

BY EMAIL AND RESS

January 23, 2025

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

Dear Ms. Marconi,

EB-2024-0199 – Vulnerability Assessment and System Hardening Project

OVERVIEW

On December 17, 2024, the OEB issued a draft version of the Vulnerability Assessment Report (“**VA Report**”) and the Vulnerability Assessment Toolkit (“**VA Toolkit**”) as a part of the OEB’s Vulnerability Assessment and System Hardening (“**VASH**”) initiative. The OEB invited stakeholders to provide written feedback on the draft VA Report and VA Toolkit by January 23, 2025.

The OEB launched the VASH project in June 2024 to address three directives from the Minister’s Letter of Direction in November 2023, intended to improve distribution resiliency. Hydro One was pleased to participate in three stakeholder meetings in Q3 and Q4 2024, hosted by the OEB, to discuss the Vulnerability Assessment (“**VA**”) component of the VASH initiative. The latest Letter of Direction issued by the Minister of Energy and Electrification in December 2024 supports continued focus on strengthening the resiliency of the distribution sector in a cost-effective manner.

Hydro One appreciates the opportunity to review the draft VA Report and VA Toolkit. Hydro One is pleased to provide the following written comments for your consideration.

SUMMARY OF KEY FEEDBACK

Hydro One supports the development of an enduring and pragmatic VASH framework that creates value for customers, provides regulatory certainty for resiliency-enhancing investments, and that is applied consistently by distributors across Ontario.

Hydro One’s key recommendations are as follows:

- The orientation of the Generic Option should be more focused on chronic climate risks, and less on managing extreme/major events. Managing climate change risk is vital to building a more resilient grid to a range of weather conditions.
- Consider reduced performance of assets in the Generic Option methodology to produce an optimal selection of climate resilient outcomes.

- Eliminate discrepancies between the information requirements for Custom and Generic Options.
- Exempt utilities that proactively developed VAs prior to the development of this framework from the information requirements of the Custom Option.
- Provide a longer period of time between the implementation of the requirement to complete a VA and the requirement to produce Distribution System Plans (“**DSP**”) informed by the VASH framework.
- Establish a deferral and variance account (“**DVA**”) for investments that are justified by a VA, but not yet incrementally captured in a DSP, so that the recommendations on timing above do not delay utilities from taking action.
- Provide guidance and examples for distributors using the Generic Option on climate scenarios, modelling expectations, tolerances and thresholds to consider, setting consistent expectations for distributors.

DETAILED COMMENTS ON THE DRAFT VA REPORT

Hydro One acknowledges the flexibility preserved in the draft VA Report and the two options available for distributors to conduct their VA. The explanations and examples provided for the Generic Option provide guidance for distributors to consider and assess vulnerabilities due to climate changes.

Focus on Chronic Climate Risks

Hydro One was very pleased with the 2024 Ministry Report on Vulnerability Assessment for Ontario’s Electricity Distribution Sector, which provided a comprehensive analysis of the impacts of climate change on the distribution sector and emphasized the risks due to chronic climate events and the challenges presented in the need for long term investments.

However, from the outset, the VASH project was scoped to focus on managing the vulnerabilities due to extreme weather events. In Hydro One’s experience, forecasting of climate perils associated with extreme weather events is challenging and has significant limitations due to the small spatial and time scales at which the events occur, as well as the shortness of the historical record relative to the rarity of the events. Forecasting of chronic events have higher confidence as they explore climate hazards such as wind/ice, flooding, wildfire, heatwaves, tornadoes and summer heat and their impact over larger temporal and spatial scales.

Hydro One recommends that the OEB focus on vulnerabilities to the distribution sector due to chronic risks and longer-term impacts of climate change in the Generic Option, aligning with the Ministry’s Report. Managing these chronic risks is crucial in advancing a more resilient grid.

Consider Asset Performance Limitations

Hydro One recommends that in addition to considering asset failure, the Generic Option should also consider the compromised or reduced performance of assets (which would eventually lead to a failure). This would ensure that climate resilient investments for long-term performance are optimally selected, resulting in more cost-effective outcomes.

Expectations for Custom VA Option

Hydro One recommends the removal of the last bullet under the Custom Option information requirements, “[an] explanation of how the Custom VA is used in the context of distribution system planning and how it relates to the VoLL and BCA”.

First and foremost, it is not clear that this is an explicit requirement of the Generic Option, creating a disparity between the two approaches. Moreover, neither the VoLL nor the BCA have been developed, and so it is difficult to comment more specifically on the merits of this proposal.

VASH Framework Implementation Considerations

Hydro One respectfully submits that the effective date of the filing requirements in the VASH Report remains vague and, depending on how they are interpreted, potentially not feasible.¹

Even if utilities were to commence a VA immediately following the conclusion of the VASH consultation, more time is required than currently provided to complete all of the following: (1) initiating and completing the VA; (2) completing at least one full planning cycle prior to finalizing a DSP; (3) developing, filing and hearing a rate application within which a DSP is filed; and, (4) implementing the first year of the new investment plan.

Since the timeframe to prepare a major, complex rebasing application is significant and overlaps with the proposed schedule of the VASH Report, there may not be sufficient time for Hydro One to incorporate the full VASH framework in its 2028-2032 rates application. Moreover, Custom IR applicants typically file two calendar years ahead of the effective date, not one as implied by the VASH Report.

Hydro One respectfully requests greater specificity from the OEB along the following lines:

- The OEB should select a single basis year for the effective date of the filing requirements for the VA – either the year in which the application is filed (2026) or the year for which rates are determined (2027), but not both.
- The OEB should be clear that all that is required for that date is to file a completed VA that meets the criteria.
- The OEB should be clear that the effective date does not extend to the filing of DSPs informed by a completed VA, which will take longer to prepare for the reasons noted above.

¹ Page 19 of the VASH Report

Notwithstanding these comments, Hydro One supports action to advance resiliency. To encourage distributors to integrate and apply the VASH framework following the conclusion of a VA conducted by the distributor, Hydro One recommends that the OEB establish a DVA to record the associated revenue requirement of incremental resiliency investments informed by a completed VA. If approved, distributors would have more flexibility in the near-term and not have to wait until future rebasing applications.

Finally, the OEB's Custom Option should be made sufficiently flexible to allow utilities that undertook VAs prior to this new framework being established to be "grandfathered" into the new framework. Hydro One recommends that distributors that have already completed VAs be exempt from the strict information requirements so as to not have to duplicate work.

Additional Generic Option Guidance and Examples

Hydro One supports the OEB's consideration to acquire a suitable dataset for the climate input data that can be consistently used by distributors in conducting their VA under the Generic Option.

Hydro One recommends that the OEB consider providing additional guidance and worked out examples for the Generic Option. These may include climate scenarios that may be applied (i.e. moderate or high emission scenario), climate modelling expectations (i.e. CMIP5), and hazards/variables of interest. Also, guidance in defining appropriate risk tolerances and vulnerability thresholds for failure modes would be valuable to ensure that distributors are consistently computing and evaluating risk across Ontario. This will ensure that the red/yellow/green risk scores in the heat maps are based on the same risk tolerances, with appropriate consideration for geography.

CONCLUSION

Hydro One thanks the OEB for the opportunity to provide the above comments. Hydro One would welcome the opportunity to engage with OEB staff at any time to contribute to the advancement of this important initiative.

Sincerely,



Kaleb Ruch
Director, Regulatory Policy & Strategy
Hydro One Networks Inc.