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Vice President, Regulatory Affairs & Chief Risk Officer

BY COURIER

January 9, 2019

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 Notice of Revised Proposal to Amend a Code – Supplemental Amendment to the Distribution System Code – Hydro One Networks Inc. Submission

Hydro One appreciates the opportunity to comment on the supplemental amendment to the Distribution System Code's ("the Code") Section 3.2.4. This section addresses capital contributions for distribution expansions. Distribution expansions can involve distributor-owned transmission assets which are deemed to be distribution assets. We understand from the Notice, that the proposed amendment is meant to ensure that residential developers are not subject to two different cost responsibility rules under the same Code for essentially the same transmission asset, depending on that asset's ownership – Section 3.6.1, if owned by a transmitter, or Section 3.2.4, if owned by a distributor.

The Company notes comments on pages 12 and 13 of the Notice stating that if the asset is transmitter-owned, the developer would not pay. Hydro One agrees that, as development projects are generally phased-in, they would not meet the approved ≥ 5 MW threshold for large customers. Accordingly, Section 3.6.1 respecting contributions for transmitter-owned investments would not apply.

Hydro One emphasizes the above point as customer *size* is the critical factor determining whether a developer would pay or not. That said, numerous other distribution customers under this size threshold ("smaller customers") will be impacted by this same dilemma. Therefore, this proposed exemption, for consistency and fairness, should be applied to *all* smaller distribution load customers (*load* customers only, as generators' contributions are separately addressed in Section 6.2). In addition, certain wording from the Notice would more clearly convey the Board's intent, which is to limit the exemption to the problematic situation – cost responsibility for assets deemed to be distribution assets. Including all these considerations will complicate the wording in Section 3.2.4, however, so Hydro One suggests that it be left as is and a new subsection along the lines of the following be inserted:



3.2.4 a) Where the distribution expansion involves an upstream transmission asset that has been deemed to be a distribution asset, a distributor shall not require a capital contribution, nor a contribution under Section 3.2.27, from a load customer less than 5 MW in size.

To align with the Board's intent behind the cost responsibility amendments, Hydro One has also included language to address contributions payable under Section 3.2.27 (which addresses rebates from unforecasted customers). This would exempt unforecasted smaller customers from paying rebates to the large customers who will have contributed to a deemed distribution asset. Otherwise, there would be inconsistent treatment between smaller customers, who, under Hydro One's proposed exemption, would not be required to make a capital contribution for a deemed distribution asset, and unforecasted customers of the same size who, under Section 3.2.27, must still rebate those who had made an initial contribution for such an asset.

Hydro One appreciates the fact that the Board has raised this anomaly and requested input on its resolution. We trust that these comments not only help ensure a more equitable and consistent approach to that end, but also reinforce the Board's original intent to limit the impact of the Code changes on cost responsibility to only those commercial and industrial customers who meet the approved size threshold.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea