



HYDRO ONE NETWORKS INC. ON BEHALF OF HYDRO ONE SAULT STE. MARIE LP

EB-2024-0357

**REQUEST FOR A LICENCE AMENDMENT –
TRANSMISSION SYSTEM CODE EXEMPTION RELATED
TO GROSS LOAD BILLING**

BY DELEGATION, BEFORE: Brian Hewson
Vice President
Consumer Protection and Industry Performance

May 6, 2025

INTRODUCTION

On December 16, 2024, Hydro One Networks Inc. on behalf of Hydro One Sault Ste. Marie LP (HOSSM), a licensed electricity transmitter (ET-2007-0649), applied for approval of an amendment to HOSSM's licence for an exemption from section 4.2.2 of the OEB's *Transmission System Code* (TSC) that would set a limit on the amount of capacity for gross load billing in relation to Line Connection service charges to address the unique circumstances involving Algoma Steel Inc. (Algoma Steel).¹

This Decision and Order is being issued by the delegated authority, without a hearing, under section 6 of the *Ontario Energy Board Act, 1998*. For the reasons set out below, the OEB grants HOSSM's request to amend its licence to include an exemption from section 4.2.2 of the TSC in order to establish a limit at 30 MW for gross load billing related to Line Connection service charges to take into account the unique circumstances of the customer in this case, as described below.

On March 27, 2025, the OEB issued its [Phase 2 Decision](#) in the matter of a Generic Hearing on Uniform Transmission Rates (UTRs), EB-2022-0235 (the Phase 2 Decision) which, among other matters, directed that a Working Group be formed to report back on certain issues. One of those issues is the question of establishing criteria for the purpose of exempting customers from the gross load billing provisions of the UTRs.

THE APPLICATION

In its Application, HOSSM explained the rationale for its request to limit the amount of capacity for which gross load billing would apply. HOSSM indicated that Algoma Steel has an existing connection to HOSSM's transmission system and is in the process of connecting a new 140 MW facility (an Electric Arc Furnace, referred to below as the EAF) which is expected to go into service in 2025. However, HOSSM's system is constrained in the area where Algoma Steel is connected and therefore has the capability to only supply up to 30 MW of the customer's 140 MW of new load via HOSSM's COGEN #1 and COGEN #2 transmission circuits. Due to the limited supply capacity available from the transmission system, Algoma Steel will need to rely on a load displacement generation facility to supply its remaining load (110 MW) that cannot be supplied from the system.

¹ Section 4.2.2 of the TSC states: "No transmitter shall charge a customer for any transmission service unless the charge has been approved by the Board."

HOSSM noted that the OEB's UTR rate order requires Line and Transformation Connection service charges to be billed on a gross load basis as it states the following in Note #3:

"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** ... The demand supplied by embedded generation will not be adjusted for losses." (emphasis added)

HOSSM noted that, under normal circumstances, the transmission system would be capable of supplying the full load of any load customer connected to the system, regardless of whether the customer installs embedded generation to reduce their demand from the system. However, in this case, there is no feasible solution to upgrade HOSSM's transmission system to supply all of Algoma Steel's new load.

HOSSM therefore expressed the view that it did not believe it would be fair or appropriate to gross load bill the Line Connection service charges on all 140 MW of Algoma Steel's new load given HOSSM's transmission system is unable to supply all that new load once the new EAF is in service. HOSSM is therefore requesting an amendment to its licence that would permit the use of an alternative approach to gross load bill the customer to address the unique circumstances in this case.

HOSSM's proposed alternative approach entails gross load billing Algoma Steel for its Line Connection service charges for up to the maximum load that can be supplied by the transmission system of 30 MW. HOSSM stated it believes that this proposed approach would be fair and appropriate in relation to the customer and that taking this approach would not have any negative impact on Ontario ratepayers. HOSSM added that Algoma Steel and the Independent Electricity System Operator (IESO) supported this proposed approach.

HOSSM clarified that the TSC exemption request is limited to the customer's Line Connection service charges because Algoma Steel owns the transformer station that steps down the voltage and therefore does not pay Transformation Connection service charges.

In the Phase 2 Decision, the OEB found that case-by-case exemptions from the UTR requirements for gross load billing are available and cited the current application. In that Decision, the OEB requested that the Working Group it established also look at certain

UTR matters, examine and report back on gross load billing exemptions, including clear criteria for gross load billing exemptions, such as (among other examples) transmission system constraints. The Decision indicated that any exemption criteria should be based on evidence supporting the need for an exemption and demonstrate alignment with system constraints and cost recovery principles.²

Findings

The OEB approves both the exemption from section 4.2.2 of the TSC and HOSSM's proposed alternative approach to gross load bill Algoma Steel for Line Connection service charges only on the maximum capacity of 30 MW that can be supplied by HOSSM's transmission system.

The OEB agrees it would not be fair or appropriate to apply gross load billing for the full 140 MW of new load because that would result in charging Algoma Steel for transmission service on 110 MW of demand that cannot be supplied by the transmission system.

The OEB finds that the proposed alternative approach of gross load billing on only 30 MW is consistent with the policy intent underlying the UTR rate order. That is, for connection assets that are dedicated to a load customer, gross load billing should be applied on the full amount of capacity that can be supplied by the transmission system. The OEB notes the purpose of gross load billing is to avoid uneconomic bypass and the related stranding of dedicated connection assets where the load customer installs embedded generation after they connect to the transmission system. In this case, the maximum amount of transmission capacity that could potentially be stranded is limited to 30 MW. The granting of this exemption is also consistent with the findings of the Phase 2 Decision that gross load billing may not be applicable in some circumstances, and that case-by-case exemptions may be appropriate.

While recognizing that the newly formed Working Group has been tasked with developing criteria for exemptions from the gross load billing requirements under the UTR, the OEB recognizes that HOSSM is seeking clarity about how it should bill Algoma Steel for transmission services commencing in 2025. The OEB considers it important and necessary to provide Algoma Steel with certainty about the billing approach for transmission services. The OEB expects that the findings in this Decision will inform the Working Group's discussions.

² Phase 2 Decision, p.35

IT IS ORDERED THAT:

1. Schedule 2 of the Electricity Transmission Licence of Hydro One Sault Ste. Marie LP is hereby amended by adding the following paragraph after Paragraph 1:

2) The Licensee is exempt from section 4.2.2 of the Transmission System Code for the sole purpose of limiting the application of gross load billing to Algoma Steel Inc. for Line Connection transmission service charges to the maximum capacity of up to 30 MW that can be supplied by the Licensee's transmission system through its COGEN#1 and COGEN #2 transmission lines.

The amended Transmission Licence is attached to this Decision and Order.

DATED at Toronto on May 6, 2025

ONTARIO ENERGY BOARD

Brian Hewson
Vice President
Consumer Protection and Industry Performance