

BY EMAIL AND RESS

January 16, 2026

Mr. Richard Murray
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto, ON M4P 1E4

Dear Mr. Murray,

Re: EB-2022-0325 – Generic Hearing on Uniform Transmission Rates (UTRs) Phase 2 – Issue 5: Basis for Billing Energy Storage Facilities for Transmission – Hydro One’s Comments in Response to OEB Staff’s Update

On December 10, 2025, Ontario Energy Board (OEB) staff issued a letter inviting parties to provide comments on its proposed implementation of the Decision, issued March 27, 2025, in Phase 2 of the Generic Hearing on Uniform Transmission Rates (UTR) on issues related to Storage Facilities. Specifically, OEB Staff is seeking comments from parties in respect of:

- (a) its proposed approach for implementing the OEB’s decision to exempt transmission-connected Storage Facilities from paying transmission charges notwithstanding existing agreements entered into between a Transmitter and Storage Facility customer, and the associated proposed amendments to the UTR Schedule Terms and Conditions; and
- (b) proposed amendments to the UTR Schedule to clarify how embedded Storage Facilities should be assessed from a Gross Load Billing (GLB) standpoint.

Hydro One Networks Inc. (Hydro One) submits the following comments in response to proposals set out in OEB staff’s letter:

1) Proposed Definition for Electricity Storage Facility in the UTR Schedule

OEB staff has proposed to amend the UTR Schedule Terms and Conditions and define a Storage Facility as follows:

“ELECTRICITY STORAGE FACILITY has the meaning given to that term in O. Reg 610/98 under the Electricity Act. Unless otherwise exempt by the OEB, an Electricity Storage Facility is also a facility licensed as such by the OEB.”

O. Reg 610/98 defines an Electricity Storage Facility as a facility that:

- (a) is only connected to the IESO-controlled grid or the distribution system of a distributor licensed under Part V of the Ontario Energy Board Act, 1998; and

- (b) withdraws electricity from the IESO-controlled grid or the distribution system of a distributor licensed under Part V of the Ontario Energy Board Act, 1998 for the sole purpose of storing the electricity temporarily and then conveying that electricity or a portion of that electricity back into the IESO-controlled grid or a distribution system of a distributor licensed under Part V of the Ontario Energy Board Act, 1998.

The definition for an Electricity Storage Facility in the Electricity Act makes reference to a facility that is only connected to the IESO-controlled grid or the distribution system of a distributor and withdraws electricity from the IESO-controlled grid or distribution system for the sole purpose of storing that electricity temporarily and then conveying that electricity or a portion of that electricity back into the IESO-controlled grid. This definition appropriately captures Storage Facilities that are directly connected to the IESO-controlled grid or within a distributor’s distribution system. However, Storage Facilities embedded within a transmission customer’s or distribution customer’s facilities are not connected to the IESO-controlled grid or the distribution system and may not be used to convey electricity that they store back into the IESO-controlled grid or the distribution system.

In Hydro One’s view, OEB staff’s proposed definition for an Electric Storage Facility would not encompass all types of embedded Storage Facilities, which would present an issue if this definition is relied upon to assess GLB eligibility for embedded Storage Facilities. Hydro One believes that OEB staff should either modify the proposed definition in the UTR Schedule to ensure that it encompasses embedded Storage Facilities or clarify how the currently proposed definition applies to all embedded Storage Facilities.

2) Station Service Load for Transmission-Connected Energy Storage Facilities

To facilitate the transmission charge exemption for transmission-connected Storage Facilities, OEB Staff has also proposed to define the term “Charging Energy” in the UTR Schedule Terms and Conditions. This definition is necessary to distinguish between the energy withdrawn and stored by a Storage Facility and a typical energy withdrawal of an end-use load. In its letter, OEB Staff has proposed to define “Charging Energy” as follows:

“CHARGING ENERGY is the energy that an Electricity Storage Facility withdraws from the IESO-controlled grid, for the purpose of providing energy to the IESO-controlled grid in the circumstances set out in the Provincial Transmission Service Rate Schedule. Charging Energy is not an end-use load, and this energy can be withdrawn by the Electricity Storage Facility for storing energy in another form. As an example, a withdrawal to serve station service is an end-use load.”

For clarity, Hydro One requests that the OEB confirm whether station service load associated with the transmission-connected Storage Facilities is also exempt from transmission charges. Hydro One would like to note that existing connected Storage Facilities have IESO registered wholesale meters measuring on a combined basis both the electricity withdrawn by the transmission-connected Storage Facility as well as the associated station service load that is necessary to support the operation of the Storage Facility. If it is determined that the station service load of a transmission-connected Storage Facility should be subject to transmission charges, these Storage Facility customers would be required to install IESO wholesale

metering for their station service load or arrange for an additional distribution service supply. Both options will result in additional metering costs for Storage Facility customers.

3) Implementation of the Transmission Charges Exemption for Transmission-Connected Storage Facilities with Executed Connection Cost Recovery Agreements (CCRA)

OEB staff has recommended that a one-time connection cost true-up be performed for transmission-connected Storage Facilities that have executed a CCRA with the Transmitter and have connected (or will be connecting) to the Transmitter's transmission system. The true-up is required to reconcile changes to the economic evaluation for these projects arising from the OEB's decision to exempt transmission-connected Storage Facilities from paying transmission charges, as of April 1, 2026, and to determine whether an additional capital contribution must be collected from these Storage Facility customers to cover their connection cost. OEB staff has also proposed to provide Storage Facility customers, who have an executed CCRA and have been paying transmission charges, with the option of deferring the true-up until their economic evaluation period elapses. In this case, these Storage Facility customers would continue paying transmission charges until the economic evaluation period elapses.

First, Hydro One believes that the OEB should clarify further details regarding the one-time true-up. For example, the OEB should confirm when the transmitter is required to redo the economic evaluation, expectations and timing for revising the CCRA and when any additional capital contribution should be paid by a Storage Facility customer. The OEB should also confirm whether the IESO will be able to implement the exemption by April 1, 2026 (prior to this date) and what would occur if there are any delays related to the implementation.

Second, Hydro One does not believe that Storage Facility customers, who have previously connected under the terms and conditions of an executed CCRA, should be provided with the option of delaying their true-up and continuing to pay transmission charges until their economic evaluation elapses. Hydro One has consulted with Storage Facility customers who have connected to its system and none have opposed the need to true-up prior to April 1, 2026 or the potential requirement to provide an additional capital contribution prior to this date. In fact, Hydro One has already performed cost reconciliations with some customers. Furthermore, providing an additional option to delay the true-up could introduce other settlement or administrative complexities. For these reasons, Hydro One does not believe that it is necessary to provide options and that the true-up process should follow one set of rules.

4) GLB Threshold for Embedded Storage Facilities

In the Decision for EB-2022-0325, the OEB determined that the GLB threshold for Embedded Storage Facilities will be the same as the threshold for embedded renewable generation. However, the Decision did not provide an effective date for this change and Hydro One followed up with the OEB's Industry Relations on July 31, 202 seeking further clarification. Hydro One has no concerns with the proposed addition to Note 3 from OEB staff but suggests that the OEB clarify the effective date of the change.

5) Other Concerns Requiring Further Clarification

Hydro One believes that the decision to exempt transmission-connected Storage Facilities from paying transmission charges also results in other issues that may not have been considered by OEB staff as part of their implementation plan and require further clarification.

First, exempting transmission-connected Storage Facilities from paying transmission charges, including Network charges, could lead to a misalignment between planning assumptions for the load profiles assumed by the IESO and Hydro One for such facilities and how such facilities may operate once the exemption takes effect. These planning assumptions may have also been used in establishing IESO storage procurement contracts. Hydro One is of the view that the exemption could potentially lead to Storage Facilities charging more frequently during peak periods, which could adversely impact the system in ways that were not previously contemplated.

Hydro One would like to reiterate that the transmission system is built to serve and provide benefits to all transmission customers. For this reason and in accordance with the 'beneficiary pays' principle, all transmission load customers and generator customers pay Network charges. It does not seem appropriate that Storage Facilities should be exempt from paying transmission charges when they benefit from and use the system like other transmission customers. Moreover, Storage Facilities could potentially operate in a manner that would place additional strain on Network facilities and necessitate upgrades to these facilities. That notwithstanding, the OEB's Decision to exempt Storage Facilities from paying transmission charges would absolve these facilities from having to contribute towards the cost of maintaining and ensuring the reliable operation of the transmission system that is supporting and enabling their connection.

Second, if transmission-connected Storage Facilities are exempt from paying transmission charges, the OEB should clarify that Storage Facility customers would now be responsible for owning and maintaining the transmission connection facilities required to connect them to the Network. Hydro One would like to note that for Storage Facilities that have executed a CCRA with the Transmitter, the CCRA specifies that the Transmitter will own the transmission connection facilities required to connect the Storage Facility because it was assumed that Storage Facility customers would pay transmission charges and be treated like other load customers. While the OEB's proposed true-up process will ensure that changes to the economic evaluation of a Storage Facility's connection facilities arising from the exemption are reconciled for the prescribed economic evaluation period, the OEB has not addressed how the future costs to maintain these connection facilities beyond the economic evaluation period will be recovered from a Storage Facility customer, should the Transmitter be required to continue to own and operate these facilities. The OEB should clarify whether the true-up process and revision of the CCRA will also now require Storage Facilities to assume ownership of their connection facilities because they are exempt from paying transmission charges. If the OEB will not require the ownership of the connection facilities to be transferred to Storage Facility customers, this would create a scenario where other transmission customers (through the transmission charges that they pay) would be cross subsidizing the cost of maintaining these facilities for Storage Facility customers. This arrangement could also introduce other issues with respect to the reservation of capacity on these assets by Storage Facility customers if they are exempt from paying transmission charges.

To ensure the effective implementation of the proposed changes to the UTR Schedule relating to transmission-connected Storage Facilities, Hydro One believes that the OEB needs to address and provide clarity with respect to the issues noted above. Should the OEB have other questions or require additional information, please do not hesitate to contact us and we would be happy to discuss our comments in further detail.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jason Savulak". The signature is fluid and cursive, with a large initial 'J' and 'S'.

Jason Savulak