



3240 Mavis Road
Mississauga, ON
L5C 3K1
Tel: (905) 566-2727
Fax: (905) 566-2737

Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4
Attn: Ms. K. Walli
Board Secretary

July 9, 2007

Dear Ms. Walli

Re: EB-2006-0189, EB-2006-0200

I am writing on behalf of the Coalition of Large Distributors (“CLD”) who are:

- Enersource Hydro Mississauga Inc.;
- Horizon Utilities Corporation;
- Hydro Ottawa Limited;
- PowerStream Inc.;
- Toronto Hydro-Electric System Limited; and
- Veridian Connections Inc.

The CLD reviewed Procedural Order No. 3, issued June 7, 2007, in the above named matter seeking comments on connection procedures to the transmission system proposed by Hydro One Networks.

Substantive Issues

It appears that section 6.3.6. of the TSC was written to permit transmitters the ability to plan, construct and finance their transmission systems subject to not requiring customer contributions, except to accelerate a specific project’s schedule. This approach requires that transmitters assume responsibility for, and the risks of, the system plans they consider appropriate in light of the revenues available through pooled “postage stamp” transmission rates.

In relatively few cases is there a clear distinction between projects undertaken at a customer’s request and projects which are part of the transmitters overall system plan. This is particularly relevant for distributors whose role is to ensure that there is adequate supply to end-use customers. The absence of a clear distinction for the majority of projects is a strong reason for the transmitter maintaining responsibility for planning the system and financing those plans through transmission rates.

If Hydro One's application of section 6.3.6 was unfair then customers or project proponents would have sought relief from the Board previously. Procedural Order No. 3 in this matter does not describe any such complaints or requests for relief. In fact, Procedural Order No. 3 characterizes this matter as arising from a Board staff submission, cross-examination and from two Leave to Construct applications.

For these reasons, Hydro One's proposed exemptions appear appropriate and do not appear to require any changes.

Procedural Issues

The CLD seeks guidance on a potential administrative implication of adopting the Board staff's proposal. The CLD is aware that the Board is interested in adopting a single review model for proposed capital projects. If Hydro One's current connection procedures and its characterization of the exemptions, in particular, are overturned then under the single review model a connection project proponent may need to raise capital and assist in defending the desired facilities and infrastructure.

Under the Board staff's proposal there could be a significant shift in costs from the connection pool to individual distributors, through capital contributions. If the Board staff proposals are adopted and distributors are required to make capital contributions for transmission projects, then the required regulatory approvals should include the necessary orders to rebase distribution rates. To date the Board's plans for incentive regulation rate-setting have not provided this flexibility or accommodated this outcome.

The CLD notes that the resolution of this issue may affect all distributors and all transmission customers. While the Board has taken steps to involve parties beyond the intervenors of record in the subject proceedings the involved parties are, nonetheless, only a subset of the affected interests. Among the possible outcomes of this proceeding is a shift in cost responsibility from the Pool to customers; this is not desirable, in general transmission costs should be recovered through transmission rates. In those cases when the customer is a distributor the eligible costs would subsequently be recovered through distribution rates. This outcome raises fairness and rate issues. Given the broad implications of this proceeding, the CLD proposes that the Board re-issue Procedural Order No 3 to all distributors and all transmission customers and provide sufficient time for them to participate in the adjudication of this issue.

In summary, the CLD suggests:

- Hydro One's connection procedures are appropriate and are consistent with "postage stamp" transmission rates;
- Under the Board staff interpretation, end-use customers may inappropriately pay transmission related costs, through increased capital contributions or through distribution rates to recover capital contributions;

- One consequence of implementing the changes associated with the Board staff position is the need to develop a mechanism that adjusts distribution rates accurately and in a timely manner; and
- The implications of this proceeding are sufficiently broad that the Board needs to re-issue Procedural Order No. 3 to all affected parties and provide them with an opportunity to participate in this issue.

Sincerely



K. Litt

Manager, Rates and Regulatory

- cc. L. Anderson, Hydro Ottawa Limited
G. Armstrong, Veridian Connections Inc.
P. Conboy, PowerStream Inc.
C. McKenzie, Horizon Utilities Corporation
C. McLorg, Toronto Hydro-Electric System Limited