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BY EMAIL AND RESS

August 11, 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 – Presentation Day/ Amended Undertakings

Please find enclosed Presentation Day undertaking JP 1.02, filed on behalf of Elenchus Research Associates.

In regards to Presentation Day undertaking JP 1.01, Hydro One notes that JT 1.03 filed last Friday August 5th addressed the Panel's request set out in JP 1.01.

Also enclosed herein are amended undertakings JT 2.04 and JT 2.05. These undertakings have been amended to reflect clarification from APPrO as to the intention for the undertakings.

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 JP-1.2

Reference:

OEB Staff Interrogatory 7

Undertaking:

To update the table provided in response to staff 7, part b to include the cost of other transmitters.

Response:

The requested table is provided below. The components of the ETS rate are scaled up by 7.77%, accounting for the Network Pool revenue requirements of other transmitters.

Cost Category	Function	Domestic Allocation		Export Allocation		ETS Rate	Other Transmitters (7.77%)	Adjusted ETS Rate
		$	%	$	%			
OM&A & Other Expenses	Shared	$267,279,644	92.3%	$22,260,645	7.7%	$1.09	$0.08	$1.18
	Interconnect	$0	0.0%	$3,063,343	100.0%	$0.15	$0.01	$0.16
Asset-Related Costs	Shared	$807,660,588	100.0%	$0	0.0%	$0.00	$0.00	$0.00
	Interconnect	$0	0.0%	$8,629,802	100.0%	$0.42	$0.03	$0.46
					ETS $/MWh=	**$1.67**	**$0.13**	**$1.80**

Please note the sum of components may not match totals due to rounding.

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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.

Amended Response:

This response has been amended to reflect clarification from APPrO as to the intention for the Undertaking. As clarified by APPrO, the request was intended to ask for congestion rent revenues to be allocated by the proportions that congestion rents are paid to the IESO, rather than by the proportions the TRCA is disbursed by the IESO to market participants as initially assumed.

The scenario is provided as JT2.4 Attachment 1 - Amended.

The sum of Export Congestion Rents from Table 8 of HONI-I-01-01 Attachment 1 ($99.4 million in 2020) and Import Congestion Rents from Table 11 of the same attachment ($6.3 million in 2020) are 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 2020 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 collects congestion rents from exports and imports. This allocation is based on 2020 export congestion rents from Table 8 of HONI-I-01-01 Attachment 1 ($99.4 million) and 2020 import congestion rents from Table 11 of the same attachment ($6.3 million). Elenchus notes it has not proposed a methodology for allocating congestion rent revenues.

This scenario effectively refunds congestion rents paid by exporters back to the Export class, plus an allocation of transmission rights revenues, by way of lower ETS rates. The share of the total revenue requirement allocated to the Export rate class is offset by $99.4 million (revenue from 2020 export congestion rents), which translates to a $4.88/MWh reduction to each of the three ETS rates provided in the Elenchus report.

The revenue recovered from a class for one service should not be the basis for reducing revenues to be collected for a separate service. Using a pole attachment analogy, pole attachment charges are mostly paid by customers in the USL class, but pole attachment revenues are used to offset distribution system costs for all classes, rather than just the USL class. This ETS scenario proposes for revenues collected for congestion capacity on interties to be used as the basis for reducing revenues collected for the Export class's portion of shared network costs with no benefit to the Domestic class.

In VECC-18.2 and pages 186-189 of the July 28 transcript, the IESO described a change in behaviour following the recent change in the allocation of TRCA disbursements. The IESO suggested that if exporters receive a material portion the TRCA disbursement it would impact their congestion pricing bids and cause market distortions. In this scenario requested by APPrO, Exporters would get more of their money back through lower ETS rates so congestion rents would increase and distort the market to a greater extent.

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	$1,694,712,703	-5.9%
Domestic Rates Revenue Requirement	$1,676,812,075	$1,670,512,075	-0.4%
Export Rates Revenue Requirement	$123,600,628	$24,200,628	-80.4%
ETS Rate ($/MWh)	$6.07	$1.19	-80.4%

Hybrid Model (50% 12CP)	2021 Elenchus Study	With Export Congestion Rents	% Change
Total Rates Revenue Requirement	$1,800,412,703	$1,694,712,703	-5.9%
Domestic Rates Revenue Requirement	$1,731,166,017	$1,724,866,017	-0.4%
Export Rates Revenue Requirement	$69,246,687	($30,153,313)	-143.5%
ETS Rate ($/MWh)	$3.40	($1.48)	-143.5%

Curtailment Model (80% 12CP)	2021 Elenchus Study	With Export Congestion Rents	% Change
Total Rates Revenue Requirement	$1,800,412,703	$1,694,712,703	-5.9%
Domestic Rates Revenue Requirement	$1,697,841,449	$1,691,541,449	-0.4%
Export Rates Revenue Requirement	$102,571,255	$3,171,255	-96.9%
ETS Rate ($/MWh)	$5.03	$0.16	-96.8%

The Total Rates Revenue Requirement is HONI's $1.823 billion transmission revenue requirement, net of deferral and variances accounts and external revenues (including Transmission Rights revenues). The Domestic and Export Rates Revenue Requirements are the portions of the Total Rates Revenue Requirement attributed to each class. 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.

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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.

Amended Response:

This response has been amended to reflect clarification from APPrO as to the intention for the Undertaking. As clarified by APPrO, the request was intended to ask for the transmission rights clearing account to be allocated by the proportions congestion rents are paid to the IESO, rather than by the proportions the TRCA is disbursed by the IESO to market participants as initially assumed.

The scenario is provided as JT2.5 Attachment 1 - Amended.

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, $204.5 million in 2020, 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 2020 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 collects congestion rents from exports and imports. This allocation is based on 2020 export congestion rents from Table 8 of HONI-I-01-01 Attachment 1 ($99.4 million) and import congestion rents from Table 11 of the same attachment ($6.3 million). Elenchus notes it has not proposed a methodology for allocating the TRCA.

This scenario effectively refunds congestion rents paid by exporters back to the Export class, plus an allocation of transmission rights revenues, by way of lower ETS rates. The share of the total revenue requirement allocated to the Export rate class is offset by $194.3 million, which translates to a $9.44/MWh reduction to each of the three ETS rates provided in the Elenchus report. This amount per MWh is greater than each of the ETS rates provided in Elenchus' study so each of the revised rates is negative.

The revenue recovered from a class for one service should not be the basis for reducing revenues to be collected for a separate service. Using a pole attachment analogy, pole attachment charges are mostly paid by customers in the USL class, but pole attachment revenues are used to offset distribution system costs for all classes, rather than just the USL class. This ETS scenario proposes for revenues collected for congestion capacity on interties to be used as the basis for reducing revenues collected for the Export class's portion of shared network costs, with no benefit to the Domestic class.

In VECC-18.2 and pages 186-189 of the July 28 transcript, the IESO described a change in behaviour following the recent change in the allocation of TRCA disbursements. The IESO suggested that if exporters receive a material portion the TRCA disbursement it would impact their congestion pricing bids and cause market distortions. In this scenario requested by APPrO, Exporters would get more of their money back through lower ETS rates so congestion rents would increase and distort the market to a greater extent.

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	$1,595,912,703	-11.4%
Domestic Rates Revenue Requirement	$1,676,812,075	$1,664,623,333	-0.7%
Export Rates Revenue Requirement	$123,600,628	($68,710,630)	-155.6%
ETS Rate ($/MWh)	$6.07	($3.37)	-155.5%

Hybrid Model (50% 12CP)	2021 Elenchus Study	With TR Disbursements	% Change
Total Rates Revenue Requirement	$1,800,412,703	$1,595,912,703	-11.4%
Domestic Rates Revenue Requirement	$1,731,166,017	$1,718,977,275	-0.7%
Export Rates Revenue Requirement	$69,246,687	($123,064,571)	-277.7%
ETS Rate ($/MWh)	$3.40	($6.04)	-277.6%

Curtailment Model (80% 12CP)	2021 Elenchus Study	With TR Disbursements	% Change
Total Rates Revenue Requirement	$1,800,412,703	$1,595,912,703	-11.4%
Domestic Rates Revenue Requirement	$1,697,841,449	$1,685,652,707	-0.7%
Export Rates Revenue Requirement	$102,571,255	($89,740,004)	-187.5%
ETS Rate ($/MWh)	$5.03	($4.40)	-187.5%

The Total Rates Revenue Requirement is HONI's $1.823 billion transmission revenue requirement, net of deferral and variances accounts and external revenues (including Transmission Rights revenues). The Domestic and Export Rates Revenue Requirements are the portions of the Total Rates Revenue Requirement attributed to each class. 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.

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