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January 18, 2016

BY COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON, M4P 1E4

Dear Ms. Walli:

EB-2016-0003 – Regional Planning and Cost Allocation Review – Hydro One Networks Inc. Intent to Participate

In response to the Ontario Energy Board's January 7, 2016 letter to licensed electricity utilities, the IESO and other interested parties, I am writing to indicate that Hydro One Networks ("Hydro One") intends to participate in the Ontario Energy Board's policy consultation on Regional Planning and Cost Allocation.

Hydro One has an interest in the outcome of this consultation, which will clarify the allocation of costs for not only the transmission supply to Essex County ("the SECTR project"), but also for future transmission investments which benefit specific customers. Hydro One's intent for this consultation is a uniform methodology reflected in both the Transmission System Code ("TSC") and the Distribution System Code ("DSC"), ensuring that the costs of such investments are fairly allocated to all beneficiaries.

We agree with the two outstanding issues relating to cost responsibility (the proportional benefit approach and allocation of upstream transmission investments) identified by the Board. Hydro One believes that a mechanism for distribution load true-ups related to transmission investments is within the scope of this consultation. Hydro One also offers the following suggestions:

1. ***Distribution Capacity Assignment Process [DSC]*** – Although the TSC and Hydro One's Transmission Connection Procedures are highly prescriptive in terms of how available capacity is assigned to customers, there is no equivalent direction in the DSC. Hydro One proposes that the codes be aligned in this area, through the application of the TSC principles in assigning capacity to embedded distributors and load customers. This direction is required

for the proper operation of a cost allocation methodology. Such guidance in the DSC would help to avoid customer disputes over investments by ensuring fair and uniform treatment.

2. ***Rebate Mechanisms for Upstream Transmission Investments [DSC]*** **–** At this time, a customer who has contributed to the cost of a distribution asset may receive a rebate from the distributor following the connection of a subsequent unforecasted customer to that asset, over a maximum customer connection horizon of five years after the asset is energized. However, the TSC utilizes a 15-year period for a similar rebate to transmission customers for their contributions to transmission investments. Hydro One stated in its SECTR application (Exhibit B-4-5) that Hydro One Distribution would use the TSC approach to properly "flow through" rebates on transmission investments to its distribution customers who have made capital contributions to them. We believe that the DSC should be aligned with the TSC on the connection horizon for rebates for upstream investments. Such a revision would address these circumstances without the need for explanations to the Board or exemption requests to the Code.

Hydro One acknowledges that these suggestions will require additional administrative effort from distributors. However we believe they are worth considering and we welcome suggestions which would help balance the trade-off between the principles in policy and the costs and resources required to administer them.

Other Issues

Hydro One acknowledges the Board's intent to address generation issues at a later date, but Hydro One believes that the cost responsibilities of generators, as well as those of load customers for such investments, should be included in the scope of this consultation, as demonstrated in the SECTR Technical Conference. Generators are an integral component of the Ontario energy system, with needs that drive system investment for transmitters and distributors. Currently, the TSC and the DSC contain different cost allocation rules for generators who benefit from similar investments. Hydro One believes that the outcome of this consultation should be a comprehensive, credible process for cost allocation which is useful to all parties, including generators, as they plan their investments going forward.

Hydro One would like to thank the Board for convening this consultation and we look forward to participating actively.

Sincerely,

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