# METER REBATE AND EXIT PROGRAM

**For**

# TRANSITIONAL WHOLESALE METER SERVICE

Provided By

HYDRO ONE NETWORKS INC.

Board File No. RP-2003-0118 / EB-2003-0233

**Reply Submission by Hydro Networks Inc.**




Hydro One Networks Inc.


September 22, 2003

## 1.0 INTRODUCTION

The Minister of Energy has requested that the Ontario Energy Board (the "Board") undertake an expeditious review of the issue of meter rebates and exit fees for transitional Wholesale Revenue Metering ("WRM") Service currently provided by Hydro One Networks Inc. ("Hydro One") in accordance with the Market Rules. Accordingly, as requested by the Board, Hydro One filed its proposal for the Meter Exit and Rebate Program on August 21, 2003. Under this proposal, Hydro One will administer the Meter Rebate and Exit Program under which:

(a) Load consuming Metered Market Participants ("MMPs") will be eligible for an annual rebate of $ 5,700 for each Meter Point that is not under transitional metering arrangement with Hydro One; and

(b) A one-time exit fee of $ 5,200 per Meter Point, to cover the cost of stranded assets, will be subtracted from the initial rebate for Meter Points that exit the transitional metering arrangement with Hydro One.

In accordance with the Board administered process to review Hydro One's rebate and exit program, a Technical Conference was held on September 8, 2003 at the Board offices where Hydro One representatives summarized the program and responded to questions from stakeholders.

Also in accordance with the Board process, stakeholders were requested to provide written submissions with respect to the rebate and exit program by 4:00 PM, September 15, 2003. All submissions were received by Hydro One by September 22, 2003. The key comments raised by the stakeholders in these submission are summarized in Section 2.0 below.

Hydro One's response to specific issues raised in the stakeholder submissions as those pertaining to the rebate and exit program is provided in Section 3.0 below. In addition, Hydro One's concluding remarks and the revised request for approval, which revisions are based on the stakeholder submissions, are provided in Section 4.0 below.

## 2.0 SUMMARY OF STAKEHOLDER SUBMISSIONS

The following summarizes the comments raised in the eighteen (18) stakeholder submissions with respect to the Meter Rebate and Exit Program proposed by Hydro One. This summary excludes stakeholder comments raised on matters that are beyond the scope and context of the rebate and exit program.

**Electricity Distributors Association (EDA)**

The EDA supports Hydro One's proposal for the annual rebate and the one-time uniform exit fee related to WRM Service. The EDA also notes that Hydro One has clarified, in the September 8$^{th}$ technical conference, that the MMPs that have already signed a contract with Hydro One would have the option to retain the contract arrangements or accept the new proposed rebate and exit fee.

The EDA urges the Board to accept Hydro One's proposed uniform approach to establishing the annual rebate and (one-time) exit fee.

**Independent Electricity Market Operator (IMO)**

The IMO considers Hydro One's proposal to be a reasonable first step towards fully unbundling metering service.

The IMO also notes that the interim unbundling of metering charges should be simple and strike a balance between materiality of the rebate and exit fees and the administrative requirements upon implementation.

**Brantford Power**

**Cambridge and North Dumfries Hydro Inc.**

**<u>Orillia Power Corporation</u>**

The three corporations listed above support Hydro One's proposal for rebates and exit charges related to WRM Service.

**<u>Hydro Vaughan Distribution Inc. (HVDI)</u>**

HVDI agrees in principle with Hydro One's proposal for meter rebates and the exit fees. It recommends that the Schedule 2[1] stranded cost estimates sent previously by Hydro One to the MMPs (based on specific, proxy Net Book Value) should be considered as an option that an MMP can choose even if an exit agreement has not been officially signed. HVDI also recommends that the removal costs for metering installations should be bundled with the exit fees.

**<u>Ontario Electricity Finance Corporation (OEFC)</u>**

OEFC serves as the MMP for 27 Non-Utility Generation (NUG) facilities that are market participants. OEFC states that these NUG facilities are both generators of electricity and consumers of electricity for station service and that they pay Network transmission charges for their station service consumption when not generating.

OEFC believes that the uniform rebates and exit fees proposed by Hydro One are the most appropriate and it supports the Hydro One proposal. OEFC also recommends that the uniform exit fee proposed by Hydro One should apply to all MMPs (including generators) and the annual rebate should also apply to generators with station service loads, regardless of whether or not the station service is separately metered.

[1] Schedule 2 documents "Metering Installation Information, Stranded & Removal Costs and Purchase Costs" were provided by Hydro One to Metered Market Participants whose meter seals were expiring in 2003 in order to ensure timely exit of these installations. The stranded costs in Schedule 2 documents issued before August 21, 2003 were based on proxy Net Book Value for dedicated meter assets.

**The Association of Major Power Consumers in Ontario (AMPCO)**

AMPCO supports Hydro One's proposal for uniform rebate rate and exit fees.

AMPCO notes a concern about cost of removal (of meter assets) stating that these costs could be substantial and they can create an obstacle to the development of a viable competitive market for meter service. It also submits that, with respect to the quantum of exit fees, there should be no difference in (retroactive) treatment between those parties that have already executed exit agreements and those parties that have received exit fee quotations from Hydro One without yet signing the exit fee agreements. AMPCO suggests that a dispute resolution mechanism should be included in the exit policy.

**Hydro Ottawa**

Hydro Ottawa accepts that "for this period of transition determining the rebate using a "pooled" approach is the best way to expedite this matter" and it notes that it understands that the significant impact that a NBV based (specific) exit fee could have on some MMPs.

Hydro Ottawa would like to be informed whether Hydro One is considered a LDC for the purpose of this proposal. It also notes that since Hydro Ottawa cannot be strictly considered a "former customer of Ontario Hydro", it should be clarified that the LDCs that were created from former Municipal Electricity utilities (MEUs) would be treated as if they were the customers of the former Ontario Hydro.

**Toronto Hydro Electric System Limited (Toronto Hydro)**

Toronto Hydro supports the pooled approach used to determine the meter rebates. It also supports the proposed pooled approach for exit charges at this time, even though it notes that this support is provided "less readily" compared to the support for uniform rebates. Toronto Hydro also indicates that:

– It is concerned about the costs of accessing metering installations within Hydro One stations;

– Hydro One's requirement to install new metering facilities outside Hydro One stations would be difficult to fulfil due to space limitations in older urban areas and the requirement for physical barriers is a concern where there is space limitation; and

– It is concerned that the MMP is required to provide its own Instrument Transformers if the "host equipment" belonging to Hydro One fails or reaches end of life.

**<u>Guelph Hydro Electric Systems Inc. (GHESI)</u>**

GHESI supports the uniform annual rebate amount of $ 5,700 per Meter Point. On the subject of exit fees, GHESI indicates that, in the interest of moving the market forward, it would support the uniform, $ 5,200 exit fee approach "if consideration is given to other lower cost, more practical solutions to WMP upgrades as follows". (Hydro One interprets the term "WMP" to mean Wholesale Meter Point).

Except for the issue of (allowing) competitive metering installations in Hydro One stations, and the provision for access to these installations, all other solutions offered by Guelph Hydro are in relation to the Market Rules and they do not pertain to the Meter Rebate and Exit Program.

**<u>Enersource Hydro Mississauga</u>**

The submission by Enersource Hydro Mississauga does not specifically indicate whether or not it supports the notion of uniform rebates and uniform exit fees. The clarifications sought by Mississauga Hydro are in relation to the Market Rules and they do not pertain to the Meter Rebate and Exit Program.

**Algoma Steel Inc. (Algoma)**

Algoma (which is connected to another transmitter's system) believes that the proposal as submitted by Hydro One is acceptable if applied to all transmission customers, not just Hydro One's customers.

Algoma states that the MMP should be given the opportunity to switch the Meter Service Provider (MSP) without triggering the exit fee if the (meter) seal has not expired. In this approach, the annual rebates should be paid commencing with the switch of the MSP, whether or not exit fees are paid for exiting the transitional arrangement.

Algoma also indicates that the meter rebates should not necessarily terminate at the next hearing since "assuming the termination is caused by an anticipated increase in Network Rates, the need for such increase must be proven through the rate hearing".

**Rodan Meter Services Inc. (Rodan)**

The submission by Rodan does not specifically indicate whether or not it supports the basic notion of uniform rebates and uniform exit fees. However, based on our discussions with Rodan's management and staff, it is our understanding that it generally supports the pooling approach for rebates and exit fees, except that it would prefer the rebate rate to be calculated on the basis of an actual cost of service study.

Rodan submits that it is the only independent (non-affiliated) Meter Service Provider registered with the IMO and it recommends that:

- Hydro One should provide a documented procedure outlining the prerequisites and the process to pre-qualify an MSP and its subcontractors to gain unaccompanied and immediate access to Hydro One stations.

- The requirement to pay the exit fee should only be triggered upon seal expiry regardless of when the MMP exits the transitional WRM Service.

- The annual rebates should be based on an actual cost of service model rather than the rate based approach. (It is unclear to Hydro One whether Rodan means that the uniform rebate rate should be based on a cost of service model or that the rebate rate should be based on the cost of providing meter service at each Meter Point).

- Hydro One should agree to accept exit agreements, at the discretion of MMP, pursuant to either Hydro One's previous policy (of Meter Point specific exit fee) or the proposed (uniform fee) policy for seals expiring in 2003.

**<u>Newmarket Hydro</u>**

Newmarket Hydro agrees with the proposed annualized rebate rate of $ 5,700 per Meter Point to be applied for each full month since May 1, 2002 for load-consuming MMPs that are not under transitional arrangement with Hydro One.

In the matter of exit fees, Newmarket Hydro favours the Proxy Net Book Value option ("Option E1" in the August 21st submission) and is opposed to the principle of a pooled uniform exit fee (i.e. the recommended "Option E2"). It states that although in Newmarket Hydro's case the exit fee may be considered immaterial, the principle that its customers should pay for the assets of other LDC customers is unacceptable. It further states that Option E1 better reflects cost-causality and reflects the true stranded cost that is dedicated to each MMP.

**<u>London Hydro</u>**

London Hydro supports the proposal for annual postage stamp rebates. With respect to the uniform exit proposal, it states that this method is inherently unfair to "LDC's of our size." London Hydro would prefer a "modified uniform exit fee" approach "wherein the exit fees for metering installations with shared IT's would be established at, say, a nominal $ 1,000, and the exit fees for PME-style metering installations would be increased to, say, $ 10,000."

London Hydro also submitted some generic comments on the terms of Wholesale Metering Exit Policy.

**Chatham-Kent Hydro**

Chatham-Kent Hydro does not agree with the postage stamp approach for meter exit fees and did not state whether it supports, or otherwise, the uniform rebate. It believes that its customers should only be required to pay for the actual meter exit costs for meters supplying Chatham-Kent Hydro.

Chatham-Kent Hydro also posed questions about retroactive exit fee agreements and about the possibility of transferring to them the pole on which is mounted the Pole-mounted Metering Equipment (PME).

**Electrical Contractors Association of Ontario (ECAO)**

ECAO did not make any comments specifically related to the Meter Rebate and Exit Program proposed by Hydro One, except by noting that it is encouraged by the Board's action to promptly and decisively deal with the issue of meter rebates and exit process.

## 3.0 HYDRO ONE RESPONSE TO STAKEHOLDER SUBMISSIONS

As indicated by the review of stakeholder comments in Section 2.0 above, many stakeholders have similar comments on the key issues of meter rebates and exit fees. Further, some stakeholders do not have any comments other than on the issue of rebate and exit fees, while some other stakeholders expressed opinions and comments on issues that were specific to their situation or self-interest.

Hydro One's responses to the stakeholder submission are summarized below under appropriate subject headings for issues covered by the stakeholders. These responses are limited to the stakeholder comments that are pertinent to the issue of Meter Rebate and Exit Program that will be administered by Hydro One.

**Pooling Approach for Meter Rebates**

Hydro One is pleased to note that there is a near-unanimous agreement among stakeholders that the rebates to the load-consuming MMPs that obtain the WRM Service outside the transitional arrangement should be based on a uniform rate applied on a Meter Point basis.

Hydro One is also pleased to note that there is also a near-unanimous agreement with the rebate rate of $ 5,700 per Meter Point based on the Board-approved revenue requirement for the transmission business of Hydro One.

**Pooling Approach for Uniform Exit fees**

Hydro One is pleased to note that a large majority of stakeholder submissions – some thirteen out of sixteen – support the approach of Uniform Exit Fee to recover the cost of dedicated meter assets that may be stranded, and that may be useable, by the MMPs. Most, if not all, of these submissions also support the quantum of one-time Exit fee of $ 5,200 per Meter Point for MMPs that exit the transitional metering arrangement with Hydro One.

Hydro One also notes that many of the stakeholders who support the pooled approach for exit fee are entities, or represent entities, that would have benefited by the alternative approach of calculating location specific exit fees for each Meter Point.

**Retroactive Treatment**

Several stakeholders have commented on the retroactive treatment for MMPs that have already signed exit agreements with Hydro One and for MMPs that have received Schedule 2 estimates indicating stranded cost associated with meter assets used by the MMPs.

In response to these comments, subject to appropriate government / regulatory approval of the proposed program, Hydro One proposes to honour the Schedule 2 cost estimates for those MMPs that have signed an Exit or a Conveyance Agreement or have communicated their preference, in writing (letter or email), to Hydro One by August 21, 2003[2]. These MMPs will have the choice of selecting the Schedule 2 cost estimates provided by Hydro One or the proposed uniform exit fee, subject to the appropriate approval of the proposed program.

Beyond the above, Hydro One is unable to extend the aforementioned choice to all of the MMPs or to all of the MMPs that have received the Schedule 2 estimates, which estimates were primarily provided as data and information to enable the competitive meter market.

Hydro One submits that there needs to be a reasonable cut-off point beyond which MMPs cannot have the choice of selecting between the Meter Point specific and uniform exit fees. If the envelope of choice were extended to more and more MMPs, the level of un-recovered stranded costs would increase significantly and, as a result, it would become necessary to revise the $ 5,200 exit fee upwards in order to sufficiently recover the stranded costs. Based on the consideration of the stranded costs and fairness to all MMPs, Hydro One proposes to limit this choice to the approximately sixty (60) MMPs that have signed an Exit or a Conveyance Agreement or that have communicated their preference in writing (letter or e-mail) to Hydro One by August 21, 2003.

[2] August 21, 2003 is the date on which Hydro One submitted the proposed Meter Rebate and Exit program to the OEB for review.

## **Removal Costs**

Several stakeholders have raised concerns about the removal costs that, in some cases, may exceed the stranded cost and the uniform exit fee.

In the interest of expediting the approval process for the program, Hydro One will accept the recommendation by some stakeholders that the proposed exit fee should be deemed to cover removal costs also. As a result, no extra charges will be levied for the removal of metering assets and Hydro One will absorb these removal costs. Hydro One will absorb the cost of removing the metering assets in all the cases where the MMP does not take ownership of such assets. Where the metering assets are conveyed to the MMP, the transfer of ownership will be on an “as is, where is” basis.

## **Application of the Program to the Non Utility Generators (NUGs)**

OEFC has requested that the Meter Rebate and Exit Program should be made available to the NUGs that are MMPs as well as to the load customers that are MMPs.

Hydro One agrees that, to the extent that a Meter Point is used also to measure station service consumption which is metered by the IMO for the purpose of settlements in the IMO-administered markets, that Meter Point also represents a load-consuming MMP. Therefore, the annual rebates will be payable to the NUGs with respect to Meter Points that are used for measuring the station service consumption, regardless of whether the station service is separately metered or measured through the wholesale meter installation.

For certainty, it should be noted that annual rebates would not be paid for Meter Points that are used solely to measure generator output, since the demand measured by these Meter Points would never have to pay transmission service charges.

Hydro One also agrees with the OEFC that the one-time uniform exit fee ($ 5,200 per Meter Point) should be applicable to all wholesale metering installations under transitional WRM Service arrangement, including the metering for existing NUGs.

**MSP Access to Hydro One Stations / Dispute Resolution Mechanism**

Some stakeholders have commented on the issue of MSP access to Hydro One stations, and one stakeholder recommends that Hydro One should provide a documented procedure with pre-requisites and processes to qualify a MSP and its sub-contractors to gain unaccompanied and immediate access to Hydro One stations. One other stakeholder has suggested that a dispute resolution mechanism should be included in the Wholesale Metering Exit Policy.

Hydro One submits that, at present, there are procedures and a “form” so that MMPs may arrange for MSP access to metering installations within Hydro One stations. In any case, Hydro One commits to fully address the issues of access to Hydro One stations and the dispute resolution mechanism over the next few weeks. The appropriate procedures will be developed in consultation with the interested MMPs and MSPs in the Revenue Metering Subcommittee of the IMO, and they will be sent to the Board staff before it is finalized. Subject to quick agreement by all parties, the final version of the procedures can be made available before the end of the year (2003).

Hydro One submits that the implementation of the proposed Meter Rebate and Exit Program should commence as soon as government / regulatory approval for the program is obtained. For expediency, in order to ensure timely implementation of the Meter Rebate and Exit Program, this approval should not be dependent on the timing of the procedures for a dispute resolution mechanism and MSP access to Hydro One stations.

**Timing of Exit Fees**

Rodan, which is an independent MSP, and Algoma Steel Inc., which is not connected to the Hydro One transmission system, have commented that there should be a provision to delay the recovery of the one-time uniform exit fee under certain circumstances. Specifically, these two stakeholders propose that the $ 5,200 exit fee should only be triggered upon seal expiry regardless of an MMP choosing the option of exiting the transitional arrangement prior to the seal expiry.

Hydro One submits that, although the Market Rules do not require Hydro One to make available an option for an MMP to exit transitional arrangement prior to seal expiry, it made this option available in order to give additional choice to the MMPs. As result of this choice, the MMPs and the MSPs can make arrangements to consolidate the meter service for several Meter Points, whether or not these points are due for re-seal.

Hydro One submits that it has made adequate provisions in its proposal to allow for quick introduction of competitive meter service. Further, since the recovery of the one-time $ 5,200 exit fee will be in the form of a deduction from the rebate for the initial year after exit, there will never be a need for an MMP to actually pay the exit fee. Hydro One also submits that a process to delay the recovery of $ 5,200 exit fee will result in administrative inefficiency that is not commensurate with the benefits of delayed recovery. Indeed, if necessary, the MMP and MSPs may avail themselves of commercial services (banks, etc.) to obtain a credit for the amount of exit fees if this amount is actually material for an MMP in deciding whether or not it should exit a Meter Point prior to seal expiry.

In summary, Hydro One cannot agree to delayed recovery of the one-time exit fee of $ 5,200 per Meter Point as this would result in unnecessary administrative inefficiency.

**<u>Proposal for Rebate Based on New Cost of Service Model</u>**

As noted above, Rodan recommends that the annual rebate rate should be based upon an actual cost of service model.

Hydro One submits that this proposal by Rodan is *not* consistent with the Minister's request that the expeditious review of the rebate issue should be based exclusively on the metering costs included in Hydro One's currently approved revenue requirement for its transmission business.

Hydro One also submits that, if the proposal for a new Cost of Service study were to be adopted, the implementation of the Meter Rebate and Exit Program would be delayed significantly. Hydro One also submits that the $ 5,700 per Meter Point rebate proposed by Hydro One has been accepted by all of the Metered Market Participants in the stakeholder process and by all other stakeholders except Rodan.

**Modified Uniform Fee Proposal**

As noted above, London Hydro would prefer a "modified uniform exit fee" approach wherein the exit fees for metering installations with shared ITs would be established at, for example, a nominal $ 1,000, and the exit fees for PME-style metering installations would be increased to $ 10,000.

Hydro One notes that many LDCs, including some as large or larger than London Hydro, accept the uniform exit fee proposal even though they would have benefited under the alternative approach based on a Meter Point specific exit fee. Hydro One submits that the single uniform exit fee proposal is based on public interest consideration with respect to the dilemma for some small LDCs that would otherwise have to pay high exit fees. The uniform exit fee proposal also addresses the concern noted in the Minister's letter wherein it is stated that some distributors are concerned with the level of (high) exit fee.

Hydro One also submits that, if the Modified Uniform Fee Proposal were to be adopted, the process carried out to-date including the calculation of modified fees, technical conference, and stakeholder submissions would have to be repeated since a large majority of stakeholders have expressed acceptance of the uniform exit fee proposal. As a result, the London Hydro proposal would likely result in a delay in the implementation of, and in an addition of administrative complexity in relation to, the Meter Rebate and Exit Program.

**<u>Installing New Metering Facilities in Hydro One Stations / Replacement of Instrument Transformers</u>**

Some stakeholders have indicated that the policy requirement to install new metering installations outside Hydro One stations and the policy requirement of physical barriers separating meter facilities may result in difficulties in urban areas. Some stakeholders also indicated a concern about the requirement that the MMP shall be responsible to make alternative arrangements for Instrument Transformers (ITs) in case of failure of Hydro One owned equipment ("host equipment").

Hydro One submits that its policy states that, in general, new facilities should be located outside Hydro One station. The policy further states that, in cases where the cost difference is significant, Hydro One will consider permitting the installations inside the fence. Thus, subject to considerations of safety, reliability and operational matters, in cases where an MMP opts for the continued use of Hydro Owned "built-in" or multi-use ITs (described in the Hydro One proposal), new meters owned by an MMP may be allowed to be installed in the Hydro One station.

With respect to physical barriers to separate the MMP owned metering at Hydro One stations, Hydro One submits that it is concerned about the integrity of assets and the safety of its employees, the third party staff and the public in general. A physical barrier will ensure demarcation of restricted areas. If a barrier is not possible due to space limitations, Hydro One may consider alternatives that can satisfy its concerns. It should be noted that an absence of a physical barrier might mean that escorting (of third party staff) by Hydro One employee cannot be waived.

In the matter of failed "host equipment", Hydro One submits that, in the interest of its customers, it may decide not to replace the failed "host equipment." Similarly, Hydro One may decide to replace the failed equipment on the basis of timing and equipment specifications that do not satisfy the IT requirements of the MMP as prescribed by the Market Rules. Therefore, Hydro One cannot assume the MMP / MSP obligations in this respect since, by doing so, there is a possibility of increasing the risks and costs that would have to borne by Hydro One's customers at large.

## **Treatment of PME on a Pole**

Chatham-Kent Hydro commented about the possibility of transferring the ownership of the pole on which the PME is mounted.

Hydro One submits that if the pole in question is dedicated and used by Chatham-Kent Hydro only, then the pole would also be transferred to the MMP with the other metering equipment, subject to a Conveyance Agreement. However, if the said pole also carries other Hydro One equipment (such as distribution wires or lightning arrestors, etc) or a third party equipment for which Hydro One has a joint use agreement (such as telephone or cable conductors), then the ownership of such a pole cannot be transferred since doing so would be detrimental to Hydro One customers or be in conflict with legal obligations contracted by Hydro One.

## **Market Rule Issues**

Several stakeholder submissions include discussion about issues that pertain primarily to Market Rules administered by the IMO. Hydro One submits that these issues are best addressed through the Revenue Metering Subcommittee of the IMO or some other process administered by the IMO. It is not appropriate for Hydro One to respond to these submissions in the proceeding related to its proposal for the Meter Rebate and Exit Program.

## **Treatment of Hydro One Distribution Business**

Hydro One submits that the distribution business of Hydro One will be treated like any other LDC for the purpose of the proposed Meter Rebate and Exit Program.

**Treatment of LDCs Created from Former Municipal Electricity Utilities**

Hydro Ottawa requested a clarification that the LDCs that were created from former Municipal Electricity utilities (MEUs) would be treated as if they were the customers of the former Ontario Hydro.

Hydro One submits that the LDCs that have been established since 1998 and are successors of former Ontario Hydro customers will be included in the implementation of the proposed Rebate and Exit Program.

## 4.0 CONCLUSION AND REQUEST FOR APPROVAL

The stakeholder submissions indicate that the Hydro One proposal for the Meter Rebate and Exit Program has been accepted by a vast majority of stakeholders.

As noted in Section 3.0 above, Hydro One, subject to government / regulatory approval, is willing to compromise on many other issues raised by the stakeholders during the technical conference and subsequent written submissions of this proceeding. These compromises include giving choice of methodology to determine exit fees for the MMPs that have already signed exit agreements or that are in the process of negotiating these agreement; absorbing the cost of removal of metering equipment by Hydro One; and extending the exit fee proposal to OEFC (NUGs). Hydro One is also committed to resolve the issues of MSP access to Hydro One stations and dispute resolution mechanism, through the Revenue Metering Subcommittee of the IMO.

Hydro One submits that the issue of transitional arrangements for wholesale metering has remained unresolved for too long. At this time, it is imperative that the issue be resolved expeditiously in accordance with the request from the Minister of Energy.

Hydro One also submits that, as noted by several stakeholders, the interim unbundling of metering charges should be based on simplicity and that it should strike a balance between materiality of the rebates, exit fees, and efficiency in the administration and implementation of the rebate and exit program.

Based on the above considerations, Hydro One hereby seeks government / regulatory approval for the following matters[3]:

(i) The amount of the annual rebates payable by Hydro One to load-consuming Metered Market Participants that are not under transitional arrangement for Wholesale Revenue Metering Service shall be $ 5,700 per Meter Point;

(ii) The amount of one-time, uniform exit fee payable by all Metered Market Participants that exit the transitional arrangement for Wholesale Revenue Metering Service shall be $ 5,200 per Meter Point; and

(iii) Notwithstanding item (ii) above, the approximately sixty (60) Metered Market Participants that have already signed an Exit or a Conveyance Agreement or that have communicated their preference in writing (letter or e-mail) to Hydro One as of August 21st 2003 shall have the choice of either paying the exit fee amount previously quoted by Hydro One or to choose the uniform exit fee proposed above.

The rebates payable by Hydro One would only apply to the load-consuming Metered Market Participants that are Hydro One's transmission customers, and to the Metered Market Participants that are customers of a Local Distribution Company that is connected to the Hydro One's transmission system. Hydro One will administer the approved rebates and exit fees in accordance with the respective policies included in Appendices B and C of its "Meter Rebate and Exit Program" document dated August 21, 2003, with

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[3] The wording for approval items includes some revisions (compared to the August 21, 2003 submission by Hydro One) in order to address concerns and comments raised by some stakeholders.

some modifications to these policies to resolve certain stakeholder concerns (as noted above).

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