

**Hydro One Networks Inc.**

7<sup>th</sup> Floor, South Tower  
483 Bay Street  
Toronto, Ontario M5G 2P5  
www.HydroOne.com

Tel: (416) 345-5680  
Cell: (416) 568-5534  
frank.dandrea@HydroOne.com



**Frank D'Andrea**

Vice President  
Regulatory Affairs

BY COURIER

August 23, 2018

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-2018-0227 – Hydro One Remote Communities Inc.’s Request for Exemption from sections 2.1.5, 2.1.14 (a), (b), (c), & 2.1.14.1 of the Electricity Reporting and Record Keeping Requirements Code and section 6.7.2 of the Distribution System Code**

Please find attached an application by Hydro One Remote Communities Inc. for an exemption from the obligations in sections 2.1.5, 2.1.14 (a), (b), (c), & 2.1.14.1 of the Electricity Reporting and Record Keeping Requirements Code (“RRR”) and section 6.7.2 of the Distribution System Code (“DSC”).

Also, Remotes is requesting that the Board approve this exemption application without a hearing, pursuant to section 21(4)(b) of *the Ontario Energy Board Act, 1998*.

Should you have any questions on this, please contact Yoon Kim at (416) 345-5228 or via email at Yoon.Kim@HydroOne.com.

Sincerely,

ORIGINAL SIGNED BY JEFFREY SMITH ON BEHALF OF FRANK D’ANDREA

Frank D’Andrea

c: Sagar Kancharla, OEB

1 **ONTARIO ENERGY BOARD**

2  
3 IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

4  
5 AND IN THE MATTER OF an Application by Hydro One Remote  
6 Communities Inc. for an Order or Orders including an exemption from  
7 sections 2.1.5, 2.1.14 (a) , (b), (c), & 2.1.14.1 of the Electricity Reporting  
8 and Record Keeping Requirements Code and section 6.7.2 of the  
9 Distribution System Code

10  
11 **SUMMARY OF APPLICATION**

12  
13 The Applicant is Hydro One Remote Communities Inc. (“Remotes”), a wholly-owned  
14 subsidiary of Hydro One Inc. Remotes is an Ontario corporation licensed (ED 2003-0037  
15 and EG-2003-0138) to generate and distribute electricity within 21 communities in  
16 Northern Ontario. Remotes is 100% debt-financed and is operated to break even, with a  
17 net income of zero based on actual results. Due to the lack of grid connection, Remotes  
18 generates its own electricity to fulfill its obligations under section 29 of the *Electricity*  
19 *Act, 1998* (“*the Electricity Act*”).

20  
21 In recent discussions between Remotes and Board Staff (“Staff”), Staff suggested that  
22 Remotes file an exemption application requesting that the Board amend Schedule 3 of  
23 Remotes’ distribution licence ED-2003-0037 (“the licence”)as it is not up to date and  
24 does not reflect some of statutory exemptions available to Remotes. These include  
25 exemptions from reporting requirements that relate to matters from which Remotes is  
26 exempt by legislation and where reporting this information is neither practical nor  
27 appropriate.

28  
29 Remotes is applying for an exemption from sections 2.1.5, 2.1.14 (a), (b), (c) and 2.1.14.1  
30 of the Electricity Reporting and Record Keeping Requirements Code (“the RRR 2.1.5

1 and 2.1.14 parts”) as those sections of the RRR are neither practical nor applicable to  
2 Remotes. Remotes believes it is also prudent to request an exemption from Section 6.7.2  
3 of the Distribution System Code (“DSC 6.7.2”), as DSC 6.7.2 relates to RRR 2.1.14.1.

4  
5 Remotes respectfully requests that the Board approve this exemption application without  
6 a hearing, pursuant to section 21(4)(b) of the *Ontario Energy Board Act, 1998* (“*the OEB*  
7 *Act*”), as it is purely an administrative amendment to Remotes’ licence for the  
8 aforementioned exemption relief, and no person or entity will be adversely affected by  
9 this.

### 10 11 **HYDRO ONE REMOTE COMMUNITIES**

12  
13 Remotes serves small, isolated or discrete communities that are scattered over roughly  
14 half of Ontario’s land mass. A list of the communities and a map of the service territory  
15 are located at Appendix B to this application. Fifteen communities are First Nation  
16 reserves, and the other six are provincial communities, located mainly along the CN Rail  
17 line. The smallest communities have fewer than 40 customers, the largest fewer than  
18 550. In total, Remotes serves approximately 3,650 residential, small commercial,  
19 government and seasonal customers.

20  
21 Due to their isolation and the vast distances that separate them, the cost to serve these  
22 communities is high. Thirteen communities are accessible only by air for most of the  
23 year. As a result, transportation of fuel, equipment and staff are a key driver of Remotes’  
24 costs. To manage the high cost of transportation, Remotes plans its work to take  
25 advantage of winter roads to move equipment and fuel, coordinates its field operations to  
26 reduce the number of flights required by staff, and bundles its work to reduce the  
27 transportation costs. For example, minor generation maintenance such as a station or  
28 system check is grouped together to create a week of work. Similarly, distribution  
29 connections, layouts and collection activities are not generally performed as single items  
30 of work, but are grouped together into a single trip.

1  
2 To keep rates for residential and commercial services comparable to rates paid in the rest  
3 of the Province, rates for residential and commercial customers are subsidized in three  
4 ways: i) through Rural or Remote Rate Protection (RRRP); ii) through a cross-subsidy  
5 from Standard A or Government customer rates which are set above the average cost of  
6 service; and iii) through capital funding from Indian and Northern Affairs Canada  
7 (“INAC”), which pays for the cost of new electrical infrastructure on remote First Nation  
8 Reserves.

9  
10 For these unique characteristics, Remotes is exempted from various sections of *the*  
11 *Electricity Act* and *the OEB Act* and from certain regulations and Ministerial Directives  
12 made under those statutes. A list of legislative exemptions is provided as Appendix A.

### 13 14 **SPECIFIC EXEMPTION REQUESTS**

#### 15 16 **A. RRR 2.1.14 (a), (b), (c) & 2.1.14.1 Net Metering**

17  
18 On March 15, 2018, the Board amended section 2.1.14 of the Electricity Reporting and  
19 Record Keeping requirements (“the RRR”) and added section 2.1.14.1 to the RRR.  
20 Section 2.1.14 of the RRR requires electricity distributors to provide information on net  
21 metering and embedded generation. These changes were made as a result of recent  
22 amendments O. Reg. 541/05 – Net Metering that:

- 23 • Removes the 500 kW limit on the output capacity of the equipment used to  
24 generate electricity that the generator intends to return to the distributor; and
- 25 • Permits the use of a storage device in a net metering arrangement.

26  
27 As the Board wishes to track a distributor’s annual maximum peak load which is used  
28 to calculate the cumulative generation capacity from net metered generation as described  
29 in DSC 6.7.2, RRR 2.1.14.1 was also added to the RRR to require distributors to file their  
30 annual maximum peak load for their licensed service for the previous three years.

1

2 Remotes requests an exemption from RRR 2.1.14 (a), (b), (c) & 2.1.14.1, all of which are  
3 related to net-metered generation, since it is statutorily exempted from the O. Reg. 541/05  
4 under *the OEB Act* (the Net Meter Regulation). Specifically, section 3.(1) of O. Reg.  
5 541/05 defines an exception where a distributor distributes electricity solely in a  
6 community listed in Ontario Regulation 199/02 (Hydro One Inc.) made under *the*  
7 *Electricity Act*. O. Reg. 199/02 defines prescribed communities that are served by  
8 Remotes for the purpose of subsection 48.1 (1) of *the Electricity Act*.

9

#### 10 **A-1. Calculation of Peak Load in Licensed Service Area (RRR 2.1.14.1)**

11

12 Customers in Remotes' service territory are not eligible for provincial Feed-In Tariff  
13 ("FIT") programs as the Independent Electricity System Operator (IESO) acknowledges  
14 that communities served by Remotes are not eligible for the FIT program (See Appendix  
15 C – IESO Letter of Comment). Remotes has established the **Renewable Energy**  
16 **INnovation DiEsel Emission Reduction (REINDEER)** program in response to customer  
17 desires and broader public policy goals to increase renewable generation in the province.  
18 The program allows a "stand-alone" generation project that is settled based on the  
19 avoided cost of diesel fuel and also offers customers a net metering opportunity. The  
20 program reduces greenhouse gases coming from the generation, and offers customers an  
21 opportunity to benefit economically from renewable energy projects.

22

23 Remotes follows the requirements for connection of renewable generation set out in the  
24 Distribution System Code ("DSC"). However, a sizing of renewable generation  
25 installations for an electrically-isolated community like Remotes is different from that for  
26 an electrically-interconnected environment. To ensure that each community's electrical  
27 system remains safe and reliable, Remotes undertakes an engineering review of the  
28 impact of renewable energy in each separate community prior to establishing the  
29 REINDEER program. The review considers requirements associated with the integration  
30 and impacts of renewable energy on each of the existing generation stations in order to

1 ensure that the generation system can continue to operate safely. Remotes limits the size  
2 of any customer-owned installation based on that engineering review for each discrete  
3 community.

4  
5 Regardless of the fact that each community of Remotes that is not inter-connected to the  
6 others nor to the grid system, applying sizing of renewable installations based on the  
7 annual maximum peak load for Remotes' licensed service area as described in the DSC  
8 6.7.2 ("the peak load") for the purpose of connection of the project is impractical and  
9 inappropriate for the aforementioned safety and reliability purposes. Each discrete  
10 community of Remotes has its own load profile, generation system and environment  
11 surrounding the community. For example, the winter peak loads in Remotes vary from 59  
12 kW to 2,655 kW depending on communities Remotes serves, while individual summer  
13 peaks are typically one-fifth of the peak load. In the smallest community of Remotes,  
14 summer daytime loads of 8 kW are not unusual. Moreover, the communities with the  
15 lower peaks are road-connected and could be more attractive to a proponent because the  
16 construction costs are generally lower than in an air-access community where the access  
17 is much more limited, but where the load is higher.

18  
19 Also, the 'aggregated' peak load calculation of Remotes' communities does not make  
20 operational sense. Specifically, when assessing or planning a capital project for  
21 generation, Remotes calculates the annual peak load for each community as stand-alone  
22 to ensure that the generation in the communities can safely and reliably handle the load in  
23 each of the communities. The individual peaks within each community do not occur at  
24 the same time. Remotes does not calculate a peak load across its system as it is of no  
25 value to Remotes' operations or to its customers.

26 Therefore, Remotes requests that the Board approve an exemption from RRR 2.1.14.1.  
27 Reporting of the aggregated peak load across Remotes' territory would only confuse a  
28 potential proponent, as it cannot be used to cite or approve the potential proponent's  
29 renewable energy project in Remotes' service area. Also, doing so is contrary to the  
30 Board's objective laid out in the Board's letter dated March 15, 2018 that the intent of the

1 RRR 2.1.14.1 is to track a distributor's annual maximum peak load which is *used* to  
2 calculate the cumulative generation capacity from net metered generators (as described in  
3 the DSC 6.7.2).

4  
5 **A-2. Section 6.7.2 of the Distribution System Code (DSC 6.7.2)**

6  
7 In addition to the RRR 2.1.14 (a), (b), (c) and 2.1.14.1 exemption request, Remotes  
8 requests that the Board approve an exemption from the DSC 6.7.2. The DSC 6.7.2 is not  
9 applicable since Remotes is exempted from the Net Meter Regulation as stated  
10 previously. Also, DSC 6.7.2 is tied to RRR 2.1.14.1, which is not applicable to Remotes  
11 for the aforementioned reasons. Furthermore, requiring Remotes to report the RRR  
12 2.1.14.1 calculation in accordance with the DSC 6.7.2 could confuse a project proponent  
13 to believe that its renewable generation can proceed in Remotes' communities because  
14 the RRR 2.1.14.1 and DSC 6.7.2 calculation shows that there is room for that potential  
15 generation connection, while an engineering review based on Remotes' REINDEER  
16 guideline may say otherwise for safety and reliability concerns.

17  
18 **B. RRR 2.1.5 Performance Based Regulation (PBR)**

19  
20 The information filed under section 2.1.5 of the RRR is generally used for the purpose of  
21 benchmarking process for Performance Based Regulation ("PBR"). However, due to  
22 Remotes' unique circumstances and operational/financial characteristics, it would be  
23 neither feasible nor reasonable to compare Remotes to other ordinary electric distribution  
24 companies in Ontario or local distribution companies ("LDCs"). Board Staff has  
25 traditionally acknowledged that fact and overridden the RRR 2.1.5 requirements for  
26 Remotes.

27  
28 In the Board's initial 2007 Benchmarking Report titled Benchmarking the Costs of  
29 Ontario Power Distributors, Pacific Economics Group ("PEG") noted that Remotes was  
30 excluded from this benchmarking process and further stated that Remotes and First

1 Nation distributors were not included due to the corporate structure, remote location,  
2 economic and other unique factors. The Board has also recognized that its benchmarking  
3 and productivity methodology is not applicable to Remotes. Specifically, in the Board's  
4 Decision in EB-2014-0313, the Board noted as follows:

5 *Hydro One Remotes is unique in terms of its operating characteristics and cost*  
6 *recovery due to the RRRP. The assignment of a higher stretch factor would not*  
7 *provide the intended incentive to the distributor or benefit to its customers.*

8  
9 The information required under 2.1.5 is generally used to compare the costs of  
10 distributors in order to benchmark cost performance and to establish rates based on their  
11 performance. Specifically, section 4.3 of O. Reg. 161/99 exempts Remotes from section  
12 70(2)(e) of *the OEB Act*. This section of *the OEB Act* allows the Board to specify  
13 methods or techniques to be applied in determining the licensee's rates and forms the  
14 basis of the Board's benchmarking and performance based regulation in setting rates for  
15 distributors within the province. Remotes' rates are set under rules established under the  
16 RRRP regulation, which requires a Cost of Service examination of costs and establishes a  
17 paradigm for rate setting and cost allocation that is distinct and separate from the Board's  
18 normal review processes.

19  
20 Remotes' business is not comparable to that of other distributors in Ontario, and it is not  
21 appropriate to measure Remotes' costs against those of grid-connected distribution  
22 companies whose major activity is distributing electricity. Remotes functions in a unique  
23 environment due to an extremely low customer density, a harsher climate, logistical  
24 challenges arising from transportation, and the absence of an integrated transmission  
25 system. Also, complex funding arrangements with third parties set Remotes apart from  
26 other LDCs in Ontario. The size and isolation of Remotes' service territory means that  
27 the transportation and accommodation of staff, fuel and equipment are key drivers of its  
28 costs. Furthermore, Remotes' reliance on winter roads for access to communities is a  
29 major factor of work scheduling/rescheduling and completion activities. Projects are  
30 often deferred because winter roads are not possible due to the extreme weather



1 conditions, which then leads to project deferral and higher fuel and maintenance  
2 expenditures.

3

4

### **CONCLUSION**

5

6 For the foregoing reasons, Remotes respectfully requests that the Board approve an  
7 exemption from sections 2.1.14 (a), (b), (c), 2.1.14.1 and 2.1.5 of the RRR and section  
8 6.7.2 of the DSC, and asks that these exemptions be reflected in Schedule 3 of Remotes'  
9 distribution licence.

1     **APPENDIX A           LEGISLATIVE EXEMPTIONS**

2  
3     Remotes is exempt from various sections of the Electricity Act and the OEB Act and  
4     from certain regulations and Ministerial Directives made under those statues.

5  
6     Exemptions from the Electricity Act:

7     Ontario Regulation 160/99 exempts Remotes from various Sections and subsections of  
8     the Electricity Act as follows:

- 9         • Section 2.0.1(7) of the Regulation exempts Remotes from subsection 26(1) of the  
10         Electricity Act, *Non-discriminatory access*
- 11         • Section 2.1(2) of the Regulation exempts Remotes from subsection 26(3) of the  
12         Electricity Act, *Contracts with Ontario Hydro, to the extent that a contract*  
13         *entered into by Ontario Hydro contains liabilities, rights or obligations that have*  
14         *been transferred to Remotes*
- 15         • Section 2.3 of the Regulation exempts Remotes from section 28, *Distributor's*  
16         *obligation to connect.*

17  
18     Exemptions from the OEB Act:

19     Ontario Regulation 161/99 exempts Remotes from various Sections and Subsections of  
20     the OEB Act as follows:

- 21         • Section 4.3 of the Regulation exempts Remotes from section 70(2)(e) of the OEB  
22         Act, *specifying methods or techniques to be applied in determining the licensee's*  
23         *rates (performance based regulation)*
- 24         • Section 5.1 of the Regulation exempts Remotes from Section 71 of the OEB Act,  
25         *Restriction on business activity, "if the only activity engaged in by the subsidiary,*  
26         *other than transmitting or distributing electricity, is generating or retailing*  
27         *electricity for use by consumers in one or more communities,*

1           (a) that are prescribed for the purposes of subsection 48.1(1) of the Electricity  
2           Act, 1998 by the regulations made under that Act; and

3           (b) in which the subsidiary distributes electricity.

4           • Section 6.0.1 of the Regulation exempts Remotes from section 80 of the OEB  
5           Act, *Prohibition, generation by transmitters or distributors*

6           • Section 6.0.2 of the Regulation exempts Remotes from section 81 of the OEB  
7           Act, *Prohibition transmission or distribution by generators*

8           None of Remotes' customers is prescribed under sections 79.16 of the OEB Act.

9           In Section 2.(1) of the Regulation, the Net Metering Regulation establishes a distributor's  
10          obligation to connect net metered renewable generation as follows: *at the request of an*  
11          *eligible generator and in the circumstances and manner described in this Regulation, a*  
12          *distributor,*

13          (a) *Shall allow the eligible generator to convey eligible electricity into the*  
14          *distributor's distribution system for a credit; and*

15          (b) *Shall bill the eligible generator on a net metering basis.*

16          Section 3(1) of the Regulation provides an exception to Remotes as follows:

17          *Subsection 2(1) does not apply to the following types of distributors:*

18          *A distributor that distributes electricity solely in a community listed in Ontario*  
19          *Regulation 199/02 (Hydro One Inc.) made under the Electricity Act, 1998.*

1    **APPENDIX B           SERVICE TERRITORY AND MAP**

2    **ONTARIO REGULATION 199/02 of the *Electricity Act***

3    HYDRO ONE INC.

4    Prescribed communities

5    1. The following communities are prescribed for the purposes of subsection 48.1 (1) of  
6    the Electricity Act:

7    1. Armstrong.

8    2. Revoked: O. Reg. 454/03, s. 1.

9    3. Bearskin Lake.

10   4. Big Trout Lake.

11   5. Biscotasing.

12   6. Collins.

13   7. Deer Lake.

14   8. Fort Severn.

15   9. Gull Bay.

16   10. Hillsport.

17   11. Kasabonika Lake.

18   12. Kingfisher Lake.

19   13. Landsdowne House.

20   13.1 Marten Falls.

21   14. Oba.

22   15. Sachigo Lake.

23   16. Sandy Lake.

24   17. Sultan.

25   18. Wapakaka.

26   19. Weagamow.

27   20. Webequie.

28   21. Whitesand.

1 **MAP OF REMOTES' SERVICE TERRITORY**

2

3 The map below is a representation of Remotes' service territory. It is not a substitute for  
4 the written description in the licence.



5

6

1    **APPENDIX C            IESO Letter of Comment**