

EXECUTIVE SUMMARY
RP-1999-0044: Ontario Hydro Networks Company
Transmission Cost Allocation and Rate Design

The Ontario Energy Board held a hearing under Sections 78 and 129 of the *Ontario Energy Board Act, 1998*, into an Application by OHNC (now known as Hydro One Networks Inc.) for an Order Approving a transmission cost allocation and rate design to be implemented after the opening of the Ontario electricity market.

The specific issues addressed in the proceeding were: cost allocation methodology; definition of the line connection pool; customer buy-out of existing connections; definition of a transmission customer; gross vs net load billing for network and connection services; charge determinants; treatment of new load connection; connection costs for generators; requests for special treatment; and export and wheel-through transactions.

The Board approved OHNC's proposed cost allocation methodology based on three cost pools: *network* (generally high voltage common facilities), *line connection* (generally low voltage radial lines) and *transformation connection* (generally low voltage step down transformers).

On the issue of *definition of the line connection pool*, representatives of small customers supported OHNC's broad definition of the pool. Other industrial customers and generators advocated a narrow definition of the pool with most connection costs being transferred to the network pool. The Board found that OHNC's definition should be accepted for initial transmission rates, but that a modified definition should be brought back for review in a future proceeding.

On the issue of *customer buy-out of existing connection assets*, the Board found that OHNC should set out its policies in order to encourage customers to take responsibility for their line/transformation connections.

On the *definition of a transmission customer*, the Board did not accept OHNC's proposal for the status quo and adopted a definition as "a customer that is directly connected to the transmission system".

On the issue of *gross versus net load billing for network services*, OHNC proposed to adopt gross load billing for network services for new embedded generators with a 50% reduction in the fee for efficient generation. The Board found that the status quo of net load billing for network service should be continued. The Board also found that gross load billing should apply to line and transformation service.

On the issue of *charge determinants for network service*, the Board approved OHNC's proposal for charges based on the higher of the coincident peak and 85% of the customers' peak demand at the time of system peak (7 AM to 7 PM weekdays). The charge determinant for line and transformation connection service was confirmed by the Board as a customers' non-coincident peak.

On the issue of the *treatment of new load connections*, the Board found that OHNC should continue to provide these connections, subject to possible customer contribution, but customers may self-provide new connections if they wish. The Board encouraged OHNC to facilitate a competitive market for line/transformation connections as soon as possible.

On the issue of *connection costs for existing generators*, the Board was not persuaded that this issue should be dealt with in a Board-driven process and made no recommendation regarding a Government review of this aspect of the Ontario electricity market design under which existing generators do not pay connection costs.

On the issue of *requests for special treatment*, the Board found that existing Ontario Hydro special power contracts should expire upon opening of the electricity market as provided for in the *Electricity Act*. The Board noted that present contract holders can avail themselves of opportunities that the competitive market offers. With regard to special rate treatment for First Nations, the Board found that, given the new electricity market and in line with its other findings, no special rate treatment was appropriate. The Board also found that it did not have the jurisdiction under the current Application to order OHNC to negotiate a protocol on management and training assistance with First Nations. However, it noted that the Northern Strategies Division of OHNC was a forum for OHNC and First Nations to address issues of mutual concern.

On the issue of *export and wheel-through transactions*, having considered the situation in interconnected jurisdictions, the Board accepted OHNC's proposal for a flat rate of \$1/MWh on such transactions as an interim measure and directed OHNC to monitor the development of the export market and report whether the rate should be changed.

The Board considered the *implementation issues* related to the new transmission rates and directed OHNC to consult with the Independent Electricity Market Operator and then to file a Draft Transmission Rate Order by August 15, 2000 referencing the Transmission System Code as appropriate.