Hydro One Networks Inc.
483 Bay Street
7th Floor South Tower
Toronto, Ontario M5G 2P5
HydroOne.com

Stephen Vetsis
Director, Pricing and Regulatory Policy
T 416.779.7804
Stephen.Vetsis@HydroOne.com

BY EMAIL AND RESS

August 4, 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 – Undertaking Responses

Pursuant to Procedural Order No. 2 dated April 1, 2022, please find enclosed Hydro One Networks Inc. (Hydro One)'s undertaking responses. Hydro One expects to file undertaking JT 1.03 on August 5, 2022 with the additional information requested at today's Presentation Day.

An electronic copy of the undertaking responses has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,

Stephen Vetsis

cc. EB-2021-0243 parties (electronic)

UNDERTAKING JT-1.1

Reference:

Reference not provided

Undertaking:

With reference to IR I-1-10, Hydro One to confirm (a) that it plans according to ORTAC; (b) for internal transmission planning, when Hydro One invests in its own internal lines, whether the ability to export guides Hydro One's thinking, or, to provide a more generic, high-level response of the degree to which Hydro One takes into account inter-tie capacity when it invests in the internal transmission system.

Response:

a) Yes, Hydro One plans according to Ontario Resource and Transmission Assessment Criteria (ORTAC), including section 3.2.

b) Planning for the Bulk Electricity System including the interconnections is done by the Independent Electricity System Operator (IESO). When Hydro One plans its internal transmission system investments, it works with the IESO and considers existing inter-tie capabilities in accordance with applicable planning standards and other relevant decision making criteria. ORTAC section 4.1 requires that new or modified facilities do not degrade existing power transfer capabilities (including inter-tie capability) by more than 5%. Further information may be found in the IESO's response to JT 1.13.

   The above planning process is generally applicable for all transmission asset categories (Network, Line Connection and Transformation Connection), with some exceptions. One example would be situations where the customer load has been permanently reduced. In these cases, transformer station capacity may be materially reduced (more than 5%) when stations are due for end-of-life refurbishment, subject to concurrence with all stakeholders.

1 This page has been left blank intentionally.

UNDERTAKING JT-1.2

Reference:

Reference not provided

Undertaking:

To take back and consider whether there could be a simplistic, mechanistic way of adjusting the ETS rate during a rate-setting term, consistent with the structure that has been proposed.

Response:

As detailed in Exhibits A-4-1 and A-4-2 of Hydro One's joint rate application (EB-2021-0110), Hydro One is proposing a Custom IR framework for its transmission business whereby the revenue requirement for the test year t+1 is equal to the revenue requirement in year t inflated by a Revenue Cap Index (RCI).

A mechanistic way of adjusting the ETS during the rate-setting term would be to adjust the prior year's OEB approved ETS rate by the same RCI amount that is used to adjust Hydro One's transmission revenue requirement.

For the purposes of determining Hydro One's rates revenue requirement for the network pool, as detailed in Exhibit H-5-1 of EB-2021-0110, the estimated export revenue that is used to offset Hydro One's total network revenue requirement would be calculated by multiplying the adjusted ETS rate by the most recent 3-year average ETS billing determinants[1].

The methodology described above would not require any adjustments to Hydro One's Excess Export Service Revenue Variance Account which is detailed in Hydro One's response to part f) of OEB Staff Interrogatory #4 in this proceeding.

The methodology described above for adjusting the ETS assumes that the OEB approves the overall Custom IR rate setting framework in Hydro One's joint rate application, as filed.

As noted on page 35 of the transcript for July 28th of the Technical Conference in this proceeding, Hydro One notes that such an adjustment would increase regulatory complexity and would not be expected to result in a material impact on UTRs for domestic customers.

[1] This is consistent with the approach detailed on page 6 of Exhibit H-9-1 in EB-2021-0110.

This page has been left blank intentionally.

UNDERTAKING JT-1.4

Reference:

Reference not provided

Undertaking:

Hydro One to provide publicly available information on the rationale for offsets made in the New York market.

Response:

CRA has not been able to identify any publicly available rationale for the offsets in the New York market. CRA made an inquiry of the NYISO on this question but has not yet received a response.

This page has been left blank intentionally.

UNDERTAKING JT-1.5

Reference:

Exhibit I-05-04

Undertaking:

To provide a response to VECC IR. No. 4.1, sub bullets (i) through (v), narrowing the scope to only New York.

i. whether or not the exports are subject to congestion payments,
ii. when congestion payments for exports are required,
iii. how congestion payments are determined,
iv. who are the beneficiaries of the congestion payments and
v. whether congestion payment revenues are considered/factored into the determination of the tariffs for export transmission service.

Response:

The following responses are based upon Witness DesLauriers' understanding of the NYISO tariff based upon his review of the tariff.

i. Please refer to Section 2.7.2.2 of the NYISO Open Access Transmission Tariff (OATT) that references a Transmission Usage Charge (TUC). Based upon CRA's interpretation of this language, this charge is applicable to all transmission customers scheduling transactions for Point to Point or Network Integration Service. (NYISO OATT Section 2.7.2.2.2).

ii. Please refer to response i., above.

iii. Please refer to NYISO OATT page 103, Definitions. "The TUC is equal to the product of: (1) the LBMP at the POW minus the LBMP at the POI (in $/MWh); and (2) the scheduled or delivered Energy (in MWh)." LBMP is: Locational Based Marginal Price; POW is: Point of Withdrawal, POI is: Point of Injection

iv. Please refer to NYISO OATT Section 2.7.2.1. According to this section, TUC payments are to be payable to the ISO. CRA is not aware of how the NYISO ultimately clears these payments through transactions.

v. CRA is not aware of how or whether these revenues are considered/factored into the determination of the tariffs for export service.

This page has been left blank intentionally.

UNDERTAKING JT-2.3

Reference:

Reference not provided

Undertaking:

Elenchus to run a scenario to explore the impact on the ETS rate of allocating 20 percent of shared network costs to exporters.

Response:

The scenario is provided as JT2.3 Attachment 1 and summarized table below.

Methodology	Allocator for Shared Network Asset-related costs		ETS Rate ($/MWh)	ETS Rate Adjusted for All Transmitters ($/MWh)
	Domestic Share	Export Share		
Allocation on Basis of 20% of Shared Net Fixed Assets	Domestic 12CP (97.66%)	Export 12CP * 20% (2.34%)	$1.65	$1.78

1 This page has been left blank intentionally.

UNDERTAKING JT-2.4

Reference:

Reference not provided

Undertaking:

Elenchus to model the impacts on its cost allocation study filed in this proceeding of change that would result in congestion rents being reimbursed from the IESO directly to Hydro One, in the same way that the ETS rates are collected by the IESO and remitted to Hydro One; to model the impact of that on the study.

Response:

The scenario is provided as JT2.4 Attachment 1.

Export Congestion Rents from Table 10 of HONI-I-01-01 Attachment 1, $114.7 million in 2021, is included in the ETS cost allocation model as a Revenue Offset. As noted in the IESO's report (Attachment 3 of the ETS Rate Submission) and Power Advisory evidence, Export Congestion Rents are expected to decline if there is an increase in the ETS rate. The figure used as the Export Congestion Rents revenue is actual 2021 revenue and does not represent a reasonable forecast of Export Congestion Rents at a different ETS rate.

A new allocator is included to allocate congestion rents by the same proportions that the IESO remits the Transmission Rights Clearing Account. This allocation is based on relative TRCA Disbursements from Table 5 of HONI-I-01-01 Attachment 1. Elenchus notes the allocation is based on the IESO'S methodology and Elenchus has not proposed a methodology for allocating Export Congestion Rents.

The Total Rates Revenue Requirement, Domestic Rates Revenue Requirement, Export Rates Revenue Requirement, and resulting ETS rate with Export Congestion Rents included (as described above) are provided for each scenario in the following tables.

Fully Allocated (100% 12CP)	2021 Elenchus Study	With Export Congestion Rents	% Change
Total Rates Revenue Requirement	$1,800,412,703	$1,685,712,703	-6.4%
Domestic Rates Revenue Requirement	$1,676,812,075	$1,564,218,810	-6.7%
Export Rates Revenue Requirement	$123,600,628	$121,493,894	-1.7%
ETS Rate ($/MWh)	$6.07	$5.96	-1.8%

Hybrid Model (50% 12CP)	2021 Elenchus Study	With Export Congestion Rents	% Change
Total Rates Revenue Requirement	$1,800,412,703	$1,685,712,703	-6.4%
Domestic Rates Revenue Requirement	$1,731,166,017	$1,618,572,751	-6.5%
Export Rates Revenue Requirement	$69,246,687	$67,139,952	-3.0%
ETS Rate ($/MWh)	$3.40	$3.29	-3.2%

Curtailment Model (80% 12CP)	2021 Elenchus Study	With Export Congestion Rents	% Change
Total Rates Revenue Requirement	$1,800,412,703	$1,685,712,703	-6.4%
Domestic Rates Revenue Requirement	$1,697,841,449	$1,585,248,184	-6.6%
Export Rates Revenue Requirement	$102,571,255	$100,464,520	-2.1%
ETS Rate ($/MWh)	$5.03	$4.93	-2.0%

Please note that differences between the percentage change in the Export Rates Revenue Requirement and percentage change in the ETS Rate are due to rounding of the ETS rate.

UNDERTAKING JT-2.5

Reference:

Reference not provided

Undertaking:

Elenchus to model the impacts on the Elenchus cost allocation study of an assumed change that would have the balances of the transmission rights clearing account remitted directly to Hydro One transmission, as opposed to just disbursed to the benefit of ratepayers the way it currently is.

Response:

The scenario is provided as JT2.5 Attachment 1.

The sum of Transmission Rights Payments to Rights Holders and Transmission Rights Clearing Account ("TRCA") Disbursements from Table 4 of HONI-I-01-01 Attachment 1, $214.5 million in 2021, is included in the ETS cost allocation model as a Revenue Offset. As noted in the IESO's report (Attachment 3 of the ETS Rate Submission) and Power Advisory evidence, Export Congestion Rents, and therefore the TR balances, are expected to decline if there is an increase in the ETS rate. The figure used as the TR disbursement is actual 2021 disbursements and does not represent a reasonable forecast of the TR disbursement at a different ETS rate.

A new allocator is included to allocate TR disbursements by the same proportions that the IESO remits the Transmission Rights Clearing Account. This allocation is based on relative TRCA Disbursements from Table 5 of HONI-I-01-01 Attachment 1. Elenchus notes the allocation is based on the IESO'S methodology and Elenchus has not proposed a methodology for allocating TRCA Disbursements.

The Total Rates Revenue Requirement, Domestic Rates Revenue Requirement, Export Rates Revenue Requirement, and resulting ETS rate with TR disbursements included (as described above) are provided for each scenario in the following tables.

Fully Allocated (100% 12CP)	2021 Elenchus Study	With TR Disbursements	% Change
Total Rates Revenue Requirement	$1,800,412,703	$1,585,912,703	-11.9%
Domestic Rates Revenue Requirement	$1,676,812,075	$1,466,251,871	-12.6%
Export Rates Revenue Requirement	$123,600,628	$119,660,833	-3.2%
ETS Rate ($/MWh)	$6.07	$5.87	-3.3%

Witness: Elenchus Research Associates

Hybrid Model (50% 12CP)	2021 Elenchus Study	With TR Disbursements	% Change
Total Rates Revenue Requirement	$1,800,412,703	$1,585,912,703	-11.9%
Domestic Rates Revenue Requirement	$1,731,166,017	$1,520,605,813	-12.2%
Export Rates Revenue Requirement	$69,246,687	$65,306,891	-5.7%
ETS Rate ($/MWh)	$3.40	$3.20	-5.9%

Curtailment Model (80% 12CP)	2021 Elenchus Study	With TR Disbursements	% Change
Total Rates Revenue Requirement	$1,800,412,703	$1,585,912,703	-11.9%
Domestic Rates Revenue Requirement	$1,697,841,449	$1,487,281,245	-12.4%
Export Rates Revenue Requirement	$102,571,255	$98,631,459	-3.8%
ETS Rate ($/MWh)	$5.03	$4.84	-3.8%

Please note that differences between the percentage change in the Export Rates Revenue Requirement and percentage change in the ETS Rate are due to rounding of the ETS rate.