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BY EMAIL AND RESS

February 1, 2024

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

Dear Ms. Marconi,

**EB-2022-0325 – Phase 2 of the Generic Hearing on Uniform Transmission Rates-Related Issues –
HONI submission on the recommendations from OEB staff regarding Issues 1, 2, and 3**

Further to Procedural Order No. 1 issued December 8, 2023, please find enclosed Hydro One's submissions regarding Issues 1, 2, and 3.

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

Sincerely,

A handwritten signature in black ink that reads "Uri Akselrud". The signature is written in a cursive, flowing style.

Uri Akselrud

1 **HYDRO ONE SUBMISSION ON**
2 **RECOMMENDATIONS FROM OEB STAFF REGARDING**
3 **ISSUES 1, 2, AND 3**
4

5 **INTRODUCTION**

6 These submissions are in response to Procedural Order No. 1 dated December 8, 2023
7 wherein the OEB requested input from intervenors on OEB staff's submissions on Issues
8 1-3 in this proceeding.
9

10 Hydro One has addressed each of Issues 1-3 in turn below. Preceding Hydro One's
11 submissions on each issue, Hydro One has reproduced the overview of the issue as set
12 out in the OEB's Notice of Hearing issued on October 27, 2023 (Notice) along with a
13 description of the submissions of OEB staff on each issue.
14

15 **1.0 ISSUE 1 - THE TIMING OF UTR DECISIONS**

16 Overview of the issue as described in Notice: Transmitter revenue requirements are
17 recovered through Uniform Transmission Rates (UTRs) which are charged to all
18 wholesale market participants, including electricity distributors. The UTRs are usually
19 established annually with an effective date of January 1, and are based on the revenue
20 requirements of Ontario's rate-regulated electricity transmitters. The timing of transmitter
21 revenue requirement proceedings does not always allow for the annual UTR decision to
22 be finalized in December for January 1. This can lead to forgone revenue, which must
23 then be calculated and included when UTRs are updated. In addition, new transmitters
24 are being added to UTRs when their assets come into service, and this does not always
25 align with a January 1 UTR update.
26

27 OEB staff recommendation: OEB staff submitted that the OEB's current practices for
28 addressing UTR timing-related issues that arise under several identified scenarios¹ by

¹ (a) transmitter revenue requirement proceedings that are not finalized in December for inclusion in January 1 UTRs, (b) new transmitters entering service after UTRs for the year have already been set, and (c) other updates during the calendar year.

1 issuing interim UTR decisions effective January 1, and final UTRs by way of updated UTR
2 decisions during the calendar year (including any deferral/variance accounts to address
3 potential implementation timing issues) should continue, since they have provided
4 transmitters with timely revenue adjustments.

5
6 OEB staff also noted that the new practice of issuing forecast UTRs is expected to
7 decrease the balances accumulated in the distributor's transmission variance accounts.

9 **1.1 HYDRO ONE SUBMISSION**

10 Hydro One takes no issue with OEB staff's submission to continue the current practices
11 regarding the timing of the UTR decisions including the issuance of UTRs effective
12 January 1 and any updates during the year as appropriate.

13
14 Furthermore, OEB staff's submission also referenced the new practice adopted by the
15 OEB of issuing forecast UTRs to establish Retail Transmission Service Rates (RTSRs)
16 which is anticipated to decrease balances accumulated in the distributors' transmission
17 variance accounts and minimize the regulatory lag related to timing differences between
18 when UTRs and RTSRs are set. Hydro One agrees with OEB staff that establishing
19 forecast UTRs minimizes the regulatory lag discussed above.²

21 **2.0 ISSUE 2 - NUMBER OF DECIMAL PLACES FOR UTRS**

22 Overview of the issue as described in Notice: UTRs paid by transmission customers are
23 calculated to two decimal places (unlike distribution rates, which are calculated to four
24 decimal places).

25
26 OEB staff recommendation: In their submission, OEB staff noted that the maximum impact
27 of increasing the number of decimal places for UTRs from two to four is approximately
28 \$0.01/kW/Month. Their analysis showed that the resulting increase in the revenue
29 requirement for any rate pool does not meet the individual transmitter's materiality

² 2024 Preliminary Uniform Transmission Rates and Hydro One Sub-Transmission Rates, September 28, 2023 (EB-2023-0222)

1 threshold as specified in Chapter 2 of the OEB's Filing Requirements for Electricity
2 Transmission Applications. As such, OEB staff has submitted that the UTRs should remain
3 at two decimal places to avoid adding administrative burden or potential implementation
4 costs. Their submission further noted that if through future OEB initiatives, including other
5 issues that may evolve through the OEB's Generic Hearing on UTR-related issues, there
6 becomes a need for four decimal places, the OEB could revisit this issue at that time.

8 **2.1 HYDRO ONE SUBMISSION**

9 Hydro One does not object to OEB staff's submission to maintain the UTRs to 2 decimal
10 places, but would like to provide the following additional details with respect to UTRs to
11 ensure that the OEB has the appropriate information available to make an informed
12 decision on this issue:

- 14 • Hydro One notes that Tables 1 and 2 in OEB staff's submission show that the
15 maximum impact of increasing the number of decimal places from two to four is
16 approximately \$0.01/kW/Month per UTR charge. Hydro One notes that the
17 maximum impact of increasing the number of decimal places for the UTRs, from
18 two to four, will be +/- \$0.005/kW/Month per UTR charge (half of the impact
19 identified by OEB staff). As submitted by OEB staff, Network UTR for example, will
20 either go down from the value of \$5.37 to as low as \$5.3650 or go up to as high as
21 \$5.3749, resulting in a change of +/- \$0.005/kW/Month in the UTR charge. As such,
22 Hydro One notes that the total dollar impact on provincial transmission revenues
23 will be +/- \$3.3M instead of +\$6.6M as noted in Tables 1 and 2 in the OEB staff
24 submission.
- 25 • Hydro One submits that when assessing the impact of changes to the number of
26 decimal places for UTRs against the established materiality thresholds for each
27 transmitter, the impact on transmitter's total revenue requirement should also be
28 considered (i.e. Network + Line Connection + Transformation Connection) in the
29 context of the OEB-prescribed materiality threshold, as opposed to the individual
30 impact on revenue requirement for each rate pool.

- 1 • Hydro One further notes that for transmission-connected Local Distribution
2 Companies (LDCs), the RTSRs are meant to recover the transmission charges
3 paid by these LDCs to the IESO (through UTRs) which are set to four decimal
4 places. As such, increasing the decimal places for UTRs, to be consistent with the
5 RTSRs, might help mitigate some of the variance between transmission revenues
6 collected and charges paid by these LDCs.

7
8 Additionally, Hydro One agrees with OEB staff that there might be a need to revisit the
9 decision based on future OEB initiatives, including as other issues in this generic
10 proceeding are addressed.

11
12 **3.0 ISSUE 3 – PRORATING TRANSMISSION CHARGES FOR NEW CONNECTIONS**
13 **TO ACCOUNT FOR WHEN THE CONNECTION TOOK PLACE IN THE MONTH**

14 Overview of the issue as described in Notice: Transmission customers are charged a
15 monthly rate (\$ per kW) for line connection billing demand and a monthly rate (\$ per kW)
16 for transformation connection billing demand. Line connection and transformation
17 connection charges for newly connected transmission customers in their first month of
18 connection are not revised upward³ or downward in proportion to when in the month the
19 new connection was made.

20
21 OEB staff recommendation: OEB staff submitted that the line connection and
22 transformation connection charges for new connections should be prorated to account for
23 when in the month the connection was made, as it follows the principle of cost-follows-
24 benefit. OEB staff also acknowledged that the proration of line connection and
25 transformation connection charges may have revenue impacts for transmitters. However,
26 it is their expectation that the impacts are unlikely to be material, given the low frequency
27 of new connections.

³ Hydro One notes that the word “upward” in the description in the Notice is not applicable because charges would only be revised downwards when prorated.

1 Furthermore, OEB staff submission included the following additional details with respect
2 to the proposed proration approach:

- 3 • Proration should be based on simple calendar days. For example, if a new
4 customer connects on the 20th day of the month with 30 days, their charges should
5 be prorated to reflect 10 days of service.
- 6 • Proration can be calculated on the basis of the total charge (e.g., \$/month), the
7 connection rate (e.g., \$/kW/month), or on the billing demand (e.g., kW).
- 8 • The OEB should work with IESO and others as applicable to work out all
9 implementation matters.
- 10 • Proration should apply to new connections in the future, beginning on an effective
11 date to be specified.
- 12 • The OEB should work with transmitters to determine if anything should be done to
13 address the revenue impacts that the prorations might have on transmitters.

14 15 **3.1 HYDRO ONE SUBMISSION**

16 Hydro One does not object to the proration approach proposed by OEB staff for line
17 connection and transformation connection charges for new connections. However, Hydro
18 One notes that there needs to be an established definition of the types of connections that
19 qualify for proration under the proposed approach. The following examples of additional
20 scenarios should be considered while defining the types of connections that qualify for the
21 proration:

- 22 • changes in facility ownership which can occur mid-month due to a purchase, a
23 merger or an acquisition; and
- 24 • facility disconnections which can occur mid-month due to a business shutting
25 down, a sale of a business or a merger with another business.

26
27 Furthermore, Hydro One notes that OEB staff's submission did not propose a proration
28 approach for the Network charge which represents the largest component of the
29 transmission-connected customers' bill. OEB staff's submission is consistent with the
30 definition of the issue in the Notice which only covered the proration of line connection and
31 transformation connection charges. Hydro One submits that consideration also needs to
32 be given to potential proration of the Network charge, including a methodology taking into

1 account a new connection before and after the coincidence peak date for the given month.
2 If OEB staff intentionally did not include the Network charge in the proration proposal (i.e.,
3 for a reason other than the fact that the Network charge was not explicitly mentioned in
4 the Notice), Hydro One would appreciate for OEB staff to provide the reasons as to why
5 the Network charge was not included in the proration proposal.