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BY EMAIL AND RESS

July 31, 2025

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

Dear Ms. Marconi,

Re: EB-2025-0149 – Stakeholder Consultation on the Review of the OEB’s Filing Requirements for Electricity Transmission Applications - Chapter 1 and Chapter 2

Pursuant to the OEB’s letters dated June 5th and June 27th in this stakeholder consultation, attached are Hydro One’s reply submissions and comments with respect to the submissions made by other stakeholders on the changes proposed to the transmission filing requirements.

Sincerely,

A handwritten signature in black ink that reads "Kathleen Burke".

Kathleen Burke

ONTARIO ENERGY BOARD

EB-2025-0149

**STAKEHOLDER CONSULTATION ON THE REVIEW
OF THE OEB'S FILING REQUIREMENTS
FOR ELECTRICITY TRANSMISSION APPLICATIONS**

CHAPTER 1 AND CHAPTER 2

**REPLY SUBMISSION OF
HYDRO ONE NETWORKS INC.**

July 31, 2025

1 The following are Hydro One Networks Inc.'s (Hydro One) reply submissions and
2 comments on stakeholder comments regarding the changes proposed to the OEB's
3 transmission filing requirements. The focus of Hydro One's reply submissions is the
4 proposed section entitled "Custom IR Guidance for Transmitters with Minimal Capital
5 Expenditures". In addition to this, a short section on a procedural matter is also included.

6
7 ***Submissions on the proposed addition of the section entitled "Custom IR Guidance
8 for Transmitters with Minimal Capital Expenditures"***

9 The School Energy Coalition (SEC), Association of Major Power Consumers of Ontario
10 (AMPCO) and the Consumers Council of Canada (CCC) support the proposed addition of
11 the section entitled "Custom IR Guidance for Transmitters with Minimal Capital
12 Expenditures" (the "**Proposed Framework**").

13
14 CCC states that it agrees with the statements in the Proposed Framework that assert that
15 "the revenue requirement-setting framework for these transmitters requires unique
16 consideration and [...] the Revenue Cap IR option is inappropriate."¹ While Hydro One
17 agrees with CCC that the revenue requirement-setting framework for transmitters such as
18 Hydro One's Indigenous partnerships require unique consideration **it does not follow
19 from the above that the OEB should dictate the framework under which transmitters
20 such as Hydro One's Indigenous partnerships must now apply.** On the contrary, the
21 removal of flexibility will harm ratepayers by precluding innovative approaches that
22 balance the needs of Hydro One's partnerships, current and future, with ratepayer
23 protection. This is despite the fact that the OEB has said "Ratemaking should not be a
24 constraint to utility innovation and efficiency."² Moreover, the removal of flexibility will
25 result in Hydro One not being able to be responsive to the needs and circumstances of
26 each unique partnership, which is a critical part of ensuring meaningful First Nation
27 partnership in the transmission sector which is key to advancing action on reconciliation.

28
29 SEC asserts that the Proposed Framework "reflects the principles embedded in
30 settlements reached with several single asset transmitters in the fall of 2024"³. On this

¹ CCC submissions, p 1.

² EB-2023-0198 Decision and Order, page 18.

³ SEC submissions, p 1.

1 specific point Hydro One disagrees strongly that this is a reason to force certain
2 transmitters to apply under the Proposed Framework (which is very different than the one
3 reached under settlement in 2024) unless they can show that they should not have to. As
4 noted by Five Nations Energy Inc. (FNEI):

5
6 “[S]ettled cases are an inappropriate foundation for establishing a new rate
7 framework. Settlements occur in confidence and are intended to apply to
8 the specific circumstances of the parties participating based on various
9 trade-offs made in a confidential setting.”⁴

10
11 Hydro One agrees with FNEI’s comments above, and notes that Upper Canada
12 Transmission 2, Inc. (UCT2) makes a similar point regarding the fact that previous
13 settlements cannot, and should not, be uniformly applied to a series of other transmitters
14 who are not party to the settlement in question.⁵

15
16 Moreover, filing requirements are intended to be **guidelines with respect to the content**
17 **of an application and not to design a new revenue requirement framework.** Hydro
18 One agrees with the following statement made by UCT2:

19
20 [T]he present effort to update administrative filing requirements is not the
21 appropriate forum to propose substantive ratemaking changes that purport
22 to fundamentally alter and narrow SA Transmitter options for selecting a
23 revenue-setting framework. The proposed SA Framework would
24 implement, if adopted, a distinct policy change to the OEB’s Renewed
25 Regulatory Framework (“RRF”), which was the product of a multi-year
26 regulatory effort to create constructs that continue to serve as the basis for
27 rate-making in Ontario today.⁶

28
29 Hydro One further agrees with UCT2 that while it may appear convenient to introduce the
30 Proposed Framework as part of the update to the transmission filing requirements, the
31 proposed threshold test and framework go beyond the administrative changes suitable for
32 the present filing requirements update.

⁴ FNEI submissions, p 5.

⁵ UCT2 submissions, p 7.

⁶ UCT 2 submissions, p 4-5.

1 As stated by UCT2:

2

3 Where such fundamental ratemaking changes are contemplated or
4 proposed, the OEB typically undertakes a thorough consultation process
5 that involves extensive reports and reviews prepared by OEB staff or third
6 parties, a principles-first approach to identifying potential changes and
7 evaluating possible solutions, detailed analyses of potential economic and
8 other outcomes, and lengthier timelines for stakeholder feedback.⁷

9

10 Although the [amendments relating to the Proposed Framework] stand to
11 implement an across-the-board policy expectation for SA Transmitters that
12 eliminates revenue-setting options, the current effort purports to do so
13 absent the development of any public or evidentiary record of the financial,
14 regulatory, and other impacts of the changes, much less the incentives or
15 disincentives that such [amendments relating to the Proposed Framework]
16 may create⁸

17

18 Hydro One agrees with the above. As Hydro One stated in its July 23 submissions in this
19 proceeding, a revenue requirement framework and its components are for the OEB to
20 determine in the course of making its determination on a revenue requirement application.
21 It is not through the process of amending filing guidelines that rate-related conclusions
22 should be made. Rate-related conclusions are within the jurisdiction of the OEB and by
23 statute must be made by way of an order, and such order must be issued following a
24 proceeding (unless certain circumstances are met, and which have not been met here).

25

26 Finally, on the specific point made by SEC that the Proposed Framework should dictate
27 that there are to be no updates to cost of capital parameters during the rate term⁹, Hydro
28 One notes that similar to Hydro One's comments on the Proposed Framework in general,
29 this is yet another limit on the transmitters' ability to propose revenue requirement
30 frameworks that work for their particular needs. It is sufficient that the OEB Handbook
31 currently states that "the OEB does not expect to address annual rate applications for
32 updates for cost of capital, working capital allowance or sales volumes."¹⁰ Moreover as
33 noted by OEB Staff at the June 25 stakeholder session, in a circumstance where the

⁷ UCT2 submissions, p 5.

⁸ UCT2 submissions, p 5.

⁹ SEC submissions, p 3.

¹⁰ Handbook p 26.

1 capital component of a revenue requirement framework is not adjusted by inflation it can
2 be more problematic for applicants to be subject to a fixed cost of capital.¹¹

3
4 **To conclude regarding the Proposed Framework, it is Hydro One’s submission that**
5 **the section setting out the Proposed Framework should be removed in its entirety.**

6
7 If the Proposed Framework is not removed, ratepayers will be harmed as transmitters will
8 not be in a position to propose innovative approaches that balance the needs of the
9 transmitter with ratepayer protection.

10
11 **Moreover, with respect to Hydro One’s Indigenous partnerships, the removal of**
12 **flexibility imposed by the Proposed Framework will result in Hydro One’s loss of its**
13 **ability to be responsive to the needs and circumstances of each unique partnership,**
14 **which is a critical part of ensuring meaningful First Nation partnership in the**
15 **transmission sector which is key to advancing action on reconciliation.**

16
17 As Hydro One stated in its July 23rd submissions, in order to address the concern raised
18 with respect to the potential for declining rate base of transmitters with limited capital
19 additions, the filing requirements should require transmitters to propose a revenue
20 requirement framework which addresses this issue in a manner that is consistent with
21 RRF and appropriately balances the interests of ratepayers as well as the opportunity for
22 the transmitter to earn a fair return.

23
24 In other words, as stated by FNEI, the OEB should:

25
26 [A]llow transmitters to propose solutions to the OEB’s stated concern
27 regarding declining rate base, rather than imposing a rigid rate-setting
28 framework for all transmitters deemed “single-asset”.¹²

¹¹ Regarding the fixing of cost of capital at the beginning of a rate term, Staff said “what we are asking is is this appropriate because if you do not adjust the capital component of revenue requirement by inflation then maybe we are not ok with this, as applicants, because sometimes inflation tracks cost of capital.”

¹² FNEI submissions, p 4.

1 ***Submissions on procedural point***

2 Wataynikaneyap Power submits that given the potentially significant impacts of the
3 proposed amendments, stakeholders should be provided an opportunity to review and
4 comment on any revised draft of the proposed amendments before they are finalized.¹³

5 Hydro One agrees.

6

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All of which is respectfully submitted.

¹³ Wataynikaneyap Power submissions, p 6.