

# Transitional Distribution Licence

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# Transitional Distribution 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;

"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 services” means services related to the distribution of electricity and the services the Board has required distributors to carry out, including the sale of electricity to consumers under section 29 of the Act, for which a charge or rate has been established in the Rate Order;

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

“Distribution System Code” means the code approved by the Board and in effect at the relevant time, which, among other things, establishes the obligations of the distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum technical operating standards of distribution systems;

"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, in accordance with agreements, the IMO has authority to direct operations;

"Licensee" means **xyz** Hydro Inc.<sup>1</sup>;

"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 in accordance with section 82 of the *Act*;

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

"Rate Handbook" means the handbook approved by the Board and in effect at the relevant time, which among other things, establishes the methods for fixing just and reasonable rates and charges and establishes conditions and performance targets for distribution services;

"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;

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<sup>1</sup>DN this will identify the Licensee

“Retail Metering Code” means the code approved by the Board and in effect at the relevant time, which, among other things, establishes metering and meter reading standards and rules for providing interval metering;

“Retail Settlements Code” means the code approved by the Board and in effect at the relevant time, which, among other things, establishes a distributor’s obligations and responsibilities associated with financial settlement among retailers and customers and provides for tracking and facilitating customer transfers among competitive retailers;

"retailer" means a person who retails electricity;

"service area", with respect to a distributor, means the area in which the distributor is authorized by its licence to distribute electricity;

“Standard Supply Service Code” means the code approved by the Board and in effect at the relevant time, which, among other things, establishes the minimum conditions that a distributor must meet in carrying out its obligations to sell electricity under section 29 of the *Electricity Act*;

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

“transmit” 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. Interpretation**

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 subsection 129 (1) of the *Act*, subject to the conditions set out in this Licence, licenses the Licensee to own or operate a distribution system in the service area described in Schedule 1 of 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 transmission system is a distribution system or part of a distribution system and vice versa.

The Board, in the exercise of the powers conferred by Part V and subsection 129 (1) of the *Act*, subject to the conditions set out in this License, licenses the Licensee to retail electricity for the purposes of fulfilling its obligation under section 29 of the *Electricity Act* in the manner specified in Schedule 2 of this License.

### **4. Fees and Assessments**

The Licensee shall pay all fees charged and 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**

- 6.1 In accordance with subsection 18(2) of the *Act*, this Licence is not transferable or assignable without leave of the Board.
- 6.2 Where the Licensee is a municipal corporation or a commission or other body through which the municipal corporation distributes electricity, and despite paragraph 6.1, this Licence is transferable by a transfer by-law under section 145 of the *Electricity Act* to a corporation incorporated in accordance with section 142 of the *Electricity Act*.
- 6.3 The Licensee shall notify the Board that such a by-law has been enacted and provide the Board the name of the new corporation.

### **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 all legislative and regulatory requirements, including the conditions of this Licence.
- 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 event within fifteen days of the date upon which such change occurs.

## **11. Obligation to Comply with the Market Rules**

The Licensee shall comply with the applicable provisions of the Market Rules as approved by the Minister.

## **12. Non-discriminatory Access**

- 12.1 On and after the day on which subsection 26(1) of the *Electricity Act*, comes into force, the Licensee shall, upon the request of a consumer, generator or retailer, provide such consumer, generator or retailer, as the case may be, with access to the Licensee's distribution system and shall convey electricity on behalf of such consumer, generator or retailer in accordance with the terms of this Licence, the Distribution System Code, Rate Handbook and the Market Rules.
- 12.2 Paragraph 12.1 does not apply to a Licensee who has been exempted by regulation from the obligation to provide non-discriminatory access in accordance with subsection 26(1) of *Electricity Act*, unless such Licensee consents to be bound by paragraph 12.1.

### **13. Obligation to Connect**

- 13.1 On and after the day section 28 of the *Electricity Act* comes into force, the Licensee shall connect a building to its distribution system if:
- a) the building lies along any of the lines of the distributor's distribution system, and
  - b) the owner, occupant or other person in charge of the building requests connection in writing.
- 13.2 On and after the day section 28 of the *Electricity Act* comes into force, the Licensee shall make an offer to connect a building to its distribution system if:
- c) the building is within the Licensee's service area as described in Schedule 1, and
  - d) the owner, occupant or other person in charge of the building requests connection in writing.
- 13.3 The terms of such connection or offer to connect shall be made in accordance with the Distribution System Code and Rate Handbook.
- 13.4 Any question as to the fairness or reasonableness of the terms of such connection or offer to connect shall be determined by the Board.

### **14. Obligation to Supply**

- 14.1 On and after the day section 29 of the *Electricity Act* comes into force, the Licensee shall sell electricity or ensure that electricity is supplied to every person connected to the Licensee's distribution system in accordance with section 29 of the *Electricity Act* and the Standard Supply Service Code.
- 14.2 The Licensee may fulfill its obligation to supply, subject to subsection 50 (4) of the *Electricity Act* directly, through an affiliate, through another person with whom the Licensee or an affiliate of the Licensee has a contract or through a combination of the three methods.
- 14.3 The Licensee shall notify the Board as to the manner in which it intends to fulfill its obligation under section 29 of the *Electricity Act*. The Licensee shall not commence fulfilling the obligation until the Board has approved the manner.
- 14.4 Despite 14.1 and 14.2 these paragraphs do not apply where the Licensee has obtained an exemption from the obligation to supply

under subsection 29(4) of the *Electricity Act*.



## **15. System Integrity**

The Licensee shall maintain its distribution system to meet the standards established in the Distribution System Code, Retail Metering Code, Market Rules and having regard to any other recognized industry operating or planning standards required by the Board.

## **16. Restrictions on Provision of Information**

- 16.1 The Licensee shall not, unless necessary for compliance with the Market Rules or any Board approved code or standard, disclose 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.
- 16.2 The Licensee shall not disclose consumer information to a third party without the consent of the consumer in writing, except where consumer information is required to be disclosed:
  - (a) for billing or market operation purposes;
  - (b) for law enforcement purposes;
  - (c) for the purpose of complying with a legal requirement; or
  - (d) for the processing of past due accounts of the consumer which have been passed to a debt collection agency.
- 16.3 Consumer information may be disclosed where the information has been sufficiently aggregated such that an individual's consumer information cannot reasonably be identified, but must be made available on a non-discriminatory basis.
- 16.4 The Licensee shall inform consumers regarding the paragraphs under which consumer information may be released to a third party without the consumer's consent.
- 16.5 The Licensee shall not use consumer information obtained for one purpose from a consumer for any other purpose without the consent of the consumer in writing.
- 16.6 The Licensee shall ensure that a third party does not use consumer information obtained for one purpose from the Licensee for any other purpose except for the reason for which it was originally disclosed in accordance with the first clause.

## **17. Obligation to Comply with Codes**

17.1 The Licensee shall at all times comply with all applicable provisions of:

- a) the Affiliate Relationships Code for Electricity Distributors and Transmitters,
- b) the Distribution System Code,
- c) the Retail Metering Code,
- d) the Retail Settlements Code, and
- e) the Standard Supply Service Code,

(collectively “the Codes”), as such Codes have been approved by the Board and are in effect at the relevant time.

17.2 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.

17.3 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 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.

- 17.4 Any question as to the reasonableness of the time set out by the Notifying Party shall be determined by the Board.
- 17.5 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 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.
- 17.6 Where the Board approves or makes an amendment to any of the Codes, the Board shall give notice of the amendment to each licence holder who is required to comply with the relevant Code as a condition of its licence.
- 17.7 An amendment to a Code shall come into force on a date specified by the Board in the notice given under paragraph 17.6
- 17.8 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 as modified.
- 17.9 The Board may provide for certain exemptions from the Affiliate Relationships Code for Electricity Distributors and Transmitters to facilitate efficient implementation for distributors. Any such exemptions shall be set out in Schedule 3 of this Licence.

## **18. Separation of Business Activities**

- 18.1 The Licensee shall keep its financial records associated with distributing electricity separate from its financial records associated with the transmission of electricity as required by the Board.
- 18.2 The Licensee may provide distribution services to another distributor or public utility as described in the *Public Utilities Act* and in accordance with the rules established by the Board.
- 18.3 Where the Licensee is a corporation incorporated under the *Business Corporations Act*, and in accordance with section 71 of the *Act*, the Licensee shall not, except through an affiliate or affiliates, carry on any business activity other than the distribution or transmission of electricity and in accordance with the Affiliate Relationships Code.

- 18.4 Where the Licensee is a public utility commission or a municipal corporation, the Licensee shall:
- a) maintain separate accounting and financial records with respect to its distribution business activities consistent with the Accounting Procedures Handbook; and
  - b) provide separate audited financial statements for its distribution business activity.
- 18.5 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. Distribution Rates**

The Licensee shall not charge for the distribution of electricity or retailing of electricity to meet its obligation under section 29 of the *Electricity Act* except in accordance with an order of the Board and in accordance with the methods or techniques set out in the Rate Handbook.

### **20. Expansion of Distribution System**

- 20.1 The Licensee shall not construct, expand or reinforce an electricity distribution line or make an interconnection except in accordance with the standards set out in the Distribution System Code and the Rate Handbook.
- 20.2 In order to ensure and maintain reliable and adequate capacity, the Board may also order the Licensee to expand or reinforce its distribution system in accordance with the Distribution System Code and in such a manner as the Board may determine.

### **21. Disposal of Assets**

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

### **22. Performance Standards**

The Licensee shall conduct its business in the manner 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*.

## **23. Customer Complaint and Dispute Resolution**

The Licensee shall:

- a) establish proper administrative procedures for resolving complaints by consumers and other market participants' complaints regarding services provided under the terms of this Licence;
- b) publish information which will facilitate its customers accessing its complaints resolution process;
- c) refer unresolved complaints and subscribe to an independent third party complaints resolution agency which has been approved by the Board;
- d) make a copy of the complaints resolution procedure available for inspection by members of the public at each of the Licensee's premises during normal business hours;
- e) give or send free of charge a copy of the procedure to any person who reasonably requests it; and
- f) keep a record of all complaints whether resolved or not including the name of the complainant, the nature of the complaint, the date resolved or referred and the result of the dispute resolution.

## **24. Communication**

24.1 All communication relating to this Licence shall 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 either by hand, or by courier;
- b) 10 business days after the date of posting, if the communication is sent by registered mail; and,
- c) when received by facsimile transmission by the addressee as confirmed by the sender's transmission report.

## **Schedule 1 Definition of Distribution Service Area**

### **Schedule 2 Standard Supply Service**

This schedule will set out the manner in which the distribute will fulfill its obligation to sell electricity under Section 29 of the *Electricity Act*. This schedule will have to be attached to each licence upon proclamation of section 29.

### **Schedule 3 Transitional Provisions Related to Affiliate Relationships**

This schedule will set out any exemptions or transitional provisions related to the implementation of the Affiliate Relationships Code for Electricity Distributors and Transmitters.