

TRANSITIONAL TRANSMISSION LICENCE

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Transitional Transmission Licence

1. Definitions

In this licence:

“Accounting Procedures Handbook” means the handbook, approved by the Board and in effect at the relevant time, which specifies the accounting records, accounting principles and accounting separation standards to be followed by the Licensee.;

“Act” means the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule. B;

"affiliate", with respect to a corporation, has the same meaning as in the *Business Corporations Act*;

“Affiliate Relationships Code” means the code, approved by the Board and in effect at the relevant time, which, among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;

"ancillary services" means services necessary to maintain the reliability of the IMO-controlled grid, including frequency control, voltage control, reactive power and operating reserve services;

"Board" means the Ontario Energy Board;

"consumer" means a person who uses, for the person's own consumption, electricity that the person did not generate;

“day” means a business day, not including weekends or statutory holidays;

"Director" means the Director of Licensing appointed under section 5 of the *Act*;

"distribute", with respect to electricity, means to convey electricity at voltages of 50 kilovolts or less;

"distribution system" means a system for distributing electricity, and includes any structures, equipment or other things used for that purpose;

"distributor" means a person who owns or operates a distribution system;

“Electricity Act” means the *Electricity Act*, 1998, S.O. 1998, c.15, Schedule A;

"generate", with respect to electricity, means to produce electricity or provide ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system;

"generation facility" means a facility for generating electricity or providing ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system, and includes any structures, equipment or other things used for that purpose;

"generator" means a person who owns or operates a generation facility;

“holiday” means a Saturday, Sunday, statutory holiday, or any day that the Board’s offices are closed;

"IMO" means the Independent Electricity Market Operator established under the *Electricity Act*;

"IMO controlled grid" means the transmission systems with respect to which, pursuant to agreements, the IMO has authority to direct operation;

"Licensee" means Ontario Hydro Services Inc.;

"Market Rules" means the rules made under section 32 of the *Electricity Act*;

"Minister" means the Minister of the Ministry of Energy, Science and Technology;

"Performance Standards" means the performance targets for the transmission and connection activities of the Licensee as established by the Board pursuant to section 82 of the *Act*;

"rate" means any rate, charge or other consideration, and includes a penalty for late payment;

"Rate Order" means an order of the Board, made under section 78 of the *Act*, and in effect at the relevant time, which among other things, establishes the rates, including the characteristics and terms of service related to the rates, to be charged by the Licensee;

"Regulations" means the regulations made under the *Electricity Act*, or the *Act*;

"retail", with respect to electricity, means,

- a) to sell or offer to sell electricity to a consumer,

- b) to act as agent or broker for a retailer with respect to the sale or offering for sale of electricity, or
- c) to act or offer to act as an agent or broker for a consumer with respect to the sale or offering for sale of electricity;

"retailer" means a person who retails electricity;

"transmission system" means a system for transmitting electricity, and includes any structures, equipment or other things used for that purpose;

"Transmission System Code" means the code, approved by the Board, that is in force at the relevant time, which regulates the financial and information obligations of the Licensee with respect to its relationship with customers, as well as establishing the standards for connection of customers to, and expansion of a transmission system;

"transmit", with respect to electricity, means to convey electricity at voltages of more than 50 kilovolts;

"transmitter" means a person who owns or operates a transmission system;

"wholesale buyer" means a person that purchases electricity or ancillary services in the IMO-administered markets or directly from a generator; and,

"wholesale supplier" means a person who sells electricity or ancillary services through the IMO-administered markets or directly to another person, other than a consumer.

2. Interpretations

In this Licence words and phrases shall have the meaning ascribed to

them in the *Act* or the *Electricity Act*. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this licence where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day.

3. Authorization

The Board, in the exercise of the powers conferred by Part V and sub section 129(1) of the *Act*, licences the Licensee to own or operate a transmission system consisting of the facilities defined in Schedule 1, subject to the conditions set out in this Licence. Under section 84 of the *Act*, the Director or the Board may determine that a system, or part of a system, that forms part of a distribution system is for the purposes of licencing and any other determination a part of a transmission system and vice versa.

4. Fees and Assessment

The Licensee shall pay any fee charged by the Board or amounts assessed by the Board.

5. Term of Licence

This Licence shall take effect on (date) and terminate on (date). The term of this Licence may be extended by the Board.

6. Transfer of Licence

In accordance with subsection 18(2) of the *Act*, this Licence is not transferable or assignable without leave of the Board.

7. Amendment of Licence

The Board may amend this Licence in accordance with section 74 of the *Act* or section 38 of the *Electricity Act*.

8. Orders for Securing Compliance

If the Board is satisfied that the Licensee is contravening this Licence or is likely to contravene this Licence, the Board may order the Licensee to comply with this Licence in accordance with section 75 of the *Act*.

9. Suspension or Revocation of Licence

9.1 The Board may suspend or revoke this Licence in accordance with sections 76 and 77 of the *Act*.

9.2 The Board may cancel this Licence if the Licensee agrees, at any time, in writing that this Licence should be cancelled.

10. Provision of Information to the Board

10.1 The Licensee shall provide, in the manner and form determined by the Board, such information as the Board may require from time to time to monitor the Licensee's compliance with the conditions of this Licence and any other legislative or regulatory requirements.

10.2 Without limiting the generality of paragraph 10.1 the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee as soon as practicable, but in any of event within fifteen days of the date upon which such change occurs.

11. Requirement to enter into Operating Agreement

- 11.1 The Licensee is required, following a request by the IMO, to offer to enter into an agreement (“the Operating Agreement”) with the IMO providing for the direction by the IMO of the operation of the Licensee’s transmission system. Following a request made by the IMO, the Licensee and the IMO shall enter into an Operating Agreement within a period of 90 days, unless extended with leave of the Board. The Operating Agreement shall be filed with the Board within 10 days of its completion.
- 11.2 Where the parties are unable to reach agreement on an amendment to the Operating Agreement, the Board shall determine the matter. Where there is a dispute, that can not be resolved between the parties, with respect to any of the terms and conditions of the Operating Agreement, the Board shall determine the matter.
- 11.3 Unless the Licensee has consented to be bound by it, paragraphs 11.1 and 11.2 do not apply if the Licensee has been exempted by regulation from the obligation to provide non-discriminatory access under subsection 26(1) of the *Electricity Act*.

12. Access to Transmission Service

- 12.1 The Licensee shall maintain and ensure its transmission system is available for access by generator, distributor, retailer, wholesale supplier, wholesale buyer or customer in accordance with the Market Rules. Access shall be determined by the IMO in accordance with the conditions of its licence and the Market Rules.
- 12.2 The Licensee shall provide non-discriminatory transmission services to any generator, distributor, retailer, or a consumer on those parts of its system that are not part of the IMO-controlled grid pursuant to the Operating Agreement, in accordance with the Transmission System Code.
- 12.3 Transmission service shall be provided in compliance with the Rate Order.

- 12.4 Unless the Licensee has consented to be bound by it, paragraph 12.1 and paragraph 12.2 do not apply to a Licensee who has been exempted by regulation from the obligation to provide non-discriminatory access under subsection 26(1) of *Electricity Act*.
- 12.5 Prior to the proclamation of section 26(1) of the *Electricity Act, 1998*, the Licensee shall maintain service as required and in accordance with good utility practices.

13. Obligation to Connect

- 13.1 If a request is made for connection to the Licensee's transmission system or a change in the capacity of an existing connection, the Licensee shall respond to the request within 30 days, provided the request includes all information reasonably required by the Licensee to determine its ability to offer a connection contract. The 30 day period to respond to the request may be extended by agreement between the Licensee and the party requesting service. The information shall at a minimum include any information required by the Market Rules, the Rate Order and the Transmission System Code.
- 13.2 If sufficient information is not provided the Licensee shall inform the party requesting service of the deficiencies and allow sufficient time for the party to comply with the request for additional information. Any dispute over the requirement for additional information by the Licensee shall be determined by the Board.
- 13.3 Should the Licensee determine that the proposed connection may impact on system reliability or security, it shall request the IMO carry out a study to determine the system adequacy related to the requested connection. The Licensee and the party requesting connection shall provide the IMO with the information required by the IMO under the Market Rules for the purposes of doing such system adequacy study.
- 13.4 An offer of connection shall be consistent with the terms of this licence, the Rate Order, the Market Rules and the Transmission System Code.

- 13.5 An offer to connect must be fair and reasonable. To the extent there is any question as to the fairness or reasonableness of an offer either party may request the Board to determine the fairness or reasonableness.
- 13.6 The Licensee shall not refuse to make an offer to connect unless it is permitted to do so by the *Act* or any codes, standards or rules to which the Licensee is obligated to comply with as a condition of this licence.
- 13.7 Prior to the proclamation of section 26(1) of the *Electricity Act, 1998*, the Licensee shall continue to connect customers on an economically efficient basis consistent with good utility practice and protection of the power pool.

14. System Integrity

The Licensee shall maintain its transmission system to the standards established in the Operating Agreement, the Market Rules, the Transmission System Code and having regard to any other recognized industry operating or planning standards required by the Board.

15. Restrictions on Provision of Information

The Licensee shall not, unless necessary for compliance with the Market Rules or any Board approved code or standard, release specific information regarding a consumer, retailer, wholesale buyer, wholesale supplier, or a generator to any party unless the release of such information has been authorized by the particular consumer, retailer, wholesale buyer, wholesale supplier or generator.

16. Obligation to Comply with Codes

- 16.1 The Licensee is required to comply with the applicable provisions of the Transmission System Code and the Affiliate Relationships Code (“the Codes”), as such codes have been approved by the Board and are in effect at the relevant time.
- 16.2 The Licensee shall:

- (a) make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours and;
- (b) provide a copy of the Codes to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

16.3 The Board may approve amendments to any of the Codes in accordance with the following provisions:

- a) the Licensee or any other person may file with the Board a proposed amendment to a specified Code or Codes;
- b) where the Board determines that the proposed amendment does not require consultation, the Board may approve the amendment;
- c) where the Board determines that the proposed amendment requires consultation:
 - i) the Board shall direct the Licensee or other person who filed the proposed amendment (“the Notifying Party”) to give notice of it in such a manner and to such persons as the Board may direct;
 - ii) the notice shall invite written submissions to the Notifying Party within such reasonable time as the Notifying Party shall indicate;
 - iii) after considering the written submissions and making any changes to the proposed amendment it considers advisable, the Notifying Party may file the proposed amendment with the Board and request that the Board approve the proposed amendment; and,
 - iv) where the Board determines that further consultation is necessary in regard to a proposed amendment, it shall give directions as to the manner in which that further consultation is to be conducted.

16.4 Any question as to the reasonableness of the time set out by the Notifying

Party shall be determined by the Board.

16.5 The Board may make amendments to any of the Codes of its own motion but where the amendment would materially change the Code, the Board shall not make the amendment until it has:

- a) provided notice in such a manner and to such persons as the Board may direct; and
- b) in the notice, invite written submissions within such reasonable time as the Board may direct.

16.6 Where the Board approves or makes an amendment to any of the Codes, the Board shall give notice of the amendment to all licence holders who are required to comply with the relevant Code as a condition of their licence.

16.7 An amendment to a Code shall come into force on a date specified by the Board in the notice given under paragraph 16.6

16.8 The Board, upon application by the Licensee, may make a determination that one or more of the provisions of any Code do not apply to the Licensee. Such determination may be in the form of a modification, variation or exemption as the case may be. Following the Board's determination of the application, the relevant Code shall apply to the Licensee as modified.

17. Obligation to Comply with the Market Rules

The Licensee is required to comply with the applicable provisions of the Market Rules as approved by the Minister.

18. Separation of Business Activities

18.1 In accordance with section 71 of the *Act*, the Licensee shall not engage in or undertake any business activity other than the transmission or

distribution of electricity. The Licensee shall ensure financial, organizational and structural separation of its transmission and distribution business activities from all other business activities as required by the Board or as specified in the Affiliate Relationships Code.

18.2 The Licensee shall maintain separate accounting and financial records with respect to its transmission business activity in the manner and form approved by the Board in the Accounting Procedures Handbook.

18.3 The Licensee shall allow the Board's authorized officials access to the financial and operating accounts and statements for the purpose of verification and audit.

19. Transmission Rates

The Licensee shall not charge for the transmission of electricity or for connection to its transmission system except in accordance with the Rate Order approved by the Board.

20. Performance Standards

The Licensee shall conduct its business in the manner in which it reasonably considers necessary to achieve any standards, targets and criteria of performance established by the Board in accordance with section 83 of the *Act*.

21. Expansion of Transmission System

21.1 The Licensee shall not construct, expand or reinforce its transmission system or the capacity of its transmission system except in accordance with the standards established in the Transmission System Code.

21.2 The Board may also require the Licensee to expand or reinforce its transmission system if the Board is aware of a situation in which there is a threat to security, reliability or integrity of the system, in such manner as the Board may determine.

22. Disposal of Assets

The Licensee shall not sell, lease or otherwise dispose of its transmission system as an entirety or substantially as an entirety, or any part of its transmission system that is necessary in serving the public without first obtaining approval from the Board in accordance with section 86 of the *Act*.

23. Dispute Resolution

If requested by the Board, the Licensee must develop and submit to the Board for its approval a mechanism for the investigation and resolution of disputes between the Licensee and: a customer about the Licensee's services, billing and charging; or an aggrieved person(s) about the manner in which the Licensee conducts its business generally.

24. Communication

24.1 All communication related to this Licence must be in writing.

24.2 All communication is to be regarded as having been given by the sender and received by the addressee:

- a) when delivered in person to the addressee by hand or by courier;
- b) 10 business days after the date of posting by registered mail; and,
- c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

Schedule 1 Transmission licence issued to Ontario Hydro Services Corporation Inc. dated April XX, 1999.

Definition of the transmitter's facilities by designated list and approximate geographic service area, including the location of any excluded areas serviced by other

transmitters.