

Amendments to the Distribution System Code

London Hydro's Comments

London Hydro has been a participant in the preparation of the submission with respect to this subject prepared and submitted by the EDA and supports all comments made in that document.

Further, London Hydro herein again reiterates our overarching general concern previously discussed in our November 2017 and September 2018 submission in respect to the proposed amendments to the OEB's Distribution System Code.

London Hydro is in agreement with the OEB that there needs to be more consistency among local distributors with respect to connections, contributions and expansions being handled in the same manner, and that changes to the DSC are required to move in that direction.

However London Hydro has previously expressed concern that the generalized inputting of the word "shall" in place of "may" can be inferred as requiring all connections, contributions and expansions be handled in the same manner. London Hydro has exercised over the years the application of connections, contributions and expansions and in support of efficiency and materiality introduced threshold tests or limits. London Hydro previously recommended that distributors should have the ability to set a minimum threshold befitting their experiences.

More specifically London Hydro has expressed the concern that this simple wording change could lead to unnecessary disagreements with customers and/or the OEB audit or compliance staff syntactic interpretation of requirements. London Hydro would suggest that through years of experience with customers, OEB Compliance and OEB Audit interactions, much of the disagreements on application of OEB code has been the result of the syntactic application of specific words or phrases used in the code. Too often it is specific words that become contentious; eroding what may have been the original spirit and intent of the application.

London Hydro wished to avoid this and therefore had suggested that the OEB remove the wording "shall" in favour of more liberal language such as inputting "shall, within reason," as an alternative terminology in respect to the application of connections, contributions and expansions. Our comments were made in support of streamlining administration efficiency and in consideration of materiality by retaining our current threshold tests and limits.

More recently the City of London and London Hydro have been advised by a large customer of its intent to establish a significant production facility within our franchise. This customer has expressed concern over the quantum of contribution that London Hydro is requesting for connection of services. It is our impression that under the current DSC requirements, using the "may" wording that London Hydro has latitude to negotiate terms that benefit both parties. London Hydro would be concerned that given the OEB's intention to infuse the word "shall" into the code, London Hydro loses the ability to negotiate. This potentially puts London Hydro into

the unfair position of applying bureaucratic policy at the risk of OEB compliance action. This scenario could also have the potential of the OEB being challenged directly. London Hydro wishes to avoid this.

London Hydro would note that in our numerous conversations with our customers that the customers look to us for solutions. Time and again we have been challenged when we have to cite bureaucratic prescribed unbending policy requirements overriding more rational thinking and resolution. As an industry our collective inaction or failure to consider true outcomes in circumstance like this shows we all fail to appreciate customers' expectations and further fail to provide customers with realistic solutions.

London Hydro herein would therefore advise the OEB of our intent to file for licence exemption from certain requirements which will be prescribed in the amended codes should the amendments proceed as currently published.

Specifically London Hydro references in regards to the proposed changes for section 3.2.23 of the DSC. It will be London Hydro's intent to request the allowance to exercise our current process only requiring an expansion deposit on those projects with a capital cost greater than or equal to \$100,000. London Hydro currently does not require expansions with a capital cost of less than \$100,000 to pay a deposit because in our experience, these expansions connect the projected load within the first 1 to 2 years.

Expansion deposits are primarily held to mitigate the risk that the projected revenue will not materialize within the customer connection horizon. However, with expansion projects that cost less than \$100,000, the projected revenue is typically low and in most cases amounts to less than \$25,000 so we do not feel that there is significant risk since it is extremely uncommon for the revenue on these projects to not materialize within the 5 year review period. Additionally, we also apply a conservative forecast to this revenue estimate that employs actual historical experience thereby further offsetting the revenue risk to London Hydro.

It is London Hydro's position that requiring an expansion deposit for every expansion will cause additional administrative effort by London Hydro and increase administrative costs in the long run. It would also negatively impact the developers by requiring additional cash/letter of credit to be held for an extended period of time. In most cases these deposit amounts would only be held for 1 to 2 years and then would be refunded back with interest. London Hydro believes that there is no benefit to London Hydro or the customer to collect a deposit on all expansion projects since the risk of non-payment is insignificant for these smaller projects.

London Hydro therefore encourages the OEB to seriously consider tempering the strict usage of the word "shall" in respect to application with the various sections of the DSC relating to the application of connections, contributions and expansions to allow for reasonable application of threshold tests and limited application.