

Hydro One Networks Inc.

8th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5700
Fax: (416) 345-5870
Cell: (416) 258-9383
Susan.E.Frank@HydroOne.com



Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs

BY COURIER

February 23, 2007

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

Dear Ms. Walli:

EB-2006-0189 – Hydro One Networks' Application for Approval of Connection Procedures Pursuant to the Transmission System Code– Hydro One Networks' Reply Submission

I am attaching nine (9) copies of Hydro One Networks' Reply Submission which is being filed today as directed by Procedural Order No. 2 dated December 11, 2006. Copies are being sent to Great Lakes Power Limited and registered intervenors in this proceeding. An electronic copy of the Reply Submission will also be added to the Hydro One Networks external website for public and intervenor access.

Hydro One has made a number of suggestions in this submission, and in our interrogatory responses, where the Board could change the procedures to improve clarity. Hydro One would be pleased to provide a revised version of the procedures with proposed changes underlined to assist the Board if requested.

Sincerely,

A handwritten signature in black ink that reads "Susan Frank". The signature is written in a cursive, flowing style.

Susan Frank

cc Great Lakes Power
EB-2006-0189 Intervenors

Hydro One Customer Connection Procedures (EB-2006-0189)

Hydro One Reply Submission

Hydro One received submissions on January 26, 2007 from OEB Staff and from four of the registered intervenors in this proceeding: ECAO, OPG, PWU and AMPCO. A number of the submissions pertain to broader issues of the Customer Connection Procedures and Hydro One responds to these issues in Section 1 below. There are also a number of submissions with more specific comments on the procedures and Hydro One provides a response to these issues in Section 2 below.

Hydro One developed its Customer Connection Procedures as directed by the Transmission System Code (TSC) to provide customers with information on the procedures that will be followed in constructing or modifying connection facilities. Hydro One consulted with customers in the development of the procedures and incorporated comments received from stakeholders. The procedures were developed in a thoughtful and rigorous manner to

- meet the requirements of the TSC ,
- assist load customers and generators in dealing with Hydro One,
- outline the financial responsibilities of customers and Hydro One, and
- maintain the safety, security and reliability of the power system.

Hydro One believes that the procedures filed in this proceeding meet these objectives, represent a solid framework for customers and Hydro One to efficiently manage the construction and modification of connection facilities, and are consistent with the TSC. The TSC intended transmitters to develop connection procedures to provide more detail to the requirements set out in the Code and Hydro One has done that. In cases where OEB staff or intervenors suggested that these procedures, in elaborating on the Code, are at variance with it, Hydro One addresses each argument in turn below.

Hydro One notes that the two intervenor associations representing load customers and generators, AMPCO and APPrO, respectively, have not made any submissions expressing concerns with Hydro One's Customer Connection procedures. APPrO chose not to file a written submission. However, the Association did send a Briefing Note to its members on January 15, 2007 explaining the proceeding, specific issues and next steps, alerting them to the January 26, 2007 date for filing written submissions, and soliciting comments. AMPCO filed a submission stating that the proposed procedures of both Hydro One and GLPL appear to be consistent with the TSC and with existing practice, and that they appear to strike a reasonable balance between the interests of the transmitters, connecting customers and other pool customers.

SECTION 1 – BROADER ISSUES

Contestability: Performing connection work as a contractor to a customer

OEB Staff and ECAO made submissions on Hydro One’s right to be a contractor to connecting customers who choose to build and own their connection facilities.

This issue was previously raised in this proceeding in interrogatories by OEB Staff and ECAO, and Hydro One’s response to those IRs is part of the record in this proceeding. As noted in Hydro One’s response to OEB Interrogatory #28, the building of electrical transmission and distribution facilities and the carrying on of activities that are necessarily related to the transmission and distribution of electricity (including the building of connection facilities) are both part and parcel of transmitting and distributing electricity. Hydro One states that where the *OEB Act* refers to “business activity other than transmitting or distributing electricity,” the Legislature did not intend for those words to refer to closely-related work of the type referred to in the interrogatory. Hydro One therefore states that s. 71 of the *OEB Act* does not prohibit, nor was it intended to prohibit, Hydro One or any other distributor or transmitter in Ontario from carrying on such activities within the distribution or transmission corporation. Hydro One states that the same understanding must also have been in the minds of the drafters of the Transmission System Code, who chose not to prohibit customers from exercising their right to choose who would build their connection facilities. It is clear, through certain sections of the TSC [e.g. 6.6.1, 6.6.2(a), and 6.6.2(c)] that in the case of contestable work, the customer can even REQUIRE the transmitter (not an “affiliated corporation”) to construct the connection facilities. As one of many such examples in the TSC, s. 6.6.2 states that “the contestability procedure shall establish...what connection facility construction work may, at a load customer’s option, be done by either the transmitter or the load customer...” Given that the customer is the decision maker in this scenario and is responsible for managing the overall costs and quality of the work, Hydro One believes it should remain the customer’s right to contract with Hydro One if the customer so chooses.

Hydro One agrees with ECAO’s view about the state of a competitive market for customer connection work. As ECAO states, competition for connection work is now healthier and more vigorous than it was, and “the state of the competitiveness of the connection construction market has changed considerably... There are numerous electrical contracting companies than can and do perform connection work” Hydro One adds that such companies compete for such work, in the same marketplace as Hydro One, and that it is obvious that transmitters have no monopoly position with respect to competitive business activities. Because customer choice is now more important than ever, Hydro One does not believe that customers should be prohibited from choosing Hydro One as the company that will carry out part of their connection facility work.

Hydro One also notes that ECAO’s statements in its paragraph 18 are not correct. Although Hydro One must respect its collective agreements, the fact is that Hydro One, as in the past, continues to contract out work as needed, including, but not limited to,

underground cable installations, wholesale metering, project engineering packages, various turnkey projects, site grading, and environmental services. There is no Hydro One policy to change that fact.

Contestability: Work on the transmitter's existing assets or lands

ECAO made submissions that question the contestability of work on Hydro One's facilities and lands.

Hydro One does not share ECAO's interpretation of the TSC and s. 6.6.2 thereof in particular. Hydro One states that the plain meaning of s. 6.6.2 is that there are two kinds of work being referred to: *uncontestable work* and *contestable work*. The uncontestable work is work that can be done by the transmitter only, which includes work on its own existing facilities and lands; and the contestable work is connection facility construction and design work that the customer has the option to perform itself or require the transmitter to perform.

While Hydro One disagrees with ECAO's view that there are no standards or operating procedures that are particular to Hydro One and would therefore prevent independent electrical contractors from performing work on Hydro One facilities and lands, this point is not relevant to the definition of uncontestable work. Hydro One has a critical responsibility of stewardship over the Ontario transmission system to ensure the safety, physical security, cyber-security and reliability of real-time operations on the system. Hydro One submits that it would be inappropriate and over-reaching to interpret anything in either the legislation or the TSC to found the theory that transmitters must permit contractors to construct facilities on a transmitter's assets or lands, against the will of the transmitter.

Transmission Plans

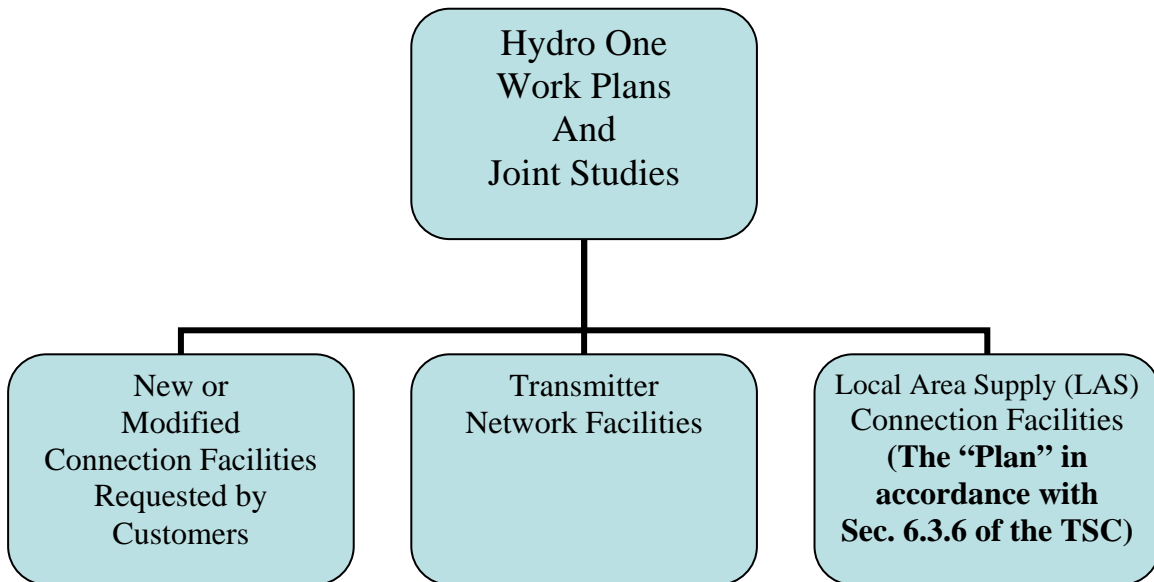
OEB Staff made submissions about the "Transmission Plans" that Hydro One has proposed to provide to customers as per section 6.3.6 of the TSC. OEB Staff's main issue is that Hydro One proposes to exclude certain classes of plans from the requirement set out in section 6.3.6 of the TSC. The exclusions cover situations that are classed as either customer-driven or network facilities.

It is important to differentiate between the planning information that Hydro One develops with customers through joint studies and work plans to meet their electricity supply needs and "Transmission Plans" that Hydro One proposes to provide to customers under its obligation in the TSC for determining cost responsibility in accordance with Section 6.3.6 of the Code.

OEB Staff's submission refers to the list of facilities that will be excluded from the Plan referred to in section 6.3.6 of the TSC for the purpose of determining whether capital contribution is required. The Plan referred to in this context is not intended for the purpose of providing a "complete picture" of the transmission system expansion in any

particular area. It is not the vehicle for sharing all system information with customers who wish to connect or modify their connections to the Hydro One system, but rather a tool for determining cost responsibility. Hydro One notes that the title of section 6.3 of the Code, which specifies the purpose of the Transmission Plan, is “Cost Responsibility for New and Modified Connections.”

Hydro One’s proactive planning process ensures that Hydro One works with customers to find solutions to connect customers and provide a safe, secure and reliable power supply. Hydro One works together with customers through joint work plans and studies to ensure that reliable supply is provided. These work plans and joint studies may include any of the three types of facilities illustrated in the chart below.



For the purpose of Section 6.3.6 of the TSC, i.e. for the purpose of determining whether capital contribution is required other than for advancement costs, the connection facilities referred to in this section of the TSC will only include the Local Area Supply (LAS) connection facilities as indicated in Section 3.0 of the Customer Connection Procedures. Connection facilities other than LAS facilities may be part of a joint study in which Hydro One participated but not necessarily part of the Plan referred to in Section 6.3.6 of the TSC.

Connection and Cost Recovery Agreement (CCRA) Templates

The TSC does not require Hydro One to file its CCRA templates for Board approval as part of the Customer Connection Procedures application. The CCRA templates (for Load Customers and Generators) were provided in response to interrogatories for the information of the Board and other parties to this proceeding. OEB Staff and OPG have made submissions on the CCRA templates. Where the parties’ comments are helpful in improving Hydro One’s CCRA templates, Hydro One will make changes to the templates and has so indicated in the responses below. Where Hydro One does not agree with the comments submitted, an explanation is provided at the end of Section 2 below.

SECTION 2 – SPECIFIC ISSUES AND SUGGESTED WORDING CHANGES

In this section Hydro One provides a brief summary of the issue raised in intervenors' submissions and a response. In general, the intervenors' submissions include a longer description of the issue, and these statements are available in the intervenors' submissions which are part of the record in this proceeding.

Available Capacity Procedure

OEB Staff Submission 1:

OEB Staff states that the CCP refers to “deeming of contracted capacity” which is a term not used in the TSC and that the use of that term in the CCP would lead to confusion.

Hydro One submits that in this context the term “deemed” has the same meaning as the term “recognized.” Nevertheless, the first sentence of Step 2.2 could be revised to read: "For each customer that has a signed contract (e.g. CCRA) with Hydro One for capacity at a connection facility, the customer will be recognized to have contracted capacity" if the Board believes such rewording would reduce confusion.

OEB Staff Submission 2:

OEB Staff submits that the CCP is proposing adjustments to “Assigned Capacity” that are inconsistent with the approach set out in the TSC. OEB Staff also submits that the third sentence of Step 2.5 of the procedure mismatches two aspects, namely “Contract Capacity” and “Assigned Capacity”.

Hydro One asserts that its procedure is consistent with the TSC. Nevertheless, Hydro One could replace the third sentence of Step 2.5 with: "The customer's final assigned capacity will be the aggregate of the customer's assigned capacity based on historical loading and any assigned capacity adjustments derived from available capacity that has been assigned to the customer and that has not been taken up by the customer or cancelled under Step 2.4" if the Board believes that this rewording would reduce confusion.

OEB Staff Submission 3:

OEB Staff indicates that the Board Policy Decision and the TSC prohibit minimum billing provisions or provisions covering revenue loss where bypass of a connection facility situation occurs. Rather, in circumstances where bypass compensation is payable, Net Book Value (NBV) must be the basis for compensation. Hydro One appears to describe a situation where a customer shifts load, and then when caught would restore the load. Hydro One prescribes a remedy for that action, which is inconsistent with the TSC.

Hydro One's procedure is consistent with the TSC, and the procedures recognize and address the requirements pertaining to permanent bypass and compensation at NBV. The matter raised by OEB staff in this submission was addressed in the response to OEB Staff Interrogatory #10. Please also see the response to OEB Submission # 13 on Hydro One's CCRA templates below.

OEB Staff Submission 4:

OEB Staff indicates that the procedures refer to the addition of a breaker position or line tap as events that could lead to “contracted capacity”. They assert that any of such events would lead to a financial arrangement, such as a time payment plan, but the amount of capacity that may be needed due to that expansion falls under an “Assigned Capacity” regime or is already covered by an existing “Contract Capacity” for that connection facility (e.g. transformer station).

Hydro One does not agree and submits that the addition of a feeder breaker position could lead to new "contracted capacity" where there is an excess of transformer capacity relative to feeder breaker capacity at an existing transformation facility. The excess transformer capacity forming part or all of the available capacity is inaccessible to the customer without the new breaker position. The available capacity (and the total normal supply capacity) at the facility is effectively reduced by the amount of excess transformer capacity. By installing a new breaker under contract, with an economic evaluation done as part of a CCRA to recover the cost of construction, the excess transformer capacity is made accessible and the available capacity (and the total normal supply capacity) at the facility is effectively increased. The effective increase in available capacity arranged through a contract with the customer results in new contracted capacity.

In the absence of any consideration for the notion of effective available capacity (or effective total normal supply capacity), Section 6.3.13 of the TSC actually prohibits a transmitter from attributing the cost of the breaker to the customer since Section 6.3.13 limits the attributable cost to "that part of the customer's new load that exceeds the total normal supply capacity." Furthermore, Section 6.3.2, which limits a customer's connection rate revenues to "that part of the customer's new load that exceeds the total normal supply capacity," would unfairly limit the customer's attributable load in the economic evaluation since it would be impossible for the customer to use any of the new load that will be supplied by the new feeder breaker to pay for that breaker. The true-up provisions of the TSC should apply in relation to the provision of a feeder breaker to ensure that the costs of construction are recovered from the connecting customer as per the economic evaluation.

PWU Submission #1:

The PWU suggests the CCRA templates should be included as an Appendix to Hydro One’s procedures.

Please see Hydro One’s comments in Section 1 on the CCRA templates for both load and generator customer versions, to the effect that the TSC does not require OEB approval of these templates. Furthermore, it is anticipated the CCRA will be amended from time to time to reflect amendments to the Code or Compliance Bulletins. For these reasons, the CCRA templates should not be an Appendix to Hydro One’s Board-approved Connection Procedures. Hydro One will make its CCRA templates available on its website, www.HydroOneNetworks.com.

PWU Submission #2:

The PWU recommends that Step 4.3 “Assess capacity needs of each customer applicant” of this procedure should be more specific about the type of supporting documentation a customer must provide for its load forecast.

If the Board believes it will assist other parties, Hydro One could change the wording of the second sentence of bullet 2 of step 4.3 to the following:

“Supporting documentation to include but not be limited to a letter from the customer’s signing officer supporting the forecast and referencing:

- i) an approved business plan identifying the expansion and/or load growth
- ii) an approved capital expenditure program identifying the expansion and load growth, and/or
- iii) a consultant’s report signed by a Professional Engineer supporting the load forecast.”

Security Deposit Procedure

OEB Submission 5:

OEB Staff suggests that the TSC should be interpreted to require the use of the Prime Business rate as the interest rate on security deposits (per section 6.3.11 (b) of the TSC), and not the Bank Rate, as proposed by Hydro One.

Hydro One is neutral with respect to this issue and wishes only that the TSC be clear. Hydro One therefore recommends that to increase clarity the TSC be revised using wording similar to the wording in the DSC (reproduced below):

“The interest rate shall be at the Prime Business Rate as published on the Bank of Canada website ...”

OPG Submission #1: Security Deposit Procedure

OPG proposes relaxing Hydro One’s security deposit ratings table to reduce and eliminate certain security deposit requirements for various risk categories of generator and load customers, and OPG provides a revised Table 1 as an interim measure. OPG also suggests that formal studies should be done to establish subsequent “more realistic” security deposit requirements and notes its concern (without providing supporting evidence) that the proposed procedure establishes onerous and unnecessary prudential requirements.

As noted in Hydro One’s response to OPG’s Interrogatory #4, Hydro One’s security deposit requirements were established based on the IESO’s risk-rating framework used to determine prudential requirements for market participants. Hydro One considered the IESO’s approach a suitable one to build upon, adapted for typical load and generation connection projects and the construction-period risks pertaining thereto and Hydro One could see no reason to deviate from this approach. Given the existence of a suitable framework, Hydro One did not believe that the time and expense of formal studies to establish prudential requirements was warranted. Hydro One continues to hold that belief.

Hydro One also notes that AMPCO, in its submission, did not express any concerns with the proposed security deposit requirements and in fact proposes that GLPL should use Hydro One's process.

Economic Evaluation Procedure

OEB Staff Submission 6: Economic Evaluation

OEB Staff submits that the proposed calculation of the capital cost, where it involves transfer pricing, is inconsistent with both the Board Policy Decision and the TSC.

The proposed calculation method is consistent with the TSC and the Board Policy Decision. However, Hydro One believes that Staff's concerns could be addressed with the addition of a footnote to the general definition of Capital Cost which would indicate that not all of the cost elements are applicable in every situation, and that some of the costs could be operating costs and not capital costs, depending on their nature. This would eliminate the confusion that may be caused by the apparent treatment of all costs as capital, when some could be operating items. Either way they would be included in the capital contribution calculation, which it is the purpose of that section of the Economic Evaluation procedure to identify. The issue is only one of cost classification and level of detail.

The definition including footnote would appear as follows:

Capital cost* = Transfer price + Hydro One project-specific overheads +
(a) make-ready costs on transferred assets including inspection, testing, commissioning and any other costs of incorporation +
(b) capital costs of any Hydro One Uncontestable Work +
(c) full capitalized overheads on capital costs in (a)+(b).

** The above is a general definition only. Capital and operating costs for individual projects will be based on the estimated costs of those projects. Some of the cost elements listed above could be capital or operating costs, and not all cost elements may be applicable for each project.*

With respect to OEB Staff's concern that make-ready costs such as inspection, testing and commissioning are "services" and as such should not be included in the capital costs of the project, Hydro One notes that these costs are properly charged to capital under GAAP and Hydro One's accounting policy and would therefore be included in the capital cost. In terms of cost categorization, they could either be included in the Transfer Price (assuming the customer incurs the cost prior to transfer of the asset), or they could be excluded from the Transfer Price and included as a separate line item, in which case they would be included in the make-ready costs included in item (a).

Similarly, although not typically, there could be Hydro One project-specific costs (which the procedure refers to as "overheads") which may apply for certain projects where an extraordinary level of effort by Hydro One is involved. These costs could either be

charged to the customer as incurred (and hence included in the Transfer Price) or they could be excluded from the Transfer Price and shown as an “adder” as in the general cost definition above. Depending on their nature, these costs would be treated as capital or operating costs, based on a case-by-case determination. If it would improve clarity, the term “project-specific overheads” could be replaced with the term “project-specific costs”.

In general, Hydro One will also ensure that its capitalization policies are followed with respect to the appropriate classification of project costs as capital or operating items.

Contestability Procedure

OEB Staff Submission 7: Contestability

OEB Staff states that the definition of “sole benefit” and use of the words “expansion” and “may permit” in certain parts of Section 2.6 of the CCP (Contestability) are at variance with what the TSC intended.

Hydro One’s definition is not at variance with what the TSC intended. The TSC intended transmitters to develop connection procedures to provide more detail to the requirements set out in the Code and Hydro One has done that. Hydro One included the term “sole benefit” to differentiate between facilities constructed for the connecting customer(s) versus facilities constructed for a larger number of customers. The bracketed “s” after the word customer(s) was included to account for the type of situation involving two customers described by OEB Staff. The word “expansion” is used to denote additions made inside an existing station rather than a new line segment addition, but the word can be replaced if it causes confusion.

The sentence, “*the transmitter may permit the Connecting Customer(s) to terminate the contestable facilities at the Connection Point to Hydro One’s assets*” has also created some confusion. Hydro One normally performs the work for the interconnection of new connection facilities to Hydro One’s facilities and the sentence is intended to allow for exceptional cases where the customer may be permitted to do some of this work itself. The sentence can be deleted without changing the definition if the Board believes that doing so would reduce confusion.

To address all of the above issues, Hydro One could change the definition of “contestable work” as follows:

“New Connection Facilities that are for the sole benefit of the Connecting Customer(s) and do not involve either any work on the transmitter’s existing assets or any utilization of land over which the transmitter has ownership, easement or other land rights.”

Response to OEB Staff Submission #8 and the Submissions of ECAO on Contestability
The response to these submissions is provided in Section 1.

Reconnection Procedure

OPG Submission #2:

With regard to the proposed reconnection procedure, OPG is concerned with Step 8 on page 46 of Hydro One's proposal. Step 8 states "Once Hydro One is satisfied that reconnection of the customer's facilities will not cause any adverse effects on the transmission system, the customer will be advised in writing when reconnection can take place. Hydro One shall have the right to participate in all or any part of inspection, testing and commissioning activities that may be required by Hydro One, at the customer's cost."

OPG recommends adding a clause to Step 8 that clearly states that Hydro One will not unduly delay the reconnection. The addition of the clause should make it clear that Hydro One is expected to use its "best efforts" to complete the work in a timely fashion so as not to unnecessarily cause delays.

Hydro One does not believe the procedure needs amending. If the Board is concerned, Hydro One could add a clause to the end of Step 8, "and Hydro One will not unduly delay the reconnection." Hydro One's interpretation of this clause is that Hydro One would use commercially reasonable efforts to not delay reconnection.

Dispute Resolution Procedure

OEB Submission #9:

OEB Staff states that the proposed procedure does not specify what would happen if a Settlement Agreement is signed but a party fails to comply with the terms of the settlement.

Hydro One could amend the procedure by adding the following section:

"Failure to Comply With Settlement Agreement

Where a party fails to comply with the terms of the Settlement Agreement, the other party shall, in addition to any other rights it may have in the Settlement Agreement or in law, have the right to take the matter to the OEB for resolution."

OEB Submission #10:

OEB Staff submits that Hydro One's response to Board staff interrogatory #36 confirms that Hydro One will retain records relating to the resolution of formal disputes and will provide that information to the Board on request. However, the provision of information to the Board is made contingent on the consent of the other party.

Hydro One responds that, if ordered by the Board, Hydro One will file the Settlement Agreement in confidence with the Board and notify the other party of the filing.

Connection and Cost Recovery Agreement (CCRA) Templates

Please see Section 1 for Hydro One's general response on these submissions. Hydro One accepts the comments of OEB Staff and OPG on a number of their submissions and will make changes to the CCRA templates accordingly. Those submissions are: OEB Staff submissions 12, 14, 16, 18, 19, 21 and 24; OPG 3 and 6. With respect to the other submissions on the CCRA templates Hydro One provides responses below.

OEB Submission #13: CCRA - By-Pass

OEB Staff claims that the load version of the CCRA appears to introduce obligations that are inconsistent with the TSC.

Hydro One submits that the CCRA does not introduce obligations that are inconsistent with the Code. Please see the response to OEB Staff IR #10. Hydro One introduced the section "Right of Customer to By-Pass Existing Load Facilities" to be responsive to customers' operational needs, to provide clarity regarding permanent versus temporary by-pass or load transfers and to meet its obligation under the Code to notify the Board once it becomes aware of a by-pass situation.

The Code, as currently written, envisions that by-pass by customers would be made and implemented over a short time span. However, the complexity of by-pass because of business planning cycles, construction timing and operational constraints, can stretch the time from when a customer decides to by-pass to full implementation in the field from months to years and can occur in stages.

For example, Hydro One is aware of two situations where customers have executed CCRAs, requiring that they retain loads on existing facilities but load has been transferred from an existing facility to a new Customer Facility resulting in lost revenues over a period of two plus years of \$200,000. In these cases, the transfer was discovered upon review of the Customer's load data as part of the CCRA interim review process. The customers involved both indicated that they had no intention of permanently by-passing the existing Hydro One owned facilities and did not want to trigger the Code by-pass provisions.

The Code does not direct Hydro One to capture this lost revenue, and thus, without a formal declaration of by-pass by these customers, Hydro One continues to lose revenue. The net result is that the rate pool will have to subsidize these customers. Hydro One submits that incorporating the terms of this section into the CCRA and into Hydro One's connection procedures is fair and balanced for all parties and stakeholders as it

- provides clear language for customers in respect of their financial obligations;
- minimizes rate impacts to all customers;
- meets notification requirements in respect to by-pass declaration; and
- remains consistent with the TSC, but at the same time providing customers with operational flexibility without triggering permanent by-pass provisions and associated costs within the Code.

OEB Submission #15: CCRA – Land Use Costs

OEB Staff states that the “Notes” under the two sections referenced indicate that the costs associated with obtaining easements and other land rights from third parties are not included in the initial cost estimate but the actual cost of obtaining the easement is reflected in the final cost estimate and capital contribution. OEB staff believes these costs should be in the initial estimate.

Hydro One understands OEB staff’s concern on this issue but unfortunately due to the high degree of uncertainty of easement costs, obtaining accurate estimates of easement costs is not possible prior to completing an environmental assessment. There are many factors beyond the control of Hydro One that may impact the estimated cost, e.g. route selection, length of transmission line, number of landowners involved, cost of land appraisals, whether expropriation is required and awards to landowners for injurious affection.

OEB Submission #17: CCRA – Standard Terms and Conditions

OEB Staff states that Section 14.2 (c) of the Standard Terms and Conditions of the load version of the CCRA relates to costs associated with work that is the subject matter of Compliance Bulletin 200606.

Hydro One has referenced Compliance Bulletin 200606 issued by the Chief Compliance Officer in the CCRA to provide clarification in respect to cost allocation requirements regarding customers’ obligations toward Network Facilities costs that are triggered by customer connection projects. However, given the concerns of OEB Staff and OPG (see OPG Submission #5 below), Hydro One will include the cost allocation principles to be followed but will remove the reference to the Compliance Bulletin.

OEB Submission #20: CCRA – Standard Terms and Conditions

OEB Staff states that Section 29 of the Standard Terms and Conditions of the load version of the CCRA states that if any of the transmission service rates are rescinded or the methodology materially changed, the parties agree to negotiate a new mechanism for the purposes of the CCRA.

Hydro One submits that the intent of Section 29 of the CCRA is to provide a mechanism to address material changes in rate-making methodology and allow the parties to negotiate appropriate adjustments to the contract. This section is not intended to be operative for a simple change in rates. For example, if the Board were to adopt a significantly different rate structure based on different charge determinants such that the current Line Connection, Transformation Connection or Network pool tariffs were no longer applicable, the True-Up methodology in existing contracts would need to be adjusted, as applicable, to reflect those changes. This adjustment would need to reflect the revised load methodology on which the new rate structure was based, as the True-Up comparison of actual load to original forecast load embedded in the contract would become, at the point that the new rate structure was introduced, an "apples" to "oranges" comparison, and hence no longer applicable for True-Up purposes. Section 29 allows for this issue to be addressed in the contract and for the necessary adjustments to be

negotiated by both parties. Therefore, Hydro One believes that it is appropriate to include this section in the contract.

OEB Submission #22: CCRA – Standard Terms and Conditions

OEB Staff states that Section 36 of the Standard Terms and Conditions of the CCRA requires the customer to provide, or to authorize the IESO to provide, monthly bills associated with the transmission of electricity from the Existing Load Facilities and/or the Customer's Facilities.

Hydro One responds that the Code and the Connection Agreement do not provide Hydro One with a right to access customers' actual monthly bills. True-ups require Hydro One to review the customers' actual billing and any adjustments that have been made as Hydro One has to use the actual customer loads and not a customer's load forecast. Monthly bills are critical in respect to analysis that would involve demand management programs and embedded generation.

OEB Submission #23: CCRA – Standard Terms and Conditions

OEB Staff states that Section 39 of the Standard Terms and Conditions of the CCRA requires the customer to notify Hydro One of any intended reductions in Average Monthly Peak Load prior to the reduction and provides for notification of the reduction to be given by Hydro One to other customers. The section also requires the customer to agree that this section will be a term of the Connection Agreement (CA).

Hydro One has included this clause within the CCRA and within the CA in order to comply with obligations of section 11.2.2 of the Code for notifying impacted customers and the Board of another customer's intention to by-pass. In addition, Hydro One proposes that the Code's CA templates should be amended to include such a clause or similar obligation.

OPG Submission #4:

On Page 3, Section III, last sentence, OPG asks that Hydro One delete the last full sentence that reads;

“The Generator Customer acknowledges and agrees that the Ready for Service Date may be materially affected by difficulties with obtaining or the inability to obtain all necessary land rights and/or environmental approvals, permits or certificates.”

and replace it with

“Both parties will use commercially reasonable efforts to complete their portions of the connection work in accordance with the project schedule.”

While OPG recognizes that delays in approval processes may delay an in-service date, OPG's concern relates to Hydro One not using its best efforts to obtain approvals and completing its work in a timely manner. The replacement of the sentence commits both parties to work diligently to complete their work in all aspects of the project, including

approvals, and as such should provide a generator proponent a greater level of comfort by using more balanced provisions.

Hydro One does not agree with deleting this last sentence on page 3, Section III. Hydro One is already obligated under sections 3(e) and (k) to make commercially reasonable efforts to obtain approvals and land rights. This is a major issue of which Hydro One may not have control. This last sentence was inserted to make it clear to customers that even after making commercially reasonable efforts Hydro One may not be able to obtain the required land rights or approvals in time to meet the Ready for Service Date.

Hydro One will consider amending the last sentence to read:

“The Generator Customer acknowledges and agrees that even after Hydro One has made commercially reasonable efforts, the Ready for Service Date may be materially affected by difficulties with obtaining or the inability to obtain all necessary land rights and/or environmental approvals, permits or certificates”.

OPG Submission #5:

Page 16, Section 1, Generator Customer Allocated Network Work definition, OPG suggests replacing the words “Compliance Bulletin 200606” with the words “Transmission System Code”. OPG submits that it is inappropriate to reference a bulletin from the Chief Compliance Officer (CCO) of the OEB. Their rationale for the change relies on the fact that no statutory power of decision making has been delegated to the CCO and that the views expressed in the bulletin by the CCO are not binding on the Board. In addition, the CCO Bulletin 200606 has not been stakeholdered or tested before the Board to determine if it is consistent with the Transmission System Code. As a result, OPG concludes that it is more appropriate to reference the Transmission System Code since it is an approved document.

Please see Hydro One’s response to OEB submission #17.

All of which is respectfully submitted.