

**Ontario Energy Board**  
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Chair

**Commission de l'Énergie de l'Ontario**  
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Président



November 25, 2003

The Honourable Dwight Duncan  
Minister of Energy  
Hearst Block, 4<sup>th</sup> floor  
900 Bay Street  
Toronto, Ontario  
M7A 2E1

Dear Minister:

The former Minister of Energy wrote to me on July 24, 2003 concerning Hydro One and metered market participants. In this letter, the Board was asked to invite Hydro One to submit proposals for rebating any duplicate charges for wholesale meter service and for exit fees when asset ownership is transferred from Hydro One. The Board was asked to review and advise the Minister on this issue.

At the request of the Board, on August 21, 2003 Hydro One submitted its proposal regarding wholesale meter service rebates and exit charges.

A technical conference to discuss the proposal took place on September 8, 2003 where Hydro One presented the details of the proposal to the sixteen parties in attendance. Submissions were subsequently received from eighteen parties on September 15, 2003. Hydro One's reply to the submissions and a revised proposal was filed with the Board on September 22, 2003.

The Board has concluded that the proposal from Hydro One, as revised, is a reasonable solution to this issue. Also, the rebate proposal be approved on an interim basis, as requested by Hydro One, until the next setting of Hydro One's wholesale transmission rates.

As part of this review, the Board was asked to address the following specific issues:

1. *The proposed rebate should be based exclusively on the metering costs included in Hydro One Networks currently approved revenue requirement for its transmission business.*

The Board determined that the proposal is based on the approved revenue requirement for Hydro One's transmission business.

2. *The Board should consider and advise on the treatment of any duplicate payments that have been made since market opening to procure such services.*

Hydro One's revised proposal includes provisions for 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 to Hydro One as of August 21, 2003. These Metered Market Participants will have the choice of either paying the exit fee amount previously quoted by Hydro One or choosing the uniform exit fee in the proposal. The Board believes that this provision addresses the issue of duplicate payments that may have been made since market opening.

3. *The Board should specifically examine and advise on the stranded asset calculation to be used by Hydro One in deriving an appropriate exit fee to charge when transferring ownership of these assets to other metered market participants.*

The Board finds that the calculation of the one-time exit fee is reasonable in that it is based on previously Board-approved revenue requirement amounts and on stranded costs only.

A copy of the Board's report is enclosed. If you accept the Board's advice on this matter and wish to take further steps, there are two options available to you. Pursuant to section 79.9(3) of the *Ontario Energy Board Act*, you can require the Board to amend Hydro One's rate order, in accordance with the Board's recommendation. Alternatively, pursuant to section 79.6 of the Act, you can give Hydro One permission to apply for an amendment to its rate order, to reflect the Board's findings and recommendation. My staff are available to discuss the details of these options with the Ministry.

Yours truly,

"Original Signed By"

Howard Wetston, Q.C.  
Chair

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