



DECISION AND ORDER

EB-2022-0085

HYDRO ONE NETWORKS INC.

**REQUEST FOR AN EXEMPTION FROM SECTIONS 4.1.1
AND 4.1.2 OF THE TRANSMISSION SYSTEM CODE
ET-2003-0035**

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

May 6, 2022

INTRODUCTION

Hydro One Networks Inc. (Hydro One) is a licensed electricity transmitter (OEB Electricity Transmission Licence ET-2003-0035). On January 28, 2022, Hydro One applied under section 74 of the *Ontario Energy Board Act, 1998* (the Act) for an exemption from sections 4.1.1 and 4.1.2 of the Transmission System Code (TSC) (the Application). The exemption would permit Hydro One to use a modified “Transmission Connection Agreement for Storage Facilities” (TCA Storage) for the purpose of contracting with Oneida Energy Storage LP (Oneida Energy) for the connection of an energy storage project (Oneida Project). If granted, it would be necessary to amend Schedule 2 of Hydro One’s Electricity Transmission Licence, which lists the TSC exemptions applicable to Hydro One.

Hydro One also provided notice to the OEB of certain potential material changes to its standard form Connection Cost Recovery Agreement (CCRA) for load customers that it intends to use for customers wishing to connect energy storage facilities. Hydro One is providing notice of the changes as contemplated in the OEB’s February 12, 2008 Decision and Order in [EB-2006-0189](#).

This Decision and Order is issued by delegated authority, without a hearing, under section 6 of the *Ontario Energy Board Act, 1998*. For the reasons set out below, the OEB grants Hydro One’s request to exempt it from sections 4.1.1 and 4.1.2 of the TSC in relation to the Oneida Project, and amends its Transmission Licence accordingly.

THE APPLICATION

In its Application, Hydro One explained that the impetus for its request was a proposal by Oneida Energy¹ to connect a 250 MW battery energy storage facility to Hydro One's transmission system.² Hydro One further explained that in its view the Oneida Project represents unique customer circumstances in that the connection is for an energy storage facility that will have the characteristics of both a generator (when it is in discharge mode) and a load (when in charging mode). Hydro One is of the view that as a consequence, a different form of connection agreement is needed. The OEB is aware that Oneida Energy is currently in discussions with the Independent Electricity System Operator to obtain a contract for services pursuant to a [Directive](#) issued by the Minister of Energy.³

Sections 4.1.1 and 4.1.2 of the TSC require a transmitter to use a prescribed form of Transmission Connection Agreement when connecting a customer to its transmission system. The TSC recognizes four types of customer – the TSC defines “customer” as “a generator, consumer, distributor or unlicensed transmitter whose facilities are connected to or are intended to be connected to a transmission system.”⁴ A “generator customer” means a customer who owns or operates a generation facility”;⁵ and a “load customer” means a customer who owns or operates a facility other than a generation facility or a transmission system.”⁶

The counterparty to the transmitter in the prescribed versions of the TCA appended to the TSC is a load customer (Appendix 1A) or a generator customer (Appendix 1B). Hydro One seeks the exemption in order to use its proposed TCA Storage instead of either Appendix 1A or Appendix 1B of the TSC.⁷

Section 4.1.1 of the TSC provides, in part, that:

Subject to section 4.1.2, a transmitter shall connect a customer's facilities and shall offer and provide transmission services to a customer subject to that customer entering into or having a connection agreement with the transmitter. Such connection agreement shall be in

¹ A joint venture comprising NRStor Inc. and Six Nations of the Grand River Development Corporation.

² Application, p. 2.

³ Dated April 14, 2022

⁴ TSC section 2.0.18

⁵ TSC section 2.0.32

⁶ TSC section 2.0.40

⁷ Application, p. 3. The Application also refers to a “Transmission Connection Agreement for Energy Storage”; and attachment 1 to the Application is entitled “Transmission Connection Agreement”.

the form set out in the applicable version of the connection agreement set out in Appendix 1.

Section 4.1.2 provides:

A transmitter may not enter into a connection agreement on terms and conditions other than those set forth in the applicable version of the connection agreement set out in Appendix 1 or amend the terms and conditions of a connection agreement relative to the terms and conditions set forth in the applicable version of the connection agreement set out in Appendix 1 except as expressly contemplated in the applicable version of the connection agreement set out in Appendix 1 or with the prior approval of the Board.

The forms of TCA set out in Appendix 1 reiterate the TSC prohibition on amendments without leave of the OEB⁸, but they provide for amendments to specified Schedules.⁹ They also provide for the use of additional schedules upon the mutual agreement of the parties. Where additional schedules are required because a load customer owns generation facilities and the technical requirements for the generation facilities owned by the load customer are relevant to that customer's connection to the transmitter's system, Appendix 1A requires the parties to use certain schedules in Appendix 1B. Similar provisions are contained in Appendix 1B.

Hydro One's proposed TCA Storage represents a third form of connection agreement that includes new terms in the agreement. Hydro One explains that its proposed TCA Storage was constructed using the OEB's Appendix 1B in its entirety as its base document, and then imported terms and schedules from the OEB's Appendix 1A as considered appropriate.¹⁰ The changes in the TCA Storage terms are largely to recognize a new type of customer which is referred to as the "Storage Provider", and in its "Notes to Comparison Document" affixed to the revised "Standard Terms and Conditions for Storage Facility Connection Projects"¹¹, Hydro One advises that "All references to Customer, Customer Facilities and Customer Connection Work have been changed to Storage Provider, Storage Provider Facilities and Storage Provider Connection Work."

While the TCA Storage and proposed "Connection and Cost Recovery Agreement – Storage Provider" (CCRA Storage) provided by Hydro One do not define the term

⁸ See section 9.1 of Appendices 1A and 1B.

⁹ See section 9.3 of Appendices 1A and 1B.

¹⁰ Response letter; p. 2.

¹¹ Attachment 4 to the Letter, at p.1

“Storage Provider”, the term is used throughout the documents. While Hydro One used the generator customer form of TCA as the basis for its TCA Storage, the Terms and Conditions to the CCRA Storage, which include definitions for “Storage Provider Facilities”, “Storage Provider Connection Work”, and “Storage Provider’s Properties” (but not for “Storage Provider”) were “drafted on the assumption that the Board accepts the treatment of energy storage facilities as a Load Customer for connection cost responsibility purposes.”¹²

Findings

The OEB grants the requested exemption to permit Hydro One to use the TCA Storage for the purpose of connecting the Oneida Project, and amending Hydro One’s licence accordingly. The approval of this exemption request recognizes that the TSC does not permit changes to terms in the TCAs without the approval of the OEB, and reflects the OEB’s acceptance of Hydro One’s position that Oneida Project presents unique circumstances that require different terms of agreement for the purpose of connecting the project. The OEB agrees with Hydro One’s approach regarding the treatment of Oneida Energy for connection and related cost responsibility purposes. The OEB notes that recent Distribution System Code amendments have clarified that cost responsibility rules continue to apply to customers with energy storage facilities, including consideration by distributors of revenue from rates when determining connection-related capital contributions.¹³ Hydro One’s approach in the current case is consistent with the OEB’s approach in the distribution context.

The OEB understands that Hydro One may propose to use the TCA Storage that it has filed in this Application for a future similar energy storage facility connection. However, the only project identified at this time is the Oneida Project. If, in the future, another customer with an energy storage facility wishes to connect to the Hydro One transmission system, and Hydro One considers the use of a connection agreement that is similar to the proposed TCA Storage to be warranted, it may seek appropriate relief at that time. The OEB also notes that there are ongoing proceedings in relation to the treatment of energy storage facilities, including the Uniform Transmission Rates proceeding (EB-2021-0243) and the Framework for Energy Innovation (EB-2021-0118) which may inform any future consideration by the OEB of potential requirements for an agreement related to transmission connected energy storage.

¹² Application, p.3

¹³ Notice of Amendments to a Code ([EB-2021-0117](#)); March 22, 2022; p. 2.

The CCRA amendments

Pursuant to the OEB's February 12, 2008 Decision and Order in [EB-2006-0189](#) (February 12, 2008 Decision), the Application provided notice to the OEB "of a potential material change to the [Connection Cost Recovery Agreement (CCRA)] template that Hydro One uses for load customers connecting to its transmission system to use for an energy storage facility".¹⁴ The OEB notes that the TCA Storage is included as a schedule to Hydro One's proposed CCRA Storage.¹⁵

In the February 12, 2008 Decision, in which the OEB approved revised versions of certain transmitters' connection procedures, the OEB stated that it was not necessary to require that the template for the CCRA be specifically approved by the OEB. However, the OEB expected that Hydro One "will notify the Board of any material changes to those templates as and when they are developed".¹⁶

Hydro One has stated that the only change to its load customer CCRA that could be considered material is:

the inclusion of subsection 3(o) in its Standard Terms and Conditions for Storage Facility Connection Projects V1 4-2021 (**"Standard Terms and Conditions"**):

3. (o) as the Storage Facility has attributes associated with a Generation Facility as well as those associated with a load, all of the provisions of the Code and the OEB-approved Connection Procedures that are specific to the Connection of either a Generator (Generation Facility) or a load are deemed to apply to the Storage Provider (Storage Facility).

Findings

The OEB finds this notification to be consistent with the direction provided by the OEB in the February 12, 2008 Decision. The OEB understands that Hydro One intends to use the CCRA Storage for the purposes of the Oneida Energy connection. If, in the future, another customer with an energy storage facility wishes to connect to the Hydro One transmission system, and Hydro One considers the use of a CCRA that is similar to

¹⁴ Application, p. 1.

¹⁵ Schedule D to the CCRA Storage; Letter, p. 3

¹⁶ Quoting from the February 12, 2008 Decision, the Application (at p. 2) states in part that the OEB expects Hydro One "will notify the Board of any material changes to those templates as and when they are developed".

the proposed CCRA Storage to be warranted, the OEB expects to be similarly notified of any potentially material changes.

IT IS ORDERED THAT:

1. Hydro One Networks Inc. is exempted from Sections 4.1.1 and 4.1.2 of the Transmission System Code for the purpose of entering into a Transmission Connection Agreement with Oneida Energy Storage LP for the connection of a 250 MW battery energy storage facility to Hydro One Networks Inc.'s transmission system in the form filed by Hydro One as part of its Application.
2. Schedule 2 to Hydro One Networks Inc.'s Electricity Transmission Licence is hereby amended by adding the following Paragraph 3:
3. The Licensee is exempted from Sections 4.1.1 and 4.1.2 of the Transmission System Code for the purpose of entering into a Transmission Connection Agreement with Oneida Energy Storage LP for the connection of a 250 MW battery energy storage facility to its transmission system in the form approved in the OEB's Decision and Order in EB-2022-0085.

DATED at Toronto May 6, 2022

ONTARIO ENERGY BOARD

Brian Hewson
Vice President
Consumer Protection and Industry Performance