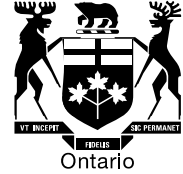


Ontario Energy Board
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Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

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VIA E-MAIL ONLY

January 31, 2007

To: All Licensed Electricity Distributors
All Other Interested Parties

**Re: Notice of Proposed Amendments to the Distribution System Code
Regarding the Timing for the Elimination of Load Transfers
Board File Number: EB-2007-0005**

The Ontario Energy Board (the "Board") has today issued a Notice of Proposal to Amend a Code (the "Notice"). The Board is proposing to amend the Distribution System Code with respect to load transfers. Interested parties are invited to submit comments on the proposed amendments to the Board by **February 14, 2007** in accordance with the process described in the Notice.

The Notice and the proposed amendments are attached to this letter and are available for public inspection on the Board's website at www.oeb.gov.on.ca and at the offices of the Board during normal business hours.

Yours truly,

Original Signed By

Peter H. O'Dell
Assistant Board Secretary

Attach: Notice of Proposal to Amend a Code

Attachment A: Proposed Amendments to the Distribution System Code
(Comparison version)

Attachment B: Proposed Amendments to the Distribution System Code
(Clean version)

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NOTICE OF PROPOSAL TO AMEND A CODE

PROPOSED AMENDMENTS TO THE DISTRIBUTION SYSTEM CODE

BOARD FILE NO.: EB-2007-0005

**To: All Licensed Electricity Distributors
All Other Interested Parties**

Re: Timing for the Elimination of Load Transfers

The Ontario Energy Board (the "Board") is giving notice under section 70.2 of the *Ontario Energy Board Act, 1998* of its proposed amendments to the Distribution System Code (the "DSC").

The Board will not be granting cost awards in this matter.

Background

Section 6.5.3 of the DSC requires a physical distributor (i.e., a distributor that provides physical delivery of electricity to a load transfer customer but is not responsible for connecting and billing the load transfer customer directly) to continue to service existing load transfer customers until May 1, 2007 unless otherwise negotiated between the physical distributor and geographic distributor.

Section 6.5.4 of the DSC requires a geographic distributor (i.e., a distributor that is licensed to service a load transfer customer and is responsible for connecting and billing the load transfer customer) to eliminate its load transfer arrangements by May 1, 2007.

On October 18, 2006, the Minister of Finance filed a regulation (Ontario Regulation 485/06) that provided for a two year transfer tax exemption for publicly owned utilities in relation to the transfer of electricity assets to other publicly owned utilities in Ontario. Ontario Regulation 485/06 is deemed to have come into force on October 17, 2006.

By letter dated October 17, 2006, the Minister of Energy informed Hydro One Inc. that the government had also lifted its previous moratorium on the purchase and sale of electricity distribution assets by Hydro One.

The two recent government initiatives mentioned above are aimed at facilitating the voluntary consolidation of the electricity distribution sector. The initiatives are expected to generate interest in mergers and acquisitions among electricity distributors. If this results in the consolidation of electricity distributors, it could have a potential impact on the Board's current initiative to eliminate load transfers by May 1, 2007.

Requiring distributors to continue with their plans to eliminate load transfers during the two year transfer tax exemption period has the potential to result in the inefficient use of both distributor and Board resources at a time when these resources may be required in relation to other broader distribution rationalization activities.

The Board is now proposing amendments to the DSC that will defer the date by which geographic distributors must eliminate load transfer arrangements. Similarly, the date to which physical distributors will be obligated to continue to serve existing load transfer customers will also be extended.

While the Board is still committed to the elimination of load transfers, the purpose of the proposed amendments is to avoid the potential inefficient use of both distributor and Board resources to eliminate load transfer arrangements that may otherwise be eliminated through acquisitions and amalgamations of publicly owned electricity assets during the transfer tax exemption period. By extending the timeline set out in sections 6.5.3 and 6.5.4 of the DSC, distributors and the Board will be able to maintain a clear focus with respect to other distribution rationalization efforts by electricity distributors.

It should be noted that nothing in these proposed amendments changes section 6.5.5 of the DSC. Distributors still require leave of the Board to enter into a new load transfer agreement with another distributor.

Summary of Proposed Amendments to the DSC

As stated above, the proposed amendments to the DSC include changes to sections 6.5.3 and 6.5.4 of the DSC. The changes to these sections will be to defer the date that existing load transfer arrangements are to be eliminated. The Board also proposes to add a new section, section 6.5.4.1, that would require geographic distributors to file information regarding their plans for eliminating existing load transfer arrangements. The proposed amendments are set out in Attachment B to this notice.

Anticipated Costs and Benefits of the Proposed Amendments

Requiring distributors to continue with their plans for the elimination of load transfers during the two year transfer tax exemption period may lead to the unnecessary use of resources for both distributors and the Board. As stated above when dealing with the purpose of the proposed amendments, the Board anticipates that parties will benefit from the proposed amendments as the proposed amendments will help avoid the potential inefficient use of both distributor and Board resources to eliminate load transfer arrangements that may otherwise be eliminated during the transfer tax exemption period.

For example, a merger between distributors that have an existing load transfer arrangement will result in the elimination of that load transfer arrangement. Therefore, any resource expended in order to eliminate the load transfer arrangement would have been unnecessary. Furthermore, uncertainty about the timing of potential mergers or acquisitions may require distributors to apply to the Board for exemptions to section 6.5.4 of the DSC for those load transfer arrangements that may be eliminated by the potential merger or acquisition but would not occur in time to comply with the May 2007 date set out in the DSC. Again, this could result in unnecessary duplication of effort.

The Board notes that while the proposed amendments allow distributors to delay their plans for eliminating load transfer arrangements, the proposed amendments do not require distributors to delay their plans for the elimination of the load transfers. Therefore, any costs already expended by distributors in order to comply with the timeline currently set out in the DSC would not be wasted as the distributors could continue on with their current plans to phase out the load transfer arrangements.

The Board recognizes that there may be additional costs to retaining the load transfers over the longer period of time set out in the proposed amendments. In the event that there are additional costs to maintaining the load transfer arrangements, the Board encourages distributors to proceed with their plans to eliminate the load transfers in the most economic way.

The Board is of the view that the anticipated benefits of the proposed amendments will outweigh the costs of the proposed amendments

Coming Into Force

The Board proposes that the amendments to the DSC outlined in Attachment B to this notice come into force on the date that the final amendments are published on the Board's website.

Invitation to Comment

All interested parties are invited to make written submissions on the Board's proposed amendments. Any person who wishes to make a written submission with respect to the proposed amendments must file eight (8) paper copies of the submission, and electronic copies in Adobe Acrobat (PDF) and Word, if possible, with the Board Secretary by **4:30 pm on February 14, 2007**. Your submission must quote file number **EB-2007-0005** and include your name, address, telephone number and, where available, your e-mail address and fax number.

Written submissions should be sent to:

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Suite 2700
Toronto, Ontario
M4P 1E4

Electronic copies may be submitted on diskette or by e-mail to boardsec@oeb.gov.on.ca.

This notice, including the proposed amendments to the DSC, and all written submissions received by the Board, will be available for public inspection on the Board's website at www.oeb.gov.on.ca and at the office of the Board during normal business hours.

If you have any questions regarding the proposed amendments described in this notice, please contact Gordon Ryckman at 416-440-8109. The Board's toll free number is 1-888-632-6273.

E-mail inquiries should be directed to Gordon.Ryckman@oeb.gov.on.ca.

DATED at Toronto, January 31, 2007.

ONTARIO ENERGY BOARD

Original Signed By

Peter H. O'Dell
Assistant Board Secretary

Attach: Attachment A: Proposed Amendments to the Distribution System Code
(Comparison version)

Attachment B: Proposed Amendments to the Distribution System Code
(Clean version)

Attachment A

**Proposed Amendments to the Distribution System Code
(Comparison Version)**

6.5.3 During the period between May 1, 2002 and October 17, 2008, a physical distributor shall be obligated to continue to service an existing load transfer customer unless otherwise negotiated between the physical distributor and geographic distributor.

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6.5.4 During the period between May 1, 2002 and October 17, 2008, a geographic distributor that services a load transfer customer shall either:

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- a. negotiate with a physical distributor that provides load transfer services so that the physical distributor will be responsible for providing distribution services to the customer directly, including application for changes to the licensed service areas of each distributor; or
- b. expand the geographic distributor's distribution system to connect the load transfer customer and service that customer directly.

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Once a load transfer customer enters into a Connection Agreement or implied contract with the physical distributor, the physical distributor shall have sole responsibility for that customer.

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6.5.4.1 A geographic distributor shall file with the Board, by December 31, 2007, an implementation plan for eliminating its existing load transfer arrangements. The implementation plan shall:

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- a. summarize the geographic distributor's existing load transfer arrangements;
- b. set out the geographic distributor's proposed method for eliminating each load transfer arrangement; and
- c. set out the geographic distributor's proposed timeline for eliminating each load transfer arrangement.

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Attachment B

Proposed Amendments to the Distribution System Code
(Clean Version)

- 6.5.3 During the period between May 1, 2002 and October 17, 2008, a physical distributor shall be obligated to continue to service an existing load transfer customer unless otherwise negotiated between the physical distributor and geographic distributor.
- 6.5.4 During the period between May 1, 2002 and October 17, 2008, a geographic distributor that services a load transfer customer shall either:
- a. negotiate with a physical distributor that provides load transfer services so that the physical distributor will be responsible for providing distribution services to the customer directly, including application for changes to the licensed service areas of each distributor; or
 - b. expand the geographic distributor's distribution system to connect the load transfer customer and service that customer directly.

Once a load transfer customer enters into a Connection Agreement or implied contract with the physical distributor, the physical distributor shall have sole responsibility for that customer.

- 6.5.4.1 A geographic distributor shall file with the Board, by December 31, 2007, an implementation plan for eliminating its existing load transfer arrangements. The implementation plan shall:
- a. summarize the geographic distributor's existing load transfer arrangements;
 - b. set out the geographic distributor's proposed method for eliminating each load transfer arrangement; and
 - c. set out the geographic distributor's proposed timeline for eliminating each load transfer arrangement.