



ECMI
energy cost management inc.
1236 Sable Drive Burlington, Ont. L7S 2J6
Phone: (905) 639-7476 Fax: (905) 639-1693

Ontario Energy Board,
26th Floor,
2300 Yonge Street
Toronto, Ontario
M4P 1E4
Attn. Mr John Vrantsidis, Policy Advisor
BY E-MAIL ONLY

November 5, 2005

Dear Mr Vrantsidis,

Cost Allocation Review (EB - 2005 - 0317)
Technical Workshop on Cost Allocation Principles and Methodologies
November 2 - 3, 2005
ECMI comments on Subtransmission

ECMI's comments on the legacy subtransmission system are included below. Further comments on other items will be forwarded at a later date.

Subtransmission

Subtransmission as referred to in literature (books) typically refers to a period when distribution voltages were less than 13.8kV. 13.8/ 8kV became distribution voltages in the 1950's in Ontario and 27.6/16kV became distribution voltages in the late 1950's and early 1960's.

If HONI wants Subtransmission to be treated as a separate class, this makes virtually no sense in the Ontario context and I would suggest that the OEB's comments that no new classes be introduced should not be disregarded in this or any other case. The OEB has clearly not addressed the fundamentals of class determination. Frankly, I wish the OEB would address these fundamental questions and it would save us all the aggravation of disagreeing over fundamentals which are supposedly not even on the table. I made that specific suggestion in some of my earlier comments. A new class should have the following characteristics and be:-

1. Homogeneous
As the 44kV system supplies both end use customers (both large and medium sized – including customers below 5mW) and distributors, I would suggest that the 44kV system does not supply a homogeneous group of customers.
2. Clearly differentiable from the customers left behind in the source classes
The only characteristic that makes customers supplied by the 44kV system different from other customers is the supply voltage. As the nature of the loads and connected customers is not differentiable from customers supplied at other and lower voltages, the use of voltage as a fundamental principle of customer classification should not be utilised unless it is proposed to utilise it at each voltage level. To carve off the 44kV system because HONI has spent, wisely or unwisely, significant sums of money tracking both the capital and maintenance costs associated with that voltage level, should not of itself be used as a tool for either customer classification or cost allocation.

Further, the fact that this voltage is utilised in specific geographic areas as opposed to universally in the Ontario market creates the potential that its utilisation as a key cost allocation driver is suspect in that there is no indication that fairness will be created through the enhanced resolution.

If HONI has suggested that it may be disadvantaged because it has substations connected to the 44kV system whose secondary voltage is utilised as a distribution voltage downstream (for example, downstream voltages of 4/2.4kV, 8/4.8kV, 13.8/8kV and others) this may be misleading. Many distributors have substations supplied from the 27.6/16kV systems which in turn have downstream voltages of 4/2.4kV and 8/4.8kV demonstrates clearly that from this perspective that the 44kV is not unique.

If HONI is suggesting that the nature of the loads supplied by the 44kV system is fundamentally different from other customers, then we need to carefully consider the comments of Jim Richardson who said during the workshop that 44kV is used by distributors as a distribution voltage. I would further suggest that 44kV is a geographic area construct and it is accident of location which determines whether an end use customer or embedded distributor is supplied from a 44kV system or a 27.6kV system. Further, most LV delivery points in the province are not from the 44kV system.

If it is the nature of the load that is the prime driver from HONI's perspective, then some form of specific weighted allocation of costs may be required to differentiate 44kV deliveries to embedded distributors from 44kV deliveries to other customers. It is possible that HONI's legacy "T" class rates would not bear up well to scrutiny with respect to class determination, but the fact that they are a legacy rate class may permit their continuance for this round (2007).

The money that HONI spends on tracking both capital and distribution costs on this subsystem might be better spent reducing the rates to its customers. This legacy sub-system was clearly one of the casualties of the Electricity Act which specifically identified voltages below 50kV as distribution voltages.

Hope these comments help the dialogue.

Roger White

Roger White
President