

BY EMAIL AND RESS

December 16, 2024

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

Hydro One Networks Inc.

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Jason Savulak

Acting Director
Regulatory Compliance
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Dear Ms. Marconi,

RE: Application to Amend Hydro One Sault Ste. Marie LP's Transmission Licence

On behalf of Hydro One Sault Ste. Marie LP ("HOSSM"), Hydro One Networks Inc. ("Hydro One") is requesting that HOSSM's Transmission Licence be amended to allow for HOSSM to apply Gross Load Billing (GLB) in a manner that does not conform with the current rules in the Uniform Transmission Rate (UTR) Schedule. The amendment is requested to address a unique scenario, which was not contemplated when the GLB rules were established, involving a HOSSM customer's embedded generation connection. This amendment will enable HOSSM to bill this customer for their transmission service charges in a manner that is both fair and appropriate given the circumstances of this unique scenario.

BACKGROUND

HOSSM is a licensed transmitter who owns and operates transmission facilities that connect northern Ontario to southern Ontario. As a regulated entity, HOSSM's transmission revenue is determined based on the charge determinants set by the Ontario Energy Board ("OEB") in the UTR Order.

Algoma Steel Inc. (the "Customer") has an existing connection to HOSSM's transmission system and is in the process of connecting a new 140 MW facility, EAF CTS, to its existing facilities, which is expected to go into service in the first quarter of 2025. HOSSM's system is constrained in the area where the Customer is connected and currently has capacity to only supply up to 30 MW via HOSSM's COGEN#1 and COGEN #2 transmission circuits. Due to the limited supply capacity available, the Customer will be installing a load displacement generation facility to supply the remaining load that can't be supplied from the system.

Due to the size of the Customer's embedded generation, the Customer's Line and Transformation Connection service charges shall be billed on a gross load basis in accordance with Note #3 of the OEB's UTR Schedule, as follows:

"The Billing Demand for Line and Transformation Connection Services is defined as the Non-Coincident Peak demand (MW) in any hour of the month. The customer demand in any hour is the sum of (a) the loss-adjusted demand supplied from the transmission system plus (b) the demand that is supplied by an embedded generator unit for which the

required government approvals are obtained after October 30, 1998 and which have installed capacity of 2MW or more for renewable generation and 1 MW or higher for non-renewable generation on the demand supplied by the incremental capacity associated with a refurbishment approved after October 30, 1998, to a generator unit that existed on or prior to October 30, 1998. The Biomass, Bio-oil, Bio-gas, landfill gas, or water. The demand supplied by embedded generation will not be adjusted for losses.”

Since the Customer owns the transformer station for its load facility, the Customer does not pay charges for Transformation Connection service and only the Customer's Line Connection service charges are subject to GLB. However, although HOSSM's system is unable to supply the Customer's total load once the new EAF CTS is connected, HOSSM is required to gross load bill the Customer's Line Connection service charges based on the Customer's non-coincident peak demand as part Note #3. HOSSM does not believe that it would be fair or appropriate to apply GLB to the Customer's Line Connection service charges based on its non-coincident peak demand and requests an amendment to its licence that would permit the use of an alternative approach to GLB to address the unique circumstances of this scenario.

PROPOSED AMENDMENT & RATIONALE

Under normal circumstances, the transmission system would be capable of supplying the full load of any customer connected to the system, regardless of whether the customer installs embedded generation to reduce their demand. However, in this case, there is no feasible solution for upgrading HOSSM's transmission system to supply the Customer's increased load when the Customer's new facility is expected to go in service. Given the limitations of HOSSM's system, the Customer has decided to install embedded generation as a means for making up for the shortfall and meeting its supply needs.

Since HOSSM's COGEN#1 and COGEN #2 transmission circuits can only supply up to 30 MW of the Customer's load, HOSSM is seeking approval from the OEB through a licence amendment to gross load bill the Customer for its Line Connection service charges up to the maximum capacity that can be supplied by the transmission system (instead of the Customer's non-coincident peak demand, as required by the UTR Schedule). For this scenario, HOSSM believes that the proposed approach is fair and appropriate to the Customer and taking this approach would not have any impact to ratepayers.

Both the Customer and the Independent Electricity System Operator (IESO) have agreed to the proposed GLB approach. Since the IESO is responsible for collecting transmission services charges from transmission customers and reimbursing Ontario transmitters, HOSSM will request that the IESO gross load bill the Line Connection service rate in the UTR Schedule up to a maximum 30 MW.

HOSSM is therefore requesting that the OEB amend its licence and provide an exemption from Section 4.2.2 of the Transmission System Code that would allow HOSSM to apply the approach outlined above, notwithstanding the otherwise applicable provisions in the UTR Schedule, for GLB the Customer's Line Connection service charges. Specifically, HOSSM requests that GLB be applied to the Customer's Line Connection service charge up to a maximum of 30 MW.

Please do not hesitate to contact me if you have any questions related to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jason Savulak', with a stylized, flowing script.

Jason Savulak