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BY EMAIL AND RESS

June 17, 2022

Ms. Nancy Marconi
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi,

EB-2021-0243 – Generic Hearing on Uniform Transmission Rates-Related Issues and the Export Transmission Service Rate – Interrogatories on APPRO Evidence

In accordance with Procedural Order No. 2 issued April 1, 2022, please find enclosed interrogatories on the above-noted expert evidence filed on May 27, 2022.

This filing has been submitted electronically using the OEB's Regulatory Electronic Submission System (RESS).

Sincerely,



Stephen Vetsis

cc. EB-2021-0243 parties (electronic)

1 **HYDRO ONE (HONI) INTERROGATORIES ON POWER ADVISORY REPORT**

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3 **HONI-1**

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5 **Reference:**

6 OEB Procedural Order No. 1 from Hydro One’s Joint Transmission and Distribution Rate
7 Application (EB-2021-0110), issued September 17, 2021 (“JRAP PO#1”).

8
9 Joint submission on ETS rates Hydro One and the IESO in the current proceeding (EB-2021-0243),
10 filed October 14, 2021 (the “Joint Submission”).

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12 Power Advisory, *Expert Report for the market impacts of changes to the ETS Rate*, prepared on
13 behalf of APPrO, filed May 27, 2022 (the “Power Advisory Report”).

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15 **Preamble:**

16 JRAP PO#1 states, at p. 4 (emphasis added):

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18 The OEB is of the view that it is also appropriate to deal with the Export
19 Transmission Service (ETS) rate issue as part of the separate, generic UTR
20 proceeding. Hydro One filed evidence on the ETS rate in the current application.
21 In response to OEB direction, Hydro One’s ETS evidence includes a cost allocation
22 study, an updated jurisdictional review, and a commentary on market
23 implications of the ETS prepared by the IESO.

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25 Hydro One’s application does not include a specific proposal for setting the ETS –
26 although there are a number of cost allocation options identified in the evidence,
27 Hydro One has assumed no change to the current ETS rate of \$1.85/MWh in its
28 application.

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30 Similarly, the IESO’s commentary discusses the implications of an increased ETS
31 rate for the Ontario market and states that any increase in the ETS rate will reduce
32 the value of interties, leading to less system flexibility and higher costs for Ontario
33 consumers, but it also does not recommend a specific ETS rate for consideration
34 by the OEB.

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36 The evidence filed by Hydro One and the IESO will no doubt be helpful in
37 considering the appropriate ETS rate, however, the OEB has determined that it
38 would be assisted by further clarity from Hydro One and the IESO as to their view
39 of what ETS rate should be adopted.

1 The Joint Submission states, at pp. 7-8:

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In its Decision on Hydro One’s 2020 to 2022 transmission rate application (EB-2019-0082), the OEB “determined that the use of shared network facilities by exporters needs to be considered in setting the ETS rates”. The OEB directed Hydro One to provide an ETS study using a cost allocation methodology that includes the allocation of shared network costs to exporters in its next transmission rebasing application.

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In addition, the OEB stated that it would be assisted by an updated jurisdictional review that provides the ETS rates in other jurisdictions, the rationale behind those rates and market implications. Recognizing that the operation of the electricity market is the responsibility of the IESO rather than Hydro One, the OEB indicated its expectation that Hydro One discuss the approach to the jurisdictional review with the IESO and OEB staff to determine the best approach to complete the review before Hydro One’s next transmission rebasing.

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18 The Joint Submission states, at pp. 11-12 (emphasis added):

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Hydro One recognizes that the current ETS Rate was established through an approved settlement proposal and is therefore not entirely cost-based, and that the level of the ETS Rate impacts both transmission rates for electricity customers in Ontario and costs for exporters. Hydro One also understands from the IESO’s comments filed in EB-2021-0110 that changes in the ETS Rate can impact the volume of export transactions in the Ontario electricity market, which can impact the economic efficiency of the market. Given these considerations, and the fact that changes in the approved ETS Rate would have a neutral impact on Hydro One’s overall transmission revenues as described above, Hydro One does not make any recommendations on a specific ETS Rate. While Hydro One desires the outcome that is best for its customers, it is not in a position to determine what ETS Rate, if any, would ultimately result in the best overall outcome for its customers. As such, having regard to the purposes of the IESO under the Electricity Act and of the OEB under the Ontario Energy Board Act, Hydro One defers to the IESO’s expertise and responsibility to advise on the potential impacts of changes to the ETS Rate and the recommended ETS Rate from a market operations perspective, and to the OEB’s expertise and responsibility with respect to the balancing of the various competing interests in setting the ETS Rate. Of course, Hydro One has endeavored, and will continue, to support the OEB’s decision-making by providing the necessary evidence regarding a cost-based rate.

1 The Power Advisory Report states, at the paragraphs indicated below (emphasis added):

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3 Section 4.7 (of the report) describes Power Advisory’s analysis on the financial
4 impact of raising the ETS rate by from \$1.85/MWh to \$6.54/MWh, as is being
5 proposed in this proceeding. (Paragraph 9)

6
7 Hydro One’s joint transmission and distribution application proposes increasing
8 in the ETS rate from its current level of \$1.85/MWh to \$6.54/MWh (on an
9 adjusted basis). (Paragraph 17)

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11 The methodology proposed in this proceeding relies on a traditional cost
12 allocation methodology to justify a near four-fold increase in the ETS rate . . . The
13 proposed methodology adopts the policy of OEB's generic pole attachment
14 proceeding as part of its justification . . . There is very limited discussion in the
15 proposed methodology on whether a lower ETS rate – which supports a market-
16 based approach to collecting export revenues through congestion rents – is more
17 appropriate than the regulated approach being proposed as part of this
18 proceeding. (Paragraph 31)

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20 At a high level, Power Advisory does not accept the cost allocation methodology
21 proposed in this proceeding. There are many reasons why Power Advisory does
22 not accept the methodology. (Paragraph 46)

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24 **Questions:**

- 25 1. Please explain the basis of Power Advisory’s understanding, as indicated by the Power
26 Advisory Report references noted in the preamble, that it was Hydro One’s proposal in EB-
27 2021-0110, and that it continues to be Hydro One’s proposal in the current generic
28 proceeding, to increase the ETS rate from \$1.85/MWh to \$6.54/MWh.
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30 2. Having regard to the JRAP PO#1 and the Joint Submission, as referenced in the preamble,
31 please confirm that each of APPrO and Power Advisory understand that Hydro One has not
32 proposed any increase in the ETS rate, or any particular ETS rate, either in the current
33 proceeding or in EB-2021-0110.
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35 3. Please confirm that each of APPrO and Power Advisory understand that the Elenchus cost
36 allocation study, the updated CRA jurisdictional review, and the IESO commentary on market
37 implications of the ETS were each prepared for and filed by Hydro One, first in EB-2021-0110
38 and subsequently in the current proceeding, solely in response to specific directions from the
39 OEB in EB-2019-0082 to assist the OEB in considering the appropriate ETS rate.

1 **HONI-2:**

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3 **Reference:**

4 Power Advisory Report, Section 4.2, Paragraph 42

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6 **Preamble:**

7 In Reference 1, Power Advisory states that *“The IESO’s analysis expects that any increase in*
8 *revenue from a higher ETS will be fully offset by a decrease in revenue from congestion rents that*
9 *occur at the intertie (congestion rent is discussed in more detail in a later section of this report). A*
10 *reduction in congestion rent will reduce disbursements from the Transmission Rights Clearing*
11 *Account (TRCA), which are used **to reduce the overall revenue requirement for Network***
12 ***transmission costs paid by all Ontario ratepayers.”** (emphasis added)*

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14 **Question:**

15 Please explain, in detail, how a reduction (or increase) in TRCA disbursement payments will impact
16 the overall Transmission Network revenue requirement that is paid by Ontario transmission
17 customers through Uniform Transmission Rates. Please provide a step-by-step illustrative
18 example.

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20 **HONI-3:**

21
22 **Reference:**

23 Power Advisory Report

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25 **Preamble:**

26 The Power Advisory Report details that exports are beneficial for Ontario consumers because
27 exports decrease system costs for domestic ratepayers.

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29 **Questions:**

- 30 a) Please indicate whether or not the Power Advisory research considered whether there are
31 instances where the scheduling of export transactions increase:
32 i. HOEP; and
33 ii. total bill prices paid by Ontario consumers.
- 34
35 b) If there are instances where the scheduling of export transactions increase HOEP and/or total
36 bill prices paid by Ontario consumers, please indicate how these instances are factored into
37 the Power Advisory Report conclusions.

- 1 c) Please indicate whether instances where the scheduling of export transactions increase HOEP
- 2 and/or total bill prices paid by Ontario consumers are expected to increase in frequency or
- 3 magnitude in the next 5 years.