



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

DECISION AND ORDER

EB-2018-0276

HYDRO ONE NETWORKS INC.

**Application for leave to sell distribution assets to
Niagara Reinforcement Limited Partnership**

EB-2018-0277

**NIAGARA REINFORCEMENT LIMITED
PARTNERSHIP**

Application for an Electricity Transmission Licence

BY DELEGATION, BEFORE: Brian Hewson
Vice President,
Consumer Protection & Industry Performance

September 12, 2019

INTRODUCTION AND SUMMARY

Niagara Reinforcement Limited Partnership (NRLP) and Hydro One Networks Inc. (HONI) filed three separate but related applications on September 27, 2018 with the Ontario Energy Board (OEB). The applications were amended and refiled on August 1, 2019.

This Decision and Order addresses two of these applications:

1. NRLP applied for an electricity transmission licence under section 60 of the *Ontario Energy Board Act, 1998* (OEB Act) (EB-2018-0277); and
2. HONI applied for leave of the OEB to sell certain electricity transmission assets, consisting of a new 76 km double circuit 230 kV transmission line connecting Allanburg Transmission Station and Middleport Transmission Station which include the 230 kV circuits named Q26M and Q35M (the NR Assets) to NRLP under section 86(1)(b) of the OEB Act (EB-2018-0276).

The OEB combined these two applications into one proceeding, pursuant to section 21(5) of the OEB Act. This Decision and Order is being issued by the Delegated Authority without a hearing pursuant to section 6(4) of the OEB Act.

For the reasons indicated below, NRLP's application for a licence is approved and HONI's request for leave is approved.

BACKGROUND

HONI seeks approval to sell the NR Assets to NRLP, a limited partnership formed for the purpose of the proposed transaction. NRLP is currently wholly owned by Hydro One Inc. through its wholly owned subsidiaries. The general partner will be Hydro One Indigenous Partnerships GP Inc. (HOIP). NRLP would become a licensed electricity transmitter for the purpose of owning and operating the NR Assets.

Along with these applications, NRLP filed an application for a deferral account¹ to track 2019 revenue requirement for the period that the assets will be in-service. NRLP is

¹ EB-2018-0275

expecting to file a revenue requirement application for 2020-2024 revenue requirement in October 2019.

Application by NRLP for an Electricity Transmission Licence

For the purpose of owning and operating the NR Assets, NRLP applied for an electricity transmission licence under section 60 of the OEB Act. In determining whether to approve NRLP's electricity transmission licence application, the OEB has considered NRLP's financial position, technical capability and conduct to assess its ability to own and operate a transmission facility in Ontario.

NRLP intends to own and operate the transmission assets of the Niagara Reinforcement project under the direction and management of the general partner, HOIP, which will carry out the general partner responsibilities of NRLP, including management and oversight of NRLP. HOIP will be responsible for ensuring that the transmission assets transferred to NRLP are operated and maintained in accordance with all applicable regulatory standards and HONI's maintenance and operating practices. HOIP will carry out these functions through an operations and management services agreement with HONI. In support of its application, NRLP noted that HONI has experience with operating of the transmission assets owned by B2M LP, a partnership similar in nature to NRLP.

Based on the ownership structure, commitment to meet all applicable regulatory requirements and the existence of the HONI operating and maintenance arrangements, the OEB finds that NRLP can reasonably be expected to conduct its business appropriately and to operate the NR Assets reliably, with the appropriate technical capability. The OEB therefore finds that it is in the public interest to grant the requested electricity transmission licence.

In its application for a licence, NRLP requested that the licence include a condition permitting NRLP to adopt USGAAP for the purpose of its financial reporting. As noted above, concurrent with the matters that are the subject of this Decision and Order, NRLP applied for a deferral account to record certain revenues and costs related to bringing the NR Assets into service. The OEB finds that the request for approval to use USGAAP is more properly dealt with in the consideration of the request for a deferral account as it is a rates-related matter.

Application by HONI Pursuant to Section 86(1)(b) of the OEB Act

HONI applied for leave of the OEB to sell the NR Assets to NRLP under section 86(1)(b) of the OEB Act which states:

*No transmitter or distributor, without first obtaining from the Board an order granting leave, shall,
(b) sell, lease or otherwise dispose of that part of its transmission or distribution system that is necessary in serving the public;*

The assets to be transferred consist of a new 76 km double circuit 230 kV transmission line connecting Allanburg Transmission Station and Middleport Transmission Station. These line assets include the 230 kV circuits named Q26M and Q35M and they are part of the NR Assets. The proposed transfer price of the NR Assets is \$120M and represents the estimated future gross book value of the NR Assets.

As stated in the application, the revenue requirement for these assets is not included in any current or future HONI Transmission revenue requirement approved by the OEB.

HONI also stated that the proposed transaction results in an inter-company transfer of assets. The transferred assets will be operated and maintained by HONI in the same manner as related transmission facilities in Ontario. Performance and reliability will not be impacted by a change in the ownership of the assets.

The OEB finds that the proposed transfer is reasonable and is not anticipated to have any negative effects. However, for greater clarity the OEB notes that the leave to sell the NR Assets does not constitute an approval of the value of the NR Assets for the purpose of rates or any entitlement of NRLP to recover the full cost of the assets. The prudence of the cost of these assets will be determined by the OEB in the future transmission rate proceedings.

IT IS ORDERED THAT:

1. The application by Niagara Reinforcement Limited Partnership for an electricity transmission licence is granted, on such conditions as are contained in the attached licence.

2. Hydro One Networks Inc. is granted leave to sell Niagara Reinforcement Assets to Niagara Reinforcement Limited Partnership.

DATED at Toronto September 12, 2019

ONTARIO ENERGY BOARD

Original Signed By

Brian Hewson
Vice President, Consumer Protection & Industry Performance



Electricity Transmission Licence

ET-2018-0277

Niagara Reinforcement Limited Partnership

Valid Until

September 11, 2039

Original Signed By

Brian Hewson

Vice President, Consumer Protection & Industry Performance

Ontario Energy Board

Date of Issuance: September 12, 2019

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1 Definitions

In this Licence:

“**Accounting Procedures Handbook**” means the handbook, approved by the Board which specifies the accounting records, accounting principles and accounting separation standards to be followed by the Licensee;

“**Act**” means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

“**Affiliate Relationships Code for Electricity Distributors and Transmitters**” means the code, approved by the Board which, among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;

“**Board**” means the Ontario Energy Board;

“**Electricity Act**” means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

“**Licensee**” means Niagara Reinforcement Limited Partnership;

“**Market Rules**” means the rules made under section 32 of the Electricity Act;

“**Performance Standards**” means the performance targets for the distribution and connection activities of the Licensee as established by the Board in accordance with section 83 of the Act;

“**Rate Order**” means an Order or Orders of the Board establishing rates the Licensee is permitted to charge;

“**Transmission services**” means services related to the transmission of electricity and the services the Board has required transmitters to carry out for which a charge or rate has been established in the Rate Order;

“**Transmission System Code**” means the code approved by the Board and in effect at the relevant time, which, among other things, establishes the obligations of a transmitter with respect to the services and terms of service to be offered to customers and provides minimum technical operating standards of transmission systems;

“**wholesaler**” means a person that purchases electricity or ancillary services in the IESO administered markets or directly from a generator or, a person who sells electricity or ancillary services through the IESO-administered markets or directly to another person other than a consumer.

2 Interpretation

- 2.1 In this Licence, words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the Licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this licence, where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens. Where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

3 Authorization

- 3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this Licence to own and operate a transmission system consisting of the facilities described in Schedule 1 of this Licence, including all associated transmission equipment.

4 Obligation to Comply with Legislation, Regulations and Market Rules

- 4.1 The Licensee shall comply with all applicable provisions of the Act and the Electricity Act and regulations under these Acts, except where the Licensee has been exempted from such compliance by regulation.
- 4.2 The Licensee shall comply with all applicable Market Rules.

5 Obligation to Comply with Codes

- 5.1 The Licensee shall at all times comply with the following Codes (collectively the “Codes”) approved by the Board, except where the Licensee has been specifically exempted from such compliance by the Board. Any exemptions granted to the Licensee are set out in Schedule 2 of this Licence. The following Codes apply to this Licence:
- a) the Affiliate Relationships Code for Electricity Distributors and Transmitters; and
 - b) the Transmission System Code.
- 5.2 The Licensee shall:
- a) make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours; and
 - b) provide a copy of the Codes to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

6 Requirement to Enter into an Operating Agreement

- 6.1 The Licensee shall enter into an agreement (“Operating Agreement”) with the IESO providing for the direction by the IESO of the operation of the Licensee’s transmission system. Following a request made by the IESO, the Licensee and the IESO shall enter into an Operating Agreement

within a period of 90 business days, unless extended with leave of the Board. The Operating Agreement shall be filed with the Board within ten (10) business days of its completion.

- 6.2 Where there is a dispute that cannot be resolved between the parties with respect to any of the terms and conditions of the Operating Agreement, the IESO or the Licensee may apply to the Board to determine the matter.

7 Obligation to Provide Non-discriminatory Access

- 7.1 The Licensee shall, upon the request of a consumer, generator, distributor or retailer, provide such consumer, generator, distributor or retailer, as the case may be, with access to the Licensee's transmission system and shall convey electricity on behalf of such consumer, generator, distributor or retailer in accordance with the terms of this Licence, the Transmission System Code and the Market Rules.

8 Obligation to Connect

- 8.1 If a request is made for connection to the Licensee's transmission system or for a change in the capacity of an existing connection, the Licensee shall respond to the request within 30 business days.
- 8.2 The Licensee shall process connection requests in accordance with published connection procedures and participate with the customer in the IESO's Connection Assessment and approval process in accordance with the Market Rules, its Rate Order(s) and the Transmission System Code.
- 8.3 An offer of connection shall be consistent with the terms of this Licence, the Market Rules, the Rate Order, and the Transmission System Code.
- 8.4 The terms of such offer to connect shall be fair and reasonable.
- 8.5 The Licensee shall not refuse to make an offer to connect unless it is permitted to do so by the Act or any Codes, standards or rules to which the Licensee is obligated to comply with as a condition of this Licence.

9 Obligation to Maintain System Integrity

- 9.1 The Licensee shall maintain its transmission system to the standards established in the Transmission System Code and Market Rules, and have regard to any other recognized industry operating or planning standards required by the Board.

10 Transmission Rates and Charges

- 10.1 The Licensee shall not charge for the connection of customers or the transmission of electricity except in accordance with the Licensee's Rate Order(s) as approved by the Board and the Transmission System Code

11 Separation of Business Activities

- 11.1 The Licensee shall keep financial records associated with transmitting electricity separate from its financial records associated with distributing electricity or other activities in accordance with the Accounting Procedures Handbook and as otherwise required by the Board.

12 Expansion of Transmission System

- 12.1 The Licensee shall not construct, expand or reinforce an electricity transmission system or make an interconnection except in accordance with the Act and Regulations, the Transmission System Code and the Market Rules.

13 Provision of Information to the Board

- 13.1 The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time.
- 13.2 Without limiting the generality of paragraph 13.1, the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee as soon as practicable, but in any event no more than twenty (20) business days past the date upon which such change occurs.

14 Restrictions on Provision of Information

- 14.1 The Licensee shall not use information regarding a consumer, retailer, wholesaler or generator, obtained for one purpose for any other purpose without the written consent of the consumer, retailer, wholesaler or generator.
- 14.2 The Licensee shall not disclose information regarding a consumer, retailer, wholesaler or generator to any other party without the written consent of the consumer, retailer, wholesaler or generator, except where such information is required to be disclosed:
- a) to comply with any legislative or regulatory requirements, including the conditions of this Licence;
 - b) for billing, settlement or market operations purposes;
 - c) for law enforcement purposes; or
 - d) to a debt collection agency for the processing of past due accounts of the consumer, retailer, wholesaler or generator.
- 14.3 Information regarding consumers, retailers, wholesalers or generators may be disclosed where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified.
- 14.4 The Licensee shall inform consumers, retailers, wholesalers and generators of the conditions under which their information may be released to a third party without their consent.

14.5 If the Licensee discloses information under this section, the Licensee shall ensure that the information is not be used for any other purpose except the purpose for which it was disclosed.

15 Term of Licence

15.1 This Licence shall take effect on September 12, 2019 and expire on September 11, 2039. The term of this Licence may be extended by the Board.

16 Transfer of Licence

16.1 In accordance with subsection 18(2) of the Act, this Licence is not transferable or assignable without leave of the Board.

17 Amendment of Licence

17.1 The Board may amend this Licence in accordance with section 74 of the Act or section 38 of the Electricity Act.

18 Fees and Assessments

18.1 The Licensee shall pay all fees charged and amounts assessed by the Board.

19 Communication

19.1 The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.

19.2 All official communication relating to this Licence shall be in writing.

19.3 All written communication is to be regarded as having been given by the sender and received by the addressee:

- a) when delivered in person to the addressee by hand, by registered mail or by courier;
- b) ten (10) business days after the date of posting if the communication is sent by regular mail; and
- c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

20 Copies of the Licence

20.1 The Licensee shall:

- a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours; and
- b) provide a copy of this Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

SCHEDULE 1 Specification of Transmission Facilities

This Schedule specifies the facilities over which the Licensee is authorized to transmit electricity in accordance with paragraph 3 of this Licence.

1. 76 km double circuit 230 kV transmission line connecting Allanburg Transformer Station and Middleport Transformer Station, which include the 230 kV circuits named Q26M and Q35M.

SCHEDULE 2 List of Code Exemptions

This Schedule specifies any specific Code requirements from which the licensee has been exempted.