



Hydro One Networks Inc.

483 Bay Street
7th Floor South Tower
Toronto, Ontario M5G 2P5
HydroOne.com

Jason Savulak

Sr. Manager
Regulatory Compliance
C 647-293-7226
Jason.Savulak@HydroOne.com

BY EMAIL AND RESS

September 11, 2026

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

Dear Mr. Murray,

EB-2026-0193 - Application for an Exemption from Hydro One Networks Inc.'s Distribution Rate Order – Interrogatory Responses

Please find attached Hydro One Networks Inc. ("Hydro One")'s responses to interrogatories received in the above-noted proceeding.

An electronic copy of the responses has been filed through the OEB's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason Savulak", with a stylized flourish at the end.

Jason Savulak

OEB STAFF INTERROGATORY- 01

Reference:

1. Application, Page 2, Lines 25-30
2. Application, Page 3, Lines 5-11
3. EB-2025-0030, [Rate Order](#), December 23, 2025, Schedule A

Preamble:

In reference 1, Hydro One Networks Inc. (Hydro One Networks) states that it is seeking an exemption from provisions included in its Rate Order for two customers: for an existing customer, Customer A; and a prospective customer, Customer B who has requested a connection to its distribution system in the Leamington area.

In reference 2, Hydro One Networks states that its Rate Order for EB-2025-0030 (Rate Order) requires these customers to be billed the Retail Transmission Service Rates (RTSR) Line and Transformation Connection Service rates and distribution volumetric rates at the gross load level. Specifically, Note 5 of the Rate Order states that the connection is billed at the gross demand level for the monthly billing determinant for the RTSR Line and Transformation Connection Service rates.

Reference 3 contains Hydro One Networks' 2026 tariff of rates and charges.

Interrogatory:

- a) What rate class does Customer A fall under?
- b) When was Customer A first connected to the distribution system?
- c) Based on Hydro One Networks' Rate Order and tariff of rates and charges (reference 3) that are applied to Customer A's rate class identified in (a), please provide the following:
 - i. A list of rates and/or charges applicable to Customer A from its current monthly bill that are calculated using gross load (e.g. RTSR Line and Transformation Connection Service charge and distribution volumetric charge, etc).
 - ii. Is Customer A currently being charged for the power being taken from Hydro One Networks' distribution system? Please explain.
- d) Is Hydro One Transmission currently charging Hydro One Distribution for any capacity with respect to Customer A's generation? Please explain.

- 1 e) Based on Hydro One Networks' proposed alternative to GLB approach in this
2 application, please provide a list of all the rates and/or charges (e.g. RTSR Line and
3 Transformation Connection Service charge and distribution volumetric charge, etc.) on
4 Customer A's bill that will be affected by the change from billing Customer A at gross
5 load level to billing the customers based on the maximum capacity that Hydro One
6 Networks can provide the customer.
- 7
- 8 f) What rate class does Customer B fall under?
- 9
- 10 g) When is Customer B expected to be connected to the distribution system?
- 11
- 12 h) Based on Hydro One Networks' Rate Order and current tariff of rates and charges
13 (reference 3) that are applied to the Customer B's rate class identified in (f), please
14 provide the following information:
- 15
- 16 i. A list of rates and/or charges applicable to Customer B from its future monthly bill
17 that will be calculated using gross load (e.g. RTSR Line and Transformation
18 Connection Service charge and distribution volumetric charge, etc).
- 19
- 20 ii. Will Customer B be charged for the power being taken from Hydro One Networks'
21 distribution system? Please explain.
- 22
- 23 i) Will Hydro One Transmission be charging Hydro One Distribution for any capacity with
24 respect to Customer B's generation? Please explain.
- 25
- 26 j) Based on Hydro One Networks' proposed alternative to GLB approach in this
27 application, please provide a list of all the rates and/or charges (e.g. RTSR Line and
28 Transformation Connection Service charge and distribution volumetric charge, etc) on
29 Customer B's future bill that will be affected by the change from billing Customer A at
30 gross load level to billing the customers based on the maximum capacity that Hydro
31 One Networks can provide the customer.

Response:

a) Customer A's rate class is sub-transmission (ST).

b) Customer A was first connected to the distribution system on July 1, 2016.

c) Customer A's rate includes the following charges:

1. Facility Charge for connection to Common ST Lines (44 kV to 13.8 kV);
2. Rate Rider for Disposition of Group 1 Deferral/Variance Accounts (2026) - effective until December 31, 2026;
3. Rate Rider for Disposition of Account 1588 (non-WMP) (2026) - Approved on an Interim Basis - effective until December 31, 2026;
4. Rate Rider for Disposition of Group 1 Deferral/Variance Accounts (Non-WMP) (2026) - effective until December 31, 2026;
5. Rate Rider for Disposition of Earning Sharing Mechanism Variance Account (2026) - effective until December 31, 2026;
6. Retail Transmission Rate - Line Connection Service Rate; and
7. Retail Transmission Rate - Transformation Connection Service Rate

Customer A is charged for electricity supplied from the distribution system up to its allocated maximum capacity of 10 MW. The load facility of Customer A is subject to Gross Load Billing (GLB) in respect of its installed behind-the-meter generation units.

d) Yes, Hydro One Distribution is being gross load billed by Hydro One Transmission for the actual capacity with respect to Customer A's generation. GLB is calculated based on Customer A's actual generation output from measured readings.

e) The list of charges detailed in subpart (c) will continue to apply to Customer A. Hydro One's request to gross load bill Customer A up to the maximum capacity that can be allocated to the customer on its distribution system will only result in a change to how those demand-based charges are calculated. The exemption sought by Hydro One will establish an upper limit on Customer A's load at a gross level. In turn, this will limit the amount of Customer A's charges when their load exceeds the maximum capacity that has been allocated to them on the distribution system.

- 1 f) When connected, Customer B is expected to be billed in accordance with Hydro One's
2 ST rate class.
3
- 4 g) Customer B is expected to connect to the distribution system between Q4 2026 and
5 Q1 2027.
6
- 7 h) The rates applicable to Customer B are the same as those applicable to Customer A
8 (please refer to the response to (c) above). As requested in its application, Hydro One
9 intends to gross load bill Customer B up to the allocated maximum capacity of 500kW
10 that can be provided by the distribution system. Based on the size of the installed
11 behind-the-meter generation units, Customer B's load facility is subject to GLB in
12 respect of these units.
13
- 14 i) Yes, Hydro One Distribution will be gross load billed by Hydro One Transmission for
15 the actual capacity with respect to Customer B's generation. GLB will be calculated
16 based on Customer B's actual generation output from measured readings.
17
- 18 j) The charges on Customer B's bill that will be affected by Hydro One's request to gross
19 load bill Customer B up to the maximum capacity that can be provided to the customer
20 by Hydro One's distribution system are the same charges that will affect Customer A.
21 Please refer to Hydro One's response to (e) above.

OEB STAFF INTERROGATORY- 02

Reference:

1. Application, Page 2
2. Application, Page 4, Lines 15-19
3. Application, Page 4, Lines 5-9

Preamble:

Reference 1 states that Customer A has a demand of 20 MW and Customer B has a forecast demand of 2.5 MW but these customers have only been allocated 10 MW of capacity and 500 kW of capacity respectively on its distribution system.

In reference 2, Hydro One Networks states that it expects more scenarios to arise in which load customers may rely on embedded generation to meet their supply needs where distribution system capacity constraints cannot be readily mitigated. Hydro One Networks asks that the OEB consider an amendment to its Rate Order to allow Hydro One Networks to apply this alternative GLB approach in other identical scenarios that may arise.

In reference 3, Hydro One Networks is requesting an exemption from the current provisions in its Rate Order to permit it to bill Customer A and Customer B on a gross load basis (GLB) up to the maximum load that can be supplied by its distribution system. Hydro One Networks states that the alternative approach to GLB in both cases is fair, appropriate, and would have no adverse impact on ratepayers.

Interrogatory:

- a) Regarding reference 1 in the preamble, does Hydro One Networks have a load-limiting devices on the supply serving or will be serving Customer A and B that are owned and operated by Hydro One Networks?
 - i. If not, please explain how Hydro One Networks will ensure that the power supplied to these customers does not exceed the capacity allocated to them?
- b) Has the available capacity of 10 MW and 500 kW already been reserved for Customer A and Customer B?
- c) Regarding reference 2 in the preamble, if Hydro One Networks continues to add more customers to the already constrained supply in the Leamington area, please explain whether adding new customers would reduce the allocated capacity of 10 MW and 500 kW for Customer A and Customer B?

- 1 d) Regarding reference 3 in the preamble, please explain further how the proposed
2 change to gross load billing for Customer A, Customer B, and prospective/future
3 customers will not have adverse impacts on ratepayers.
4
5 i. Please provide spreadsheets or calculations to support the statement as required.
6 ii. Does Hydro One Networks anticipate any revenue shortfall by changing the billing
7 approach? Please explain.
8

9 **Response:**

- 10 a) Hydro One utilizes various system devices to maintain protection coordination and
11 ensure system load capability in accordance with approved loading limits. Adherence
12 to system operating limits is managed through established operational processes
13 between Hydro One and the customer, as defined in the connection agreement and
14 reinforced through Hydro One's Conditions of Service.
15
16 b) Yes, the referenced capacity has been allocated to Customers A and B pursuant to
17 their respective Customer Service Agreements.
18
19 c) Hydro One's distribution planning process will not allow for the capacity allocated to
20 Customers A and B to be reduced or otherwise impacted by the addition of new
21 customers to its system.
22
23 d) Hydro One's position is that GLB is intended to ensure that system infrastructure
24 assets and capacity previously built to facilitate a customer's connection is
25 appropriately utilized and that the installation of behind-the-meter generation by a
26 customer to offset their load does not result in costs being shifted to other ratepayers.
27

28 Under the terms of each customer's respective connection agreement and Hydro
29 One's rate order, Hydro One is required to gross load bill the customer based on the
30 load that they withdraw from the system and the output of their embedded generation
31 units at the same point in time. However, this could result in the customer being gross
32 load billed for an amount that exceeds the maximum load that can otherwise be
33 supplied by the system to serve the customer. Application of GLB in this manner would
34 not be fair if system infrastructure and capacity was never built to facilitate the
35 customer's full load. Therefore, the proposed change by Hydro One for GLB in these
36 instances will not result in any cross subsidization of the affected customers by other
37 ratepayers and ensures that the affected customers are charged based on the
38 maximum contracted system capacity built to serve their loads. As such, there will be
39 no adverse impact on ratepayers from this proposed change as long as the system
40 capacity allocated to the customers does not change.

1 Furthermore, if Hydro One were to bill Customers A and B on a gross load basis
2 without giving consideration to the maximum capacity built on the system to supply the
3 customers, Hydro One would be collecting revenue for capacity that is not and cannot
4 be provided to the customers due to the technical constraints. As mentioned, applying
5 GLB in this manner would be unfair to Customers A and B and contrary to the original
6 intent and rationale for GLB.

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OEB STAFF INTERROGATORY- 03

Reference:

EB-2022-0325, [Generic Hearing on UTRs – Phase 2 Decision and Rate Order](#), November 27, 2025, Pages 14-15

Preamble:

Reference 1 contains the OEB's findings on Phase 2 Generic Hearing on UTRs which states that:

The OEB finds a structured, principle-based framework is necessary for assessing requests for exemptions from gross load billing. While exemptions should be limited to cases where they are clearly justified, the OEB recognizes that a rigid application of gross load billing in all cases can result in unintended inequities, inefficient cost recovery, and suboptimal system outcomes.

Accordingly, the OEB will adopt the following criteria for granting gross load billing exemptions:

1. Core Requirement (Mandatory Condition):

A gross load billing exemption shall not be granted unless the IESO and the applicable Transmitter confirm that the exemption does not present any undue risk to the reliability and security of the transmission system. This requirement must be satisfied in all exemption requests.

2. Balancing Considerations (Applied Case-by-Case):

Where the above reliability condition is met, the OEB will assess the exemption request against the seven considerations that were recommended by the Working Group. These are not standalone tests, but rather factors to be weighed together in light of the specific circumstances of each case:

1. Justification: The applicant must demonstrate a compelling rationale for the exemption, including why the standard application of gross load billing would be inappropriate.

2. System Flexibility: The exemption should provide flexibility to address system constraints without compromising broader reliability or planning objectives.

1 **3. Asset Stranding Risk:** The exemption should present no more than a minimal
2 risk of creating stranded transmission assets. The OEB confirms that “no or
3 minimal” risk is the appropriate standard, and rejects the view that “no risk” is a
4 necessary threshold. The OEB retains discretion to assess whether the level of
5 risk is acceptable in this context.

6
7 **4. Cost Responsibility Principles:** The exemption should support, or at minimum,
8 not undermine the OEB’s cost responsibility principles, including beneficiary pays
9 and cost causality.

10
11 **5. Customer Fairness:** The exemption should enhance fairness in cost allocation,
12 avoiding undue overcharging, undercharging, or cost shifting between customers.

13
14 **6. System Cost Minimization:** The exemption should contribute to the minimization
15 of overall transmission costs, including through appropriate price signals (e.g.,
16 encouraging local generation in constrained areas).

17
18 **7. Reasonable Implementation Costs:** The implementation costs associated with
19 the exemption must be reasonable and proportionate to the expected benefits.

20
21 **3. Integration with Regional Planning:**

22 Where practical, exemption requests should be assessed in conjunction with the
23 regional planning process, to ensure alignment with long-term system planning,
24 infrastructure development, and cost recovery objectives. However, the OEB will not
25 delay consideration of an exemption solely to await the completion of a regional
26 planning process.

27
28 **Interrogatory:**

29 a) Based on the core requirement (mandatory condition) above, please explain in detail
30 whether there are any risks beyond minimal risks due to the reliability and security of
31 the distribution system that could occur due to the gross load billing exemption.

32
33 b) Please explain in detail and provide supporting documents, as applicable, to
34 demonstrate that Hydro One Network’s proposed exemption to gross load billing in
35 this application meets the seven balancing considerations and the criteria related to
36 integration with regional planning on the distribution system.

Response:

a) As no physical field or customer equipment modifications are required to implement the proposed GLB exemption, the exemption will not introduce any additional operational, safety, or reliability risks.

b) Hydro One would like to note that the criteria referred to in the preamble for granting an exemption are applicable to transmission customer connections and were established in the context of the OEB's Phase 2 Generic Hearing on UTRs.¹ In defining the scope of that proceeding, the OEB stated that GLB issues at the distribution level would not be considered, even if similar in nature.² That notwithstanding, the criteria established as part of the proceeding for granting an exemption are appropriate from a principled perspective and could be used to guide the consideration of GLB exemptions sought at the distribution level.

As mentioned in (a) above, there are no physical or customer equipment modifications required to implement the proposed GLB exemption. Therefore, the exemption does not present any undue risk to the reliability and security of the distribution or transmission system. The requirement for the IESOs and the transmitter to confirm that the exemption does not present any undue risk to the reliability and security of the transmission system would not apply to the exemption requested in this application.

In terms of the subsequent balancing considerations, Hydro One provides the following assessment against the seven criteria:

a. *Justification:* Without the requested exemption, Hydro One is required to gross load bill Customers A and B (and future customers in a similar situation) based on their total non-coincident peak demand despite the system not being built to meet that demand. Applying GLB in this manner would be unfair to those customers as it could result in charges based on a maximum demand that exceeds the capacity the system can provide. The exemption sought by Hydro One for this scenario would have no adverse impact and does not harm existing ratepayers. Lastly, the exemption sought is consistent with a similar exemption sought by Hydro One Sault Ste. Marie LP and granted by the OEB for a transmission customer.³

¹ OEB Decision and Rate Order on Generic Hearing on UTRs – Phase 2 (EB-2022-0325) dated March 31, 2026 (page 6) and dated March 27, 2025 (page 2).

² *Id.*

³ OEB Decision on HOSSM's Request for a Licence Amendment – TSC Exemption related to Gross Load Billing (EB-2024-0357) dated May 6, 2025.

- b. *System Flexibility*: The exemption provides Hydro One with the necessary flexibility to be able to modify its approach to GLB in scenarios where the system cannot supply the capacity requested by the customer due to system constraints.
- c. *Asset Stranding Risk*: The exemption does not result in the risk of any stranded assets.
- d. *Cost Responsibility Principles*: The exemption supports the appropriate application of cost responsibility principles and would permit Hydro One to gross load bill Customers A and B (and future customers in a similar situation) only up the maximum capacity allocated to them on the system.
- e. *Customer Fairness*: The current rules do not allow Hydro One to adjust its approach for GLB in the scenario where the system cannot supply the capacity requested by a customer and the customer must install embedded generation to address the capacity that cannot be accommodated. The exemption seeks to ensure that customers are gross load billed in a manner that is fair and appropriate in such scenarios.
- f. *System Cost Minimization*: The exemption achieves this objective. Where sufficient capacity cannot be built on the system in a cost-effective or timely manner to accommodate a customer's connection, the exemption allows a customer to connect and rely on their embedded generation (if sufficient generation connection capacity is available) to partially satisfy their maximum capacity requirements and ensures that they are gross load billed up to the maximum system capacity allocated to them.
- g. *Reasonable Implementation Costs*: There are no costs associated with the implementation of the exemption.

Hydro One does not believe that the need to consider regional planning when applying for this exemption is relevant or applicable in this scenario. Currently, there is no feasible solution proposed at either the transmission or distribution level to supply the entire load of Customer A or B from the system. As a result, both customers must install embedded generation to meet their load needs. The exemption from current GLB requirements is being sought to allow for the customer to be billed fairly and appropriately on a gross load basis in this scenario. If additional grid capacity is later built and the customers request additional system capacity to meet their full load needs, the GLB exemption applicable to these customers could be revisited.