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November 10, 2003

Cost Allocation Working Group
c/o Michael Roger
Hydro One Networks Inc.
483 Bay Street
North Tower, TCT 13
Toronto, ON
M5G 2P5

Dear Mr. Roger:

Re Sharing Of Data Amongst Distributors to Enable Completion of Load Analysis for Cost Allocation Studies

This is in reply to the letter of August 1, 2003 that you forwarded on behalf of the Cost Allocation Working Group.

Your letter outlines a proposed joint load research program in which a number of electricity distributors (referred to as the "Ontario Load Data Research Group" below) would collect and share load data information to facilitate the completion of their cost allocation studies. The letter also describes precautions planned to protect an individual customer's identity.

The Cost Allocation Working Group has noted that sections of the standard distribution licence deal with disclosure of consumer information, and asks for an interpretation of these sections that would confirm for distributors that participation in the joint load data collection proposal advanced by the Ontario Load Research Group is consistent with their licences.

Paragraph 1.4 of the Electricity Distribution Rate Handbook discusses the cost allocation studies which will be required from all Ontario electricity distributors prior to the commencement of the next generation of Performance Based Regulation. It states: "The Board strongly encourages utilities to jointly sponsor these studies, achieving economies where possible through the joint development of load data."

As indicated in the load data collection Directions issued on November 10, 2003, the Board has accepted the conclusion in the September 23rd Cost Allocation Working Report that a Province-wide joint load data collection approach (to be commenced in 2004) is the least costly method by which Ontario distributors can obtain updated, statistically-rigorous load data.

As you may know, the Board is presently issuing new licences to Ontario electricity distributors. Section 15.2(a) of these licences states: "The Licensee shall not disclose information regarding a consumer ... to any other party without the written consent of the consumer ... except where such information is required to be disclosed ... to comply with any legislative or regulatory requirements, including the conditions of this Licence" (emphasis added). Section 15.3 of these licences states: "The Licensee may disclose information regarding consumers ... where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified" (emphasis added).

Thus in reply to your queries, the Board interprets the application of the above licensing conditions to the proposal of the Ontario Load Data Research Group as follows:

1) Sharing of load data amongst members of Ontario Load Data Research Group for purposes of completing the cost allocation studies

The September 23rd Report indicates that 40 plus Ontario electricity distributors have joined together to sponsor a single joint load data collection proposal.

The Board further understands that:

- Data from approximately 700 residential interval meters will be obtained from members of this Research Group, with accompanying information of the major end-uses of the respective residential customers.
- Data from several thousand interval meters in the General Service greater than 50 kW subclass will be available from members of this Research Group, potentially with accompanying information on the industrial classification or the nature of the customers' activities.

The Board understands that the Province-wide residential raw load data will be sent to Hydro One staff to be processed into generic end-use stratification load curves. With the addition of further information, these generic end-use stratification load curves can be further processed (by Hydro One or any other service provider to be chosen) into distributor-specific class load profiles. The same general process will apply to the GS>50 kW load data.

The Board notes that the above data is to be shared for purposes of completing the Board mandated cost allocation studies and therefore section 15.2(a) applies. Moreover, section 15.3 will apply as the data will come from multiple sources and therefore it is not possible to readily identify any one customer. But, as a further

precaution, the Board hereby directs that a pseudonym be used when individual residential or GS customer load data is forwarded by the distributor that collected it.

The Board believes it appropriate to allow sharing of both the initial raw data and the processed generic end-use profiles amongst members of the Ontario Load Data Research Group.

In respect of Large and Intermediate Use customer data, sharing of such data among members of the Ontario Load Data Research Group for purposes of completing the required cost allocation studies is acceptable in principle under section 15.2(a), but it may not prove necessary in practice.

The Board understands the specific proposal under consideration could be organized so that each participating distributor forward its Large and Intermediate customer load data to the third party (Hydro One or another service provider) who will produce the distributor-specific load profile. Therefore there is no technical need to share such data with other distributors. The Board directs that this approach should be adopted for purposes of completing the upcoming cost allocation filings. As a further safeguard, the Board directs that pseudonyms be used when the information is transferred by the distributor that collected it.

2) Sharing of the load data with other distributors for cost allocation purposes

The Board accepts the suggestion in the September 23rd Report that the remaining distributors in the Province have the option of a) undertaking individual load data research, or b) forming another group of distributors to jointly collect load data that meets a plus or minus 10% accuracy level, at a 90% confidence level, on a per-distributor basis, or c) acquiring data or load profiles from the Ontario Load Data Research Group (or other Ontario distributors operating under option a) or b)).

No sharing of data issues will arise under option a), provided the distributor does not later wish to transfer its load data to others.

The comments under 1) above will apply to any group of distributors exploring option b).

In respect of option c), the Board notes that section 15.2(a) authorizes the sharing of the underlying raw data or generic Province wide-load profiles, such as that to be developed by the Ontario Load Data Research Group, with other distributors in the Province, for the purposes of the latter also completing their required cost allocation studies.

The Board understands that members of the Ontario Load Data Research Group will be collecting their load data using a common sampling and stratification plan, and if another distributor wishes to acquire the provincial data and try to combine it with local load data collected on a different stratification basis, the results may not be statistically reliable.

3) Use of third party to process load data to be used in cost allocation studies

The Board appreciates that working with load data is a highly specialized area. The Board therefore accepts that third parties (such as specialized Hydro One staff with experience in this area and/or an independent expert(s) to be retained by distributors) may provide technical assistance and would have access to individual customer data.

The Board does not view such technical assistance as raising a licensing concern, as the completion of the cost allocation studies is a regulatory requirement and therefore section 15.2(a) applies.

To address any potential conflict of interest concerns that may arise if one distributor assists in the processing of the load data of other distributors, the Board directs that the Hydro One technical staff (and/or independent experts) who will be engaged in processing the load data be subject to an appropriate confidentiality agreement.

4) Future load research

Ontario distributors may wish to undertake additional load research studies on their own initiative (that is, for purposes aside from the mandated cost allocation studies) using the load data that will be collected in 2004-5.

As provided for under section 15.(3) of the licences, sharing of individual raw data will be acceptable only as long as a particular customer's load profile cannot be reasonably identified. The Board does not believe any licensing issue will arise in respect of sharing use class and/or end-use profiles, since such information will be aggregated.

5) Future Public Release of Data

Ontario stakeholders may find it beneficial if the 2004-5 load data is publically released eventually. In this regard, the Board notes that much of the load data collected by the former Ontario Hydro is posted in the IMO web site.

The Ontario Load Data Research Group may wish to come forward at some point with a specific proposal for public release of the load data they will collect. The application of section 15.(3) should be considered. But the Board believes it would be best to consider such a proposal sometime after the present load data is used for its intended purpose (that is, after all the cost allocation filings have been reviewed).

6) Cost Allocation Filings

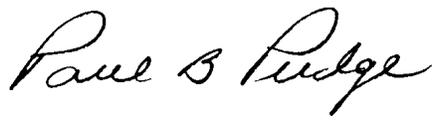
Normally any data forwarded by a distributor as part of its rate filing will become part of the public record. But, if necessary, certain information can be filed in confidence.

The Board expects that distributors who file information with the Board that would allow the particular information of a given customer to be reasonably identified will request that this information be held in confidence.

Please note the above directions do not address the sale of the load data for non-regulatory commercial purposes (for example, to market participants who might be interested in using such information for various business reasons). The Board will address the regulatory issues this would raise if and when a specific inquiry is received.

For any inquiries about the cost allocation project, please contact John Vrantsidis at 416-440-8122 or vrantsjo@oeb.gov.on.ca.

Yours truly,

A handwritten signature in black ink that reads "Paul B. Pudge". The signature is written in a cursive style with a large initial 'P' and 'B'.

Paul Pudge
Assistant Board Secretary