptions:</p> <ul style="list-style-type: none"> i. Capital cost to be recovered is \$50 million, net of amounts allocated to the transmission network. ii. 4 LDCs are under consideration for an allocation of costs. For simplicity, each LDC is assumed to have a non-coincident peak load in the base year of 1,000 MW, and each new large load will add 5 MW to the non-coincident peak in the LDC where it is connected. iii. For simplicity, assume the distribution rates in all 4 LDCs are the same. Hydro One should make a reasonable assumption for this. iv. Hydro One should make reasonable assumptions as to the annual costs. v. Forecasts for the 4 LDCs are as follows: 					
		LDC #1	LDC #2	LDC #3	LDC #4
Peak growth, excluding new large loads, CDM and DG					
Years 1-10		4%	2%	1%	0%
Years 11-25		1%	1%	0%	-1%
Effect of CDM		-1%	-1%	-1%	-1%
New Large Loads		4 per year, years 1-5	None	1 per year, years 1-5	None
Loss of existing large loads					2 in Year 1, 2 in Year 2
New self-supply generation		10 MW in Year 1	3 MW in each of years 1, 2 and 3	3 MW in Year 3	None
<p>If any additional assumptions are necessary to complete the computation, please make an assumption and document it as part of the response, explaining why such assumption is necessary.</p>					

8.		
		The application refers to expenditures that are like for like replacements of assets that have reached the end of their useful life. Please:
	(a)	Provide the total cost of such assets.
	(b)	Confirm that the cost of such assets is excluded from the total project cost in allocating between the transmission network and customer connections (i.e. no portion is part of the allocation to customer connections).
	(c)	If such costs have not been excluded from allocation, please explain why not.

Attachment E
to
Notice of Amendments to Codes and Notice of Proposal to Amend a Code
August 26, 2013
EB-2011-0043

Supplementary Proposed Amendment to the Transmission System Code

Section 6.3 of the Transmission System Code is amended by adding new sections 6.3.8A, 6.3.8B and 6.3.8C immediately following section 6.3.8 as follows:

6.3.8A Despite any other provision of this Code, where one or more load customers trigger(s) the need for new or modified facilities and the IESO undertakes an assessment at the request of a transmitter and determines that the construction or modification of transmitter-owned connection facilities that exceed the capacity needs of the triggering load customer(s) is a more cost effective means of meeting those needs than:

- (a) the construction or modification of the transmitter's network facilities; or
- (b) the construction or modification of the transmitter's network facilities in combination with the construction or modification of transmitter-owned connection facilities,

the transmitter shall, for the purposes of determining the capital contribution to be made by the triggering load customer(s), attribute to the load customer(s) only the cost of constructing or modifying transmitter-owned connection facilities to the extent required to meet the needs of the triggering load customer(s). The transmitter shall do so based on each load customer's non-coincident incremental peak load requirements as reasonably projected by the load forecasts provided by each such load customer or by such modified load forecast as may be agreed upon by such load customer and the transmitter and, in the case of line connection facilities, taking into account the relative length of line used by each load customer. The transmitter shall also calculate the costs that are avoided by not constructing or modifying the transmitter's network facilities.

EB-2011-0043

**Supplementary Proposed
Amendment to the
Transmission System Code**

**Ontario Power Authority
Comments**

September 9, 2013



ONTARIO
POWER AUTHORITY



Supplementary Proposed Amendment to the Transmission System Code:

Ontario Power Authority Comments

On August 26, 2013 the Ontario Energy Board ("Board") issued its *Notice of Proposal to Amend a Code: Supplementary Proposed Amendment to the Transmission System Code* ("Notice") regarding cost responsibility for new and modified connection facilities.

In its Notice, the Board indicates that although there was support for the elimination of section 6.3.6 of the Transmission System Code ("TSC"), in its June 17, 2013 submission Hydro One expressed concern regarding the fairness of the Board's proposed approach to cost responsibility where a new or modified connection facility is intended to provide benefits to both the overall transmission system, as well as a particular connecting customer. The Board further indicates that it sees merit in addressing the issue raised by Hydro One, and proposes to amend the TSC to add new sections 6.3.8A, 6.3.8B, and 6.3.8C, which would provide for an apportionment of cost under these particular circumstances.

As proposed, section 6.3.8A reads as follows:

6.3.8A Despite any other provision of the Code, where one or more load customers trigger(s) the need for new or modified facilities and the IESO undertakes an assessment at the request of a transmitter and determines that the construction or modification of transmitter-owned connection facilities that exceed the capacity needs of the triggering load customer(s) is a more cost effective means of meeting those needs than...

As part of the Ontario Power Authority's ("OPA") role in regional planning, the OPA routinely undertakes independent assessments of the alternatives to meet a given power system need, including a comparison of the cost effectiveness of the construction or modification of transmitter-owned connection facilities to that of network facilities. Rather than requiring the involvement of the IESO in undertaking an additional cost-effectiveness assessment for transmission facilities, the OPA believes that it would be more efficient to make use of the analysis already performed by the OPA. The OPA therefore respectfully submits that it is the appropriate party to conduct such assessments. The OPA would benefit from the input of the IESO regarding reliability considerations in completing these assessments and would seek IESO input in this regard. Therefore, the OPA proposes that section 6.3.8A be revised as follows (suggested additions in bold and underlined):

*6.3.8A Despite any other provision of the Code, where one or more load customers trigger(s) the need for new or modified facilities and the **OPA, in consultation with the** IESO, undertakes an assessment at the request of a transmitter and determines that the construction or modification of transmitter-owned connection facilities that exceed the capacity needs of the triggering load customer(s) is a more cost effective means of meeting those needs than...*

The OPA has discussed the Board's supplementary proposed amendment with the IESO, and it is the OPA's understanding that its comments are consistent with the views expressed in the IESO's comment letter to the Board.

The OPA appreciates the opportunity to provide its comments on this supplementary proposed amendment to the TSC.