



Ontario
Energy
Board

Commission
de l'Énergie
de l'Ontario

P.O. Box 2319
2300 Yonge Street
26th Floor
Toronto, Ontario
M4P 1E4
(416)481-1967

C.P. 2319
2300, rue
Yonge
26e étage
Toronto
(Ontario)
M4P 1E4
(416)481-1967

Fax/Télécopieur: (416)440-7656

October 28, 1998

To: All Interested parties

Re: Electricity distribution and transmission interim licences and associate codes

This package is being circulated to all interested parties to the Ontario Energy Board's licencing regime for electricity distribution and transmission activities.

Please find enclosed the following documents:

Documents relating to Distribution activities

1. Letter to interested parties re Electricity distribution interim licence and associate codes (this provides an outline of the comments sought by Board Staff)
2. Draft Interim Distribution Licence
3. Table of contents for a proposed Distribution System Code
4. Table of contents for a proposed Default Supply Code
5. Table of contents for a proposed Retail Metering Code
6. Table of contents for a proposed Affiliate Relationships Code

Documents relating to Transmission activities

1. Letter to interested parties re Electricity transmission interim licences and associate codes (this provides an outline of the comments sought by Board Staff)
2. Draft Interim Transmission Licence
3. Table of contents for a proposed Transmission System Code
4. Table of contents for a proposed Affiliate Relationships Code

Interested parties are free to provide comments on **either or both** draft licences and **any or all** of the codes. You will note that the table of contents for the proposed Affiliate Relationships Code applies to both distribution and transmission activities. It is not necessary to re-state comments on the proposed Affiliate Relationships Code where parties

are commenting on both distribution and transmission activities.



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Toronto, Ontario 26e étage
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October 28, 1998

To: All Interested parties

Re: Electricity distribution interim licence

On October 16, 1998, I sent you a letter regarding the Board staff's proposed process for consulting on performance based rate-making (PBR), this letter commences another process with respect to the Board's new mandate in the electricity sector. The purpose of this letter is to give interested parties an opportunity to provide the Board staff with initial input for drafting a generic interim distribution licence and proposed industry codes as they relate to distribution companies.

Interim licences and associated codes are to be developed by the Board for Ministerial approval and Board issuance in early 1999 on an "as required" basis. While the Board is not planning to conduct hearings on the interim licences, the Board is contemplating a consultation process to give stakeholders an opportunity to provide input to the conditions contained in the interim licences and a workshop process of industry and customer stakeholders to develop much of the content of the proposed codes. The formal stakeholder consultation process and industry workshops will be undertaken when and if the *Energy Competition Act, 1998 (Bill 35)* is passed.

In anticipation of the passage of Bill 35 and the establishment of a formal stakeholder consultation process and workshops, Board staff is circulating draft tables of contents of the Distribution System Code, Default Supply Code, Affiliate Code of Conduct and Retail Metering Code along with the draft interim distribution licence to interested parties for pre-consultation. The draft licence refers to the proposed codes as obligations under the licence, and thus Staff believes it is helpful to provide some guidance regarding the expected content of the codes in order to assist in the review of the draft licence.

Staff will use the collated comments received on the interim distribution licence to help develop the next version of the licence and the Board's formal stakeholder consultation process. Comments received on the proposed tables of content for the codes will be used to help guide the working groups which will be established to develop the detailed contents and requirements of the associated codes.

Distribution licences

The regulation of industry participants in the restructured electricity industry will be based on a licensing regime as contemplated in the *Energy Competition Act (Bill 35) Schedule B The Ontario Energy Board Act, 1998* ("the Act"). Under section 128 of the Act the Board will be empowered to issue interim licences, with a maximum term of 24 months, to existing industry participants. Section 128 also permits the Board to extend, if necessary, an interim licence. In order to facilitate market transition, interim licences will be issued by the Board, with the approval of the Minister of Energy, Science and Technology, in early 1999 to Ontario Electricity Generation Corporation (Genco), Ontario Electric Services Corporation (Servco), the Independent Electricity Market Operator (IMO), and the 270 distribution utilities currently regulated by Ontario Hydro (MEUs, PUCs, and private utilities) as well as other existing participants, where required.

Broadly speaking the objective of licences is to authorize participation in the market while allowing the Board to measure compliance with legislative and regulatory requirements. Licensing should reduce the regulatory burden by imposing conditions that specify requirements while giving the licence holder the flexibility to carry out its business. Licences complement a corporatized structure by providing for more autonomy for participants in day to day decisions regarding investments, revenue and expenditure and commercial strategy. A key objective of licensing is to shift the risk for decisions from the regulator to the regulated entity, allowing business decisions to be based on a set of precise criteria and rules established in the licence. The regulator provides oversight of market participant conduct by setting out reporting requirements in the licences to enable it to assess compliance with legislative and regulatory requirements.

Board staff envisions the interim licences and associated codes to be as close to the 'end-state' competitive market licences and associate codes as possible. It is hoped that the differences in the interim and end-state licences will be limited to reflecting updated events and requirements.

The diagram attached to this letter provides Staff's perspective on the regulatory structure which underlies the interim licence. The licence is the instrument which obligates market participants' compliance with various codes or rules. The diagram outlines the hierarchy of regulatory instruments and shows the link between the various pieces of legislation, the rate orders and licences, and associated codes. As well there are other instruments such as the market rules established by the IMO and orders issued by the proposed Electrical Safety Authority.

The draft licence refers to the Board, in the case of making determinations about the

reasonableness of distributor's actions in connecting customers, offering services, and other matters. It should be understood that the Director of Licencing would be performing many of these functions, under Board approved policies and procedures. The Licensee would have the right, as set out in the Act, to appeal the decisions of the Director, to the Board as the appeal body. One should, therefore, read the sections contemplating a Board determination as normally being carried out in the first instance by the Director through an appropriate administrative decision making process.

Stakeholder Input

The attached draft interim distribution licence is divided into two parts. The first part provides a list of definitions and interpretations to be followed in reading the licence. These definitions are consistent with those contained in Bill 35. The second part contains the conditions to be followed by the licensee.

Through this letter, Board staff is seeking initial comments on the draft distribution licence from interested parties. Comments received from interested parties will enable Board staff to gain an appreciation of any diverging views across stakeholders. The comments will be used as a guide in further drafting of the licence and will provide an indication of the extent and format of the formal consultation required. Specifically, Board staff is seeking initial comments on:

7. The content of the distribution licence. Is the purpose of the licence clear?
8. Are the requirements of the licensee under the licence conditions clear? Are the requirements technically achievable? If not, why not? How could they be amended to reflect a practical outcome? Do the requirements impose a significant cost to the distribution company? If so, what types of costs would be incurred?
9. Are there special provisions that are necessary for the transition period between the end of March 1999 and the opening of the market to competition?

Associated Codes

Section 69 (2d) of the *Ontario Energy Board Act, 1998* contemplates that licences could require a licensee to follow specified industry codes, technical rules and operating procedures. With respect to the distribution licence, Board staff envisions requiring the licensee to follow a Distribution System Code, a Default Supply Code, an Affiliate Relationships Code as well as a Retail Metering Code.

1. The purpose of the Distribution System Code is to establish the relationship between a distributor and its customers relating to the delivery of electricity. It would include service standards, connection requirements and billing and settlements requirements. This Code would also establish the minimum technical operating standards of the distribution systems across Ontario - or the technical requirements for keeping the "wires" operating in a safe and reliable manner. The Code might include requirements with regard to connecting customer owned electrical systems, maintenance practices, installation and service rules, technical requirements for

expansion and reinforcement and transfer of planning information etc. This Code will likely include references to orders issued by the Electrical Safety Authority and/or the market rules established by the IMO.

2. The provisions of the Default Supply Code are to set the minimum conditions under which a distribution company may sell electricity to a customer under section 28 of the *Electricity Act, 1998*. This obligation is to be fulfilled by the distributor directly, through an affiliate, through another person with whom the distributor or affiliate of the distributor has a contract or through a combination of methods. As such the Code might include requirements with regard to billing and settlements procedures, customer transfer process, dissemination and disclosure of customer information etc.
3. The purpose of the Affiliate Relationships Code is to establish the rules under which distributors or transmitters may interact with their respective affiliates. Specifically the Code would establish the guidelines on the types of interactions allowed, the rules for sharing any resources and transfer pricing practices.
4. The purpose of the Retail Metering Code is to establish the standards of metering for the delivery and sale of electricity to customers. The Code might include provisions relating to installation and ownership of metering equipment, retail metering installation arrangements, registering of retail metering information, maintenance and field testing etc.

Stakeholder Input

The Board is contemplating a workshop process to develop the codes. Board staff believes that industry participants are best placed to develop these codes and anticipates forming industry working groups to develop the codes following the passage of Bill 35. The Board would approve the various codes and monitor compliance through conditions of the distribution licence once they are developed. It is not expected that all of the codes will be developed prior to issuance of the interim licences, however the conditions requiring adherence to each code will be included in the licence. Therefore it is important for parties to consider the content and matters raised by the draft tables of content of the codes to identify matters that should be included, omitted and revised, as well as to obtain to a clearer understanding of the licence regime.

Attached to this memo are the draft tables of contents of the following codes:

1. Distribution System Code;
2. Default Supply Code;
3. Affiliate Relationships Code, and;
4. Retail Metering Code

Each code is divided into two sections: General and Administrative Rules and Technical Requirements. The section on General and Administrative Rules encompasses the introduction of the code as well as administrative matters and is consistent across all codes. The attached draft tables of contents provide a draft of this section.

The second section encompasses the technical requirements to be followed by distribution companies and will encompass the issues to be developed by the working group. The

attached draft tables of contents provide a list of proposed technical requirements.

Board staff is seeking initial comments from interested parties on the technical requirements of each code. Specifically:

1. Do the tables of contents provide an exhaustive list of the current technical requirements imposed on or guidelines followed by MEUs with regard to operating the distribution system?
2. If the tables of contents do not provide an exhaustive list of requirements or guidelines, where are the gaps? What additional requirements or guidelines are necessary?
3. Some technical requirements may be consistent across the province, whereas others may vary across the province due to size, location, load profile, population density etc. Board staff wishes to gain an appreciation of which requirements can be imposed uniformly across the province as well as which should vary across the province and why.
4. Are there provisions of these codes which must be in place for the transition period?

Board staff will be using the comments collated from interested parties to develop a terms of reference to help guide the working groups in drafting each code.

Comments from interested parties

With respect to the written comments to be provided, Board staff requests that:

- a. Parties separate their comments between those on the draft distribution licence and those on each of the proposed codes. To the extent possible, parties are asked to organize their comments to follow the drafts ;
- b. Written comments are to be mailed or faxed to Paula Conboy by **November 16, 1998** at:

Ontario Energy Board
26 Floor/ P.O. Box 2319
2300 Yonge St
Toronto ON M4P 1E4
fax (416) 440-7656
Attention: Paula Conboy
- c. Any questions relating to the draft interim distribution licence or tables of contents for the proposed associate codes are be directed to Paula Conboy (416-440-7613) or Brian Hewson (416-440-7628) or toll free at 1-888-632-6273.

Details of the formal consultation process and industry working groups to be developed following the passage of Bill 35, will be made available to those interested parties that request this information in their written comments.

Sincerely,

Robert A. Cappadocia
Director of Regulatory Affairs

Draft Interim Distribution Licence

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Draft Interim Distribution Licence

Part 1 - Definitions and Interpretations

Definitions

In this licence:

“Act” means the *Ontario Energy Board Act, 1998*;

“affiliate” with respect to a corporation, has the same meaning as in the *Business Corporation Act*;

“Board” means the Ontario Energy Board;

“business day” means any day the Board’s offices are open.

“Affiliate Relationships Code” means the code approved by the Board which is in force at the relevant time and which establishes the rules under which the Licensee may interact with its affiliates, as well as rules for separating data and resources.;

“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” means to convey electricity at voltages of 50 kilovolts or less;

“Default Supply Code” means the code approved by the Board which is in force at the relevant time and which establishes the standards for the sale of electricity by a distributor and the relationship between the Licensee and its customers.;

“Distribution System Code” means the code approved by the Board which is in force at the relevant time and which regulates the standards of service related to the distribution of electricity, terms and conditions with respect to connection and distribution service as well as the standards of operation of the Licensee’s distribution system as well as establishing the standards for expansion.;

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

“distributor” means a person who owns or operates a distribution system;

“distribution licence” means a licence to distribute electricity granted under Part V of the *Act* ;

“generator” means a person who owns or operates a generation facility;

“IMO” means the Independent Electricity Market Operator established under the *Electricity Act 1998*;

“Licensee” means xyz Hydro Inc.¹;

“Market Rules” means the rules made by the Minister of Energy or the Independent Electricity Market Operator under section 30, and as amended under section 31, 32 and 33 of the *Electricity Act 1998*;

“rate” means a rate, charge or other consideration and includes a penalty for late payment;

“Rate Order and Performance Standards Handbook” means the handbook approved by the Board which is in force at the relevant time and which, among other things, regulates rates and establishes performance targets for the distribution services of the Licensee.;

“regulations” means the regulations made under the *Act*;

“retailer” means a person who retails electricity; and

“distribution services” means services related to the distribution of electricity and the services the Board has required distributors to carry out, including default supply service and which a charge or rate has been established in the Rate Order.

Interpretations

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 and words importing a gender shall include the opposite gender. Headings are for convenience only and shall not affect the interpretation of the licence. A 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. An event which is required under this licence to occur on or by a specific date which is not a business day shall occur on or by the next business day.

Part 2 - Conditions

1. Authorization

The Board, in exercise of the powers conferred by Part V of the *Act*, licences the Licensee to own and operate a distribution system in the service area defined by the map and lists of excluded and additional areas and sites attached in Schedule 1, subject to the conditions set out in this licence.

2. Licence fees

2.1 The Licensee shall pay as directed by the Board a licence fee

¹DN this will identify the licensee

determined in accordance with section 12 of the *Act*.²

- 2.2 The Licensee shall, on an annual basis, pay any amounts, as may be assessed pursuant to section 25(1) of the *Act*, in respect of expenses incurred by the Board for the purpose of maintaining the licence, including the monitoring of compliance with the conditions of this licence.

4. Term of licence

This licence takes effect on and from **xx** (to be determined following the passage of Bill 35) for a term of 24 months unless its duration is extended by the Board.

5. Licence not transferable

This licence is not transferable or assignable without leave of the Board.

6. Amendment of licence

The conditions of this licence may be amended in accordance with section 73 of the *Act*.

7. Suspension or revocation of licence

The Board may suspend or revoke this licence in accordance to section 75 and section 76 of the *Act*. The Board may cancel this licence if the Licensee agrees, at any time, in writing that the licence should be canceled.

8. Provision of information to the Board

- 8.1 The Licensee is required to provide information to the Board regarding the business activity for which it is licenced in the form and manner that is determined by the Board.³
- 8.2 The Licensee shall provide, in the manner and form determined by the Board, such other information as the Board may require to monitor compliance with the conditions of this licence and any legislative or regulatory requirements.
- 8.3 The Board may require from the Licensee any information or

²The Board is currently considering the appropriate format of the licence fees. As such, the calculation and basis for payment will be set out as a condition in the licence (either as broad or detailed calculations).

³The form and manner of the information requirements is still being developed and will be prescribed as a condition of the licence or as a part of the rate order and codes to which the information requirements are related.

further explanation of information relating to the business activity for which the Licensee is licensed, or any information or further explanation relating to affiliate transactions involving the Licensee.

- 8.4 Without limiting the generality of condition (8.1) the Licensee shall also notify the Board, as soon as practicable, of any major incident affecting the operation of the Licensee's distribution system, in accordance with the standards issued by the Board for the reporting of such major incidents.

9. Provision of information to other market participants

The Licensee shall provide information regarding its system capability to all market participants. Such information shall be provided for the purpose of system design and system augmentation. The Licensee shall not, unless necessary for compliance with the Market Rules or any Board approved code or standard, release specific information regarding a market participant to any party unless the release of such information has been authorized by the market participant.

10. Obligation to comply with Codes

- 10.1 The Licensee is required to comply with the applicable provisions of the Distribution System Code, the Default Supply Code, and the Retail Metering Code (collectively "the Codes") and the Affiliate Relationships Code approved by the Board.
- 10.2 The Licensee shall:
- (a) make a copy of the Codes available for inspection by members of the public at each of its customer service locations and its head office during normal business hours, and;
 - (b) provide copies of the Codes to any person upon request. The Licensee may impose a fair and reasonable charge to recover the costs incurred in providing copies.
- 10.3 The Licensee or the Board may amend any of the Codes by giving written notice to the holders of all licences granted under Part V of the *Act* that are required by their licences to comply with the relevant code.
- 10.4 An amendment does not take effect unless and until:
- (a) all holders of licences granted under Part V of the *Act* that are required by their licences to comply with the relevant code have been given an adequate opportunity to make comments with regard to the proposed amendments, and;
 - (b) the Board has approved the amendment by giving written

notice to that effect to the Licensee and holders of all licences granted under Part V of the *Act* that are required by their licences to comply with the relevant code.

- 10.5 Amendments to the Affiliate Relationships Code shall be made by the Board following public consultations and notice of the proposed changes. Either the Board or the Licensee may propose amendments. The Board shall ensure that all holders of licences requiring compliance with the Affiliate Relationships Code shall have an opportunity to provide submissions with respect to the proposed amendments prior to determining the appropriateness of the amendments. Notice shall be provided in the form and manner determined by the Board. Amendments shall take effect on the date determined by the Board set out in its written notice approving the amendments.
- 10.6 The Board may require the Licensee to establish or participate in industry groups to develop new or amended codes to deal with procedures or standards related to the operations of the Licensee or to address specific industry matters. Such codes and or standards shall have no effect or force on the Licensee until they have been approved by the Board. Such codes or standards shall be considered to be included in condition 10.1 once they have been approved by the Board.
- 10.7 Subject to the Licensee's ability to do so under any of the codes or rules in the licence, if the Licensee becomes aware of a material breach of any of the codes or rules by the Licensee, the Licensee must notify the Board if the material breach in accordance with the guidelines issued by the Board or in absence of such guidelines, as soon as practical.

11. Obligation to comply with the Market Rules

The Licensee is required to comply with the applicable provisions of the Market Rules.

12. Non-discriminatory access

- 12.1 If a request is made by a licensed generator, distributor, retailer, wholesale supplier, wholesale buyer or consumer to the Licensee, consistent with the Market Rules and any codes or standards published by the Board, to convey electricity using the Licensee's distribution system, the Licensee must convey electricity on behalf of the party.
- 12.2 The Licensee shall not be required to make an offer if it is determined that there is insufficient capacity on the Licensee's

system to provide the requested service. Any question as to the reasonableness of the Licensee's determination under this condition shall be subject to determination by the Board.

- 12.3 Any question over the terms of an offer to provide distribution service shall be subject to determination by the Board. Distribution service shall be provided in compliance with the Rate Order.

13. Obligation to connect

- 13.1 If a request is made for connection to the Licensee's distribution system or a change in the capacity of an existing connection, the Licensee must make an offer to connect within 30 days, provided the request includes all information reasonably required by the Licensee to determine its ability to offer a connection contract. The contents of the request shall at a minimum include any information required by the Distribution System Code.
- 13.2 If sufficient information is not provided in the request the Licensee shall inform the party requesting service of the deficiencies and allow sufficient time for the party to comply with the request for additional information. Any dispute over the requirement for additional information by the Licensee shall be determined by the Board.
- 13.3 Should the Licensee require a system planning study or other extensive review prior to making an offer it shall inform the party that is requesting service.
- 13.4 An offer shall be consistent with the terms of the Rate Order and the Distribution System Code.
- 13.5 An offer must be reasonable. To the extent there is any question as to the reasonableness of an offer either party may request the Board to determine the reasonableness.
- 13.6 The Licensee shall not refuse to make an offer unless it is permitted to do so by the *Act* or any codes, standards or rules to which the Licensee is obligated to comply with as a condition of this licence.

14. Obligation to supply

- 14.1 The Licensee shall sell electricity or ensure that electricity is so supplied to every person connected to the Licensee's distribution system in accordance with the Rate Order and the Default Supply Code approved by the Board.
- 14.2 Where the proclamation of section 28 of the *Electricity Act, 1998*

occurs during the term of this licence, the Licensee shall fulfill its obligation to sell electricity to consumers consistent with the terms and conditions approved set out in the rate Order and the Default Supply Code.

- 14.3 The Licensee shall be relieved of its obligation under condition 14.2 in the case of a consumer that advises the Licensee that it does not wish to purchase electricity from the Licensee as provided for under section 28 of the *Electricity Act, 1998*.

15. System integrity

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

16. Separation of Business Activities

- 16.1 The Licensee shall maintain separate accounting and financial records with respect to its distribution business activity in the manner and form approved by the Board.
- 16.2 The Licensee shall provide separate audited financial statements for its distribution business activity. The Board's authorized officials shall have access to the financial accounts and statements for the purpose of verification and audit.
- 16.3 The Licensee shall conduct operational and compliance audits to determine its adherence to the Affiliate Relationships Code and to demonstrate the separation of its distribution service business activity from any other business activity of the Licensee; including any retail activity.
- 16.4 The Licensee shall not engage in the retailing or generation of electricity except with the prior approval of the Board and under such conditions as the Board may impose.
- 16.5 The Licensee shall maintain separate accounts with respect to any activities conducted as part of its distribution services but for which the Board does not establish charges in the Rate Order. Such activities shall require prior approval of the Board and may include activities undertaken to manage load and to ensure required emergency service to consumers. Note: This provision would permit the continuance of ancillary activities such as water heater rentals, lighting and other current ancillary activities of the distributors.

17. Distribution Rates

The Licensee shall not impose charges or terms of service for the distribution of electricity or other distribution services except in accordance with the Rate Order and Performance Standards Handbook.

18. Expansion of distribution wire system

- 18.1 The Licensee shall not expand or reinforce its distribution system or the capacity of its distribution system except in accordance with the standards set out in the Distribution System Code approved by the Board. Any expansion of the Licensee's system shall be subject to the Board's approval.
- 18.2 In order to ensure and maintain reliable and adequate capacity the Board may also require 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.

19. 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 used or useful in serving the public without first obtaining the approval of the Board.

20. Obligation to offer to provide certain services to other distributors

- 20.1 Where a distributor requests the Licensee to offer to provide to it services to facilitate the distribution of electricity by it, such as: a) power transfer capability services; b) reactive capacity at relevant points of connection; c) control protection and monitoring services d) metering services or to allow the distributor to use poles, trenches, conduits, remote operations equipment etc, the Licensee is required to make such an offer within 30 days. The Licensee is not required to make an offer if in its determination the provision of the requested service is not feasible due to constraints on its distribution system.
- 20.2 An offer must be reasonable. To the extent there is any question as to the reasonableness of an offer either party may request the Board to determine the reasonableness.

21. Performance standards

The Licensee shall conduct its business in the manner in which it reasonably considers as necessary to achieve any standards of performance determined by the Board pursuant to section 82 of the *Act*.

22. Customer complaint and dispute resolution

The Licensee shall:

- (a) establish administrative procedures for resolving customer

complaints and providing redress to customers under the customer connection service contract or standard service offering;

(b) publish information which will facilitate its customers accessing its complaints handling process;

(c) subscribe to a third party complaints handling agency which has been approved by the Board;

(d) make a copy of the procedure available for inspection by members of the public at each of the relevant premises during normal business hours;

(e) give or send free of charge a copy of the procedure to any person who requests it.

23. Communication⁴

24.1 All communication related 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) 5 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 Distribution Area

DN For the distribution areas, it appears as though the defining boundaries will be the municipal boundaries minus the excluded areas.

⁴ DN This condition will have to be worded in such a way as to be consistent with ERF.

Distribution System Code

Proposed Table of Contents

General and Administrative Rules

This section set out the purpose of the Code as well as administrative matters related to the operation of the Code.

Purpose of this code

The purpose of the Distribution System Code is to establish the obligations of the distributor with respect to the services and terms of service to be offered to customers and to provide for minimum technical operating standards of the distribution systems across Ontario to ensure a safe, sustainable, economic and efficiently operated system.

To whom this code applies

Each distributor must comply with this code as a condition of its distribution licence.

Hierarchy of codes

This section identifies if and where provisions of other codes may prevail over this code should a provision of this code be inconsistent with a provision of any other code. The hierarchy of codes will be consistent across all licences and codes.

Amendments to this code

This provision sets out the amendment procedures for this code. The procedures are outlined in the licence in order to allow the Board flexibility as the market evolves while providing certainty for market participants and consumers.

This code may only be amended in accordance with the procedures set out in each distribution licence. Any provincial or federal standard referred to in this code may only be amended in accordance with the usual procedures adopted by the provincial or federal government.

Definitions and Interpretations

This section will identify the relevant definitions and interpretations to this code.

“customer” means a person that is connected to a distribution system and has contracted for distribution services.

Complaints and Dispute resolution

This section will identify the relevant complaint and dispute resolution process to be

adopted by the distribution company in the event of a complaint or dispute with regard to provisions of this code.

Each distribution company must comply with the accepted procedure for handling complaints and dispute resolution as specified under its distribution licence.

Technical requirements

This section presents a table of contents and brief description of the requirements that may be contained in the distribution system code. The contents of this section will be developed by a working group made up of industry and customer stakeholders.

Distribution Service Obligations

1. Obligation to connect

- # Offer process, reasonable information requirements, standard terms of offers, timing;
- # Grounds for refusal to connect;
- # Distributor's rights and obligations;
- # Rights and obligations of party requesting service;
- # Allocation of costs;
- # Process for connection to customer;
- # Process for connection to embedded generator;
- # Connection by distributor;
- # Connection by qualified technician (e.g. retailers, independent linemen etc.);
- # Limitations on obligation to connect;
 - # boundary (e.g. 100 ft of wire off existing line);
 - # voltage limits.

2. Disconnection

- # Circumstances where a distributor might disconnect service;
- # Process for disconnection of customer;
- # Process for disconnection of embedded generator;
- # Distributor's rights and obligations;
- # Customer's rights and obligations;
- # Responsibility for disconnection charges;

Limitations on disconnection

3. Re-connection

- # **Conditions for re-connection;**
- # **Notification of re-connection;**
 - # **information from customer;**
 - # **information from retailer;**
 - # **reconciliation of outstanding default supply payments;**
- # **Timing of re-connection;**
- # **Collection of overdue payments;**
- # **Process for re-connection.**

4. Non discriminatory access

- # **Offer process, reasonable information requirements, standard terms of offers, timing;**
- # **Grounds for refusal to offer access;**
- # **Distributor's rights and obligations;**
- # **Rights and obligations of party requesting service.**

5. Responsibility to provide information

- # **Customer's obligations;**
 - # **change in responsibility for payment of bill;**
 - # **change in contact details;**
 - # **change in electricity usage purposes;**
 - # **changes affecting access to metering equipment;**
- # **Distributor's obligations;**
 - # **customer's bills;**
 - # **payment options;**
 - # **government assistance schemes;**
 - # **supplier guaranteed service levels;**
 - # **customer call centre number;**
 - # **language translation services;**
 - # **customer's quality of supply obligation;**
 - # **format, communication and cost;**

information the supplier must provide the customer upon request (tariff structure, electrical installation options);

6. Customer billing

- # **Customer's bills;**
- # **frequency**
- # **method of issue**
- # **Content of the bill**
- # **Undercharging**
- # **Overcharging**
- # **Security deposits (applicability, amount)**
- # **Bills to competitive retailers.**

7. Settlement procedures

- # **Settlements process**
- # **Timing**
- # **Prudential requirements imposed on competitive retailer by the distributor**

8. Access to customer information

- # **access to customer information;**
- # **collection to customer information;**
- # **maintenance of customer information;**
- # **recovery of costs of transfer of customer information;**

Customer Obligations

9. Customer owned system requirements

- # Service and installation rules;
- # Customer's general obligations;
- # Maximum load capability;
- # Number of phases;
- # Neutral voltage;
- # Supply frequency;
- # Voltage;
- # Current harmonics;
- # Inductive interference.

10. Load balancing

- # Deviation limits on aggregate currents and aggregate phase currents

Distribution System Standards

11. Distributor system requirements

- # Maintenance practices/targets;
- # Installation and service rules.

12. System expansion and reinforcement

- # Principles;
 - # recovery of investment costs;
 - # reasonable rate of return;
 - # non-discriminatory access;
 - # service standards;
 - # environmental protection requirements;
- # Guidelines;
 - # minimizing distribution costs;
 - # competitive tendering;
- # Planning requirements;
- # Competitive tendering process to perform expansion and reinforcement works;
- # Exceptions for calling for tenders;

- # Technical process for expanding or reinforcing distribution system.

13. Transfer of planning information

- # Location of the load in the distribution system;
- # Existing load;
- # Existing load profiles;
- # Changes in load scheduling;
- # Planned outages;
- # Forecasts of load growth;
- # Anticipated new loads;
- # Anticipated redundant loads;
- # How to treat confidentiality of planning information.

14. Quality of Supply

- # Quality measures;
- # Customer compensation for damage to customer or the customer's property caused by the fault of the supplier;
- # Customer's rights to information or an explanation for any change in quality of supply of its electricity;
- # Customer's obligations - should customers have the obligation to ensure that the distribution network or the quality of supply to other customers is not affected by the customer's actions or equipment;
- # Disclosure of information.

15. Reliability of supply

- # Reliability measures;
- # Distributor's obligations/liability;
- # System design, construction and maintenance;
- # Planned interruptions;
 - # maintenance;
 - # repair;
 - # installation of new supply;
 - # emergency;
 - # health or safety reasons;
- # Notice of interruption;
- # When a distributor must not disconnect supply;

- # Unplanned interruptions;
- # Disclosure of information.

16. Safety of supply

- # Safety measures;
- # Obligations of distributor;
- # Customer obligations;
- # Safety compliance of electrical work in customer premises;
- # Standards of electrical services;

17. Service standards

- # Service standard measures;
- # Network security;
- # Connection standards;
- # Delivery point standards with regard to reliability and power quality;
- # Customer service standards.

18. Operating standard/targets

- # System security;
- # Requirements relating to the operation of distribution network and equipment connected to a transmission network;
- # Design and technical requirements for connection to transmission network;
- # Quality of supply standards;
- # Technical performance;
- # Safety requirements.

19. Health and safety requirements

- # Federal, provincial and municipal legislation;
- # Levels of magnetic and electric fields;
- # Neutral voltage levels.

20. Environmental protection requirements

- # Federal, provincial and municipal legislation;
- # Other requirements.

21. Emergency and safety procedures

Default Supply Code

Proposed Table of Contents

General and Administrative Rules

This section set out the purpose of the Code as well as administrative matters related to the operation of the Code.

Purpose of this code

The purpose of the Default Supply Code is to set the minimum conditions under which a distributor shall sell electricity to a customer and establish the standards of service and relationship between the distributor and its customers with respect to the sale of electricity. Following proclamation of sections 25 and 28 of the *Electricity Act, 1998* a distributor shall not be obligated to sell electricity to any consumer that has advised the distributor of their wish to purchase electricity from a party other than the distributor.

To whom this code applies

Each distributor shall comply with this code as a condition of its distribution licence either directly, through an affiliate, through another person with whom the distributor or affiliate of the distributor has a contract or through a combination of methods.

Hierarchy of codes

This section identifies if and where provisions of other codes may prevail over this code should a provision of this code be inconsistent with a provision of any other code. The hierarchy of codes will be consistent across all licences and codes.

Amendments to this code

This provision sets out the amendment procedures for this code. The procedures are outlined in the licence in order to allow the Board flexibility as the market evolves while providing certainty for market participants and customers.

This code may only be amended in accordance with the procedures set out in each distribution licence. Any provincial or federal standard referred to in this code may only be amended in accordance with the usual procedures adopted by the provincial or federal government.

Definitions and Interpretations

This section will identify the relevant definitions and interpretations to this code.

“consumer” means a person, other than a retailer, who buys or wishes to buy electricity directly from a distributor.

“Supplier” means a distributor, affiliate or person with whom the distributor or affiliate of the

distributor has a contract to provide the standard service offering.

Complaints and Dispute resolution

This section will identify the relevant complaint and dispute resolution process to be adopted by the distributor in the event of a complaint or dispute with regard to provisions of this code.

Each distributor must comply with the accepted procedure for handling complaints and dispute resolution as specified under its distribution licence.

Technical requirements

This section presents a table of contents and brief description of the requirements that may be contained in the Default Supply Code. The contents of this section will be developed by a working group made up of industry and customer stakeholders.

1. Obligation to Sell Electricity

- # The distributor's rights and obligations;
- # Terms and conditions of standard service offering;
- # Rate for standard service offering;
- # Applicable charges to customers;
- # Grounds for refusal;
- # The customer's rights and obligations;

2. Customer's bills;

- # Frequency
- # Method of issue
- # Content of the bill
- # Undercharging/Overcharging
- # Security deposits (applicability, amounts)

5. Settlement procedures

- # Settlements process
- # Timing of spot price true-up
- # Price adjustment settlements

6. Consumer transfer process

- # Rules regarding transfer from default;
- # Rules regarding return to default;

- # Notification of transfer to competitive retailer;
- # Information requirements;
- # Settlement process between distribution company and competitive retailer;
- # Third party verification;
- # Recovery of transfer costs.

7. Responsibility to provide information

- # Consumer's obligations;
 - # change in responsibility for payment of bill;
 - # change in contact details;
 - # change in electricity usage;
- # Supplier's obligations;
 - # payment options;
 - # government assistance schemes;
 - # supplier guaranteed service levels;
 - # information the supplier must provide the consumer upon request (tariff structure)

8. Access to customer information

- # access to consumer information;
- # collection to consumer information;
- # maintenance of consumer information;

Retail Metering Code

Proposed Table of Contents

General and Administrative Rules

This section set out the purpose of the Code as well as administrative matters related to the operation of the Code.

Purpose of this code

The purpose of the Retail Metering Code is to establish the standards of metering for the delivery and sale of electricity to customers.

To whom this code applies

Each distributor must comply with this code as a condition of its distribution licence. Certain provisions of the Code will also obligate the electricity retailers.

Hierarchy of codes

This section identifies if and where provisions of other codes may prevail over this code should a provision of this code be inconsistent with a provision of any other code. The hierarchy of codes will be consistent across all licences, codes and guidelines.

Amendments to this code

This provision sets out the amendment procedures for this code. The procedures are outlined in the licence in order to allow the Board flexibility as the market evolves while providing certainty for market participants and customers.

This code may only be amended in accordance with the procedures set out in each distribution licence. Any provincial or federal standard referred to in this code may only be amended in accordance with the usual procedures adopted by the provincial or federal government.

Definitions and interpretations

This section will identify the relevant definitions and interpretations to this code.

Complaints and dispute resolution

This section will identify the relevant complaint and dispute resolution process to be adopted by the distributor in the event of a complaint or dispute with regard to provisions of this code.

A distributor must comply with the accepted procedure for handling complaints and dispute resolution as specified under its distribution licence.

Technical Requirements

This section presents a table of contents and brief description of the requirements that may be contained in the retail metering code. The contents of this section will be developed by a working group made up of industry and customer stakeholders.

1. Responsibility for retail metering installations

- # Responsible person;
- # Responsibility of distributor;
- # Election of a market participant to be responsible for providing and maintaining a metering installation;
- # Joint metering installations;
- # Other responsibilities.

2. Installation and ownership of metering equipment

- # Obligation to install and remove;
- # Ownership;
- # Installation;
- # Housing;
- # Pulse output facilities;
- # Check metering.

3. Retail metering installation arrangements

- # Metering installation components;
- # Connection and metering point;
- # Use of meters;
- # Meter types and minimum standards of accuracy;
- # Switching and time keeping;
- # Storage;
- # Data collection system;
- # Payment for metering.

4. Sealing

- # Seals;
- # Broken seals.

5. Metering data management

- # Responsibility;
- # Qualifications/accreditation and registration of persons providing services;

6. Register of retail metering information

- # Metering register;
- # Metering register discrepancy.

7. Maintenance testing

- # Maintenance plan;
- # Transformer metered electrical installations;
- # Direct metered electrical installations.

8. Field testing

- # Responsibility for testing;
- # Method of testing;
- # Costs of testing;
- # Notice of presence at and records of fields tests;
- # Actions in event of non-compliance;
- # Audits of metering data.

9. Defective metering equipment

- # Repair or replace;
- # Substitute readings;
- # Cost of repair or replacement.

10. Retail metering and data communications systems

- # Standards for meters and communication systems;
- # Ownership of metering systems;
- # Operational control and data access to metering systems;
- # Metering system requirements and 50 kW cut-off;
- # Liability obligations.

11. Rights of access to data

- # Collection of metered data;
- # Ownership of metered data;
- # Access to metering equipment;
- # Collection;
- # Discrepancies;
- # Processing metered data from interval metering equipment;
- # Confidentiality.

12. Security of retail metering installations and data

- # Security of metering equipment;
- # Security controls;
- # Changes to metering equipment, parameters and settings;
- # Changes to metering data.

13. Processing of retail metering data for settlements purposes

- # Metering databases;
- # Remote acquisition of data;
- # Periodic energy metering;
- # Data validation and substitution;
- # Errors found in metering tests, inspections or audits.

14. Performance of retail metering installations

15. Evolving technologies and processes and development of the market

Affiliate Relationships Code

Proposed Table of Contents

General and Administrative Rules

This section sets out the purpose of the Code as well as administrative matters related to the operation of the code.

Purpose of this code

The purpose of the Affiliate Relationships Code is to set out the rules and conditions for the interaction and relationships between distributors or transmitters and their respective affiliates. Specifically, the Code would establish the guidelines on the types of allowed transactions, the rules for sharing any resource and transfer pricing practices.

To whom this code applies

This Code will apply to all licenced distributors and transmitters. Each of these entities will be obligated to comply with the Code as a condition of their licence. Certain provisions of the Code will also place limitations on the affiliates of the licence holder, such as provisions relating to the use of resources and the provision of information to the Board.

Hierarchy of codes

This section identifies if and where provisions of other codes may prevail over this code should a provision of this code is inconsistent with a provision of any other code. The hierarchy of codes will be consistent across all licences, codes and guidelines. The Affiliate Relationships Code will prevail over any other code or rules where there is a conflict.

Amendments to this code

This provision sets out the amendment procedures for this code. The procedures are outlined in the licence in order to allow the Board flexibility as the market evolves while providing certainty for market participants and customers.

This code may only be amended in accordance with the procedures set out in each participant's licence.

Definitions and Interpretations

This section will identify the relevant definitions and interpretations to this code.

Complaints and Dispute resolution

This section will identify the relevant complaint and dispute resolution process for complaints relating to unfair trading or dealing between affiliates, or issues of preferential access. Where there is any dispute over the interpretation of this Code or whether any transaction is affected by the Code the Board shall determine the matter.

Technical requirements

This section presents a table of contents and brief description of the requirements that may be contained in the Affiliate Relationships Code. The contents of this section will be developed by a working group made up of industry and customer stakeholders.

1. Organizational Separation Rules, Financial versus Structural

- # This section would set out rules with respect to the types of separation between business activities.
- # Structural separation would involve the establishment of individual corporations, either subsidiaries or non-subsidiary businesses for different activities.
- # Financial separation requires the maintenance of specific financial records for each activity, as well as maintaining appropriate separation of transactions and information.
- # Separation of corporate governance

2. Separation of Business Activities

- # Prior approval of generation and or retailing activities
- # Obligations with respect to structural separation

3. Sharing of Resources

- # Sharing of utility executives
- # Limits on commonality in boards of directors
- # Sharing of non utility transmission or distribution services
- # Intercorporate personnel relations
- # Use of utility facilities, systems, information systems
- # Limitations on information sharing

4. Transfer Pricing

- # Affiliate Transaction pricing rules

- # Use of fully-allocated or marginal prices
- # Market-based pricing methods and tests
- # Board approved cost allocation mechanism

5. Financial Transactions between affiliates

- # Loans to affiliates from Licensees
- # Other forms of financial assistance, guarantees
- # Investments in affiliates by Licensees
- # Maintenance of Financial integrity and viability of Licensees

7. Equal access to services

- # Equality of treatment in provision of utility services
- # Consistent treatment and rules for access
- # Prohibition on tied selling, implied favoured treatment
- # Reasonable and fair representation of affiliate relationships

8. Confidentiality of Customer Information

- # Protection of utility service related customer information
- # Provision of system expansion information
- # Provision of customer-specific information to approved participants

9. Transfer rules for assets and resources

- # Transfer of non-utility assets to affiliates
- # Transfer of utility employees, limits on returning to the utility

10. Compliance

- # Corporate responsibility for informing and training employees
- # Employee compliance reporting
- # Reporting on compliance
- # Treatment of complaints



Ontario Commission
Energy de l'Énergie
Board de l'Ontario

P.O. Box 2319 C.P. 2319
2300 Yonge Street 2300, rue
26th Floor Yonge
Toronto, Ontario 26e étage
M4P 1E4 Toronto
(416)481-1967 (Ontario)
M4P 1E4
(416)481-1967

Fax/Télécopieur: (416)440-7656

October 28, 1998

To: All Interested Parties

Re: Interim Electricity Transmission Licence

On October 16, 1998, I sent you a letter regarding the Board staff's proposed process for consulting on performance based rate-making (PBR), this letter commences another process with respect to the Board's new mandate in the electricity sector. The purpose of this letter is to give interested parties an opportunity to provide the Board staff with initial input for drafting the interim draft transmission licence and certain proposed associated codes that relate to transmission companies.

Interim licences and associated codes are to be developed by the Board for Ministerial approval and Board issuance in early 1999 on an "as required" basis. While the Board is not planning to conduct hearings on the interim licences, the Board is contemplating a consultation process to give stakeholders an opportunity to provide input to the conditions contained in the interim licences and a workshop process of industry and customer stakeholders to develop much of the content of the proposed codes. The formal stakeholder consultation process and industry workshops will be undertaken when and if the *Energy Competition Act, 1998* (Bill 35) is passed.

In anticipation of the passage of the *Act* and the establishment of a formal stakeholder consultation process and workshops, Board staff is circulating a draft generic interim transmission licence along with draft tables of contents of the Transmission System Code and the Affiliate Relationships Code to interested parties for initial comments. The licence refers to the proposed codes as obligations under the licence, and thus Staff believes it is helpful to provide some guidance regarding the expected content of the codes in order to

assist in the review of the interim licence.

Staff will use the collated comments received on the interim transmission licence to help develop the next version of the licence and the Board's formal stakeholder consultation process. Comments received on the proposed tables of content for the codes will be used to help guide the development of the working groups which will be established to develop the detailed contents and requirements of the associated codes.

Transmission Licences

The regulation of industry participants in the restructured electricity industry will be based on a licensing regime as contemplated in the *Energy Competition Act (Bill 35) Schedule B The Ontario Energy Board Act, 1998* ("the Act"). Under section 128 of the Act the Board will be empowered to issue interim licences, with a maximum term of 24 months, to existing industry participants. Section 128 also permits the Board to extend, if necessary, an interim licence. In order to facilitate market transition, interim licences will be issued by the Board, with the approval of the Minister of Energy, Science and Technology, in early 1999 to Ontario Electricity Generation Corporation (Genco), Ontario Electric Services Corporation (Servco), the Independent Electricity Market Operator (IMO), and the 270 distribution utilities currently regulated by Ontario Hydro (MEUs, PUCs, and private utilities) as well as other existing participants. where required.

Broadly speaking the objective of licences is to authorize participation in the market while allowing the Board to measure compliance with legislative and regulatory requirements. Licensing should reduce the regulatory burden by imposing conditions that specify requirements while giving the licence holder the flexibility to carry out its business. Licences complement a corporatised structure by providing for more autonomy for participants in day to day decisions regarding investments, revenue and expenditure and commercial strategy. A key objective of licensing is to shift the risk for decisions from the regulator to the regulated entity, allowing business decisions to be based on a set of precise criteria and rules established in the licence. The regulator provides oversight of market participant conduct by setting out reporting requirements in the licences to enable it to assess compliance with legislative and regulatory requirements.

Board staff expects that the interim licences and associated codes will be drafted to include as many of the conditions and requirements necessary for the open competitive market as possible. Therefore it is hoped that any differences between the interim and licences for the open access market will be limited to reflect updated events and requirements.

The diagram attached to this letter provides Staff's perspective on the regulatory structure which underlies the draft interim licence. The licence is the instrument which obligates

market participant's compliance with various codes or rules. The diagram outlines the hierarchy of regulatory instruments and shows the link between the various pieces of legislation, the rate orders and licences, and associated codes. As well there are other instruments such as the market rules established by the IMO and orders issued by the proposed Electrical Safety Authority.

The licence refers to the Board, in the case of making determinations about the reasonableness of transmitter's actions in connecting customers, offering services, and other matters. It should be understood that the Director of Licencing would be performing many of these functions, under Board approved policies and procedures. The Licensee would have the right, as set out in the Act, to appeal the decisions of the Director, to the Board as the appeal body. One should, therefore, read the sections contemplating a Board determination as normally being carried out in the first instance by the Director through an appropriate administrative decision making process.

Stakeholder Input

The attached interim transmission licence is divided into two parts. The first part provides a list of definitions and interpretations to be followed in reading the licence. These definitions are consistent with those contained in the *Energy Competition Act, 1998*. The second part contains the conditions to be followed by the licensee.

Through this letter, Board staff is seeking initial comments on the transmission licence from interested parties. Comments received from interested parties will enable Board staff to gain an appreciation of any diverging views among stakeholders. The comments will be used as a guide in further drafting of the licence and will provide an indication of the extent and format of the formal consultation required. Specifically, Board staff is seeking initial comments on:

2. The content of the transmission licence. Is the purpose of the licence clear?
3. Are the requirements of the licensee under the licence conditions clear? Are the requirements technically achievable? If not, why not? How could they be amended to reflect a practical outcome? Do the requirements impose a significant cost to the transmission company? If so, what types of costs would be incurred?
4. Are there special provisions that are necessary for the transition period between the end of March 1999 and the opening of the market to competition?

Associated Codes

Section 69 (2d) of the *Ontario Energy Board Act, 1998* contemplates that licences may require a licensee to follow specified industry codes, technical rules and operating

procedures. With respect to the transmission licence, Board staff envisions requiring the licensee to follow a Transmission System Code and the Affiliate Relationships Code.

1. The purpose of the Transmission System Code is to set the minimum conditions for the operation and maintenance of transmission system facilities. Many of the obligations will be contained in the Operational Control Agreement between the Transmitter and the IMO. The Code also establishes the requirements for connection to the transmission system, in this way it also establishes the basis for the connection contract between the Transmitter and its customers. The Code sets out the requirements with respect to both technical and financial obligations of the Transmitter and the customer. The Transmission System Code will likely include references to orders issued by the Electrical Safety Authority and/or the market rules established by the IMO.
2. The purpose of the Affiliate Relationships Code is to establish the rules under which distributors or transmitters may interact with their respective affiliates. Specifically this Code would establish the guidelines on the types of interactions allowed, the rules for sharing any resources and transfer pricing practices.

Each transmitter would be required to comply with the codes as a condition of its transmission licence. It is expected that the transmitters will develop standard contracts imposing certain of the obligations of the codes on their customers. These contracts may be in the form of connection agreements. A transmitter will also be obligated by a condition of the licence to follow the market rules, which will establish a number of operating restrictions on the transmitter, as well as the obligation to enter into an operating agreement with the IMO for operation of the licensee's transmission system.

Stakeholder Input

The Board is contemplating a workshop process to develop the codes. Board staff believes that industry participants are best placed to develop these codes and anticipates forming industry working groups to develop the codes following the passage of Bill 35. The Board would approve the various codes and monitor compliance through conditions of the transmission licence once they are developed. It is not expected that all of the codes will be developed prior to issuance of the interim licences; however the conditions requiring adherence to each code will be included in the licence. Therefore it is important for parties to consider the content and matters raised by the draft tables of content of the codes to identify matters that should be included, omitted and revised, as well as to obtain a clearer understanding of the licence regime.

Attached to this memo are the tables of contents of the following codes:

1. Transmission System Code; and,
2. Affiliate Relationships Code.

Each code is divided into two sections: General and Administrative Rules and Technical Requirements. The section on General and Administrative Rules encompasses the introduction of the code as well as administrative matters and is consistent across all codes. The attached tables of contents provide a draft of this section.

The second section encompasses the technical requirements to be followed by transmission companies and will encompass the issues to be developed by the working group. The attached tables of contents provide a list of proposed technical requirements.

Board staff is seeking initial comments from interested parties on the technical requirements of each code. Specifically:

1. Do the tables of contents provide an exhaustive list of the current technical requirements imposed on or guidelines followed by Servco and other transmitters with regard to operating a transmission system?
2. If the tables of contents do not provide an exhaustive list of requirements or guidelines, where are the gaps? What additional requirements or guidelines are necessary?
3. Are there transitional matters that need to be addressed in the codes? What standards are currently being maintained?

Board staff will be using the comments collated from interested parties to develop terms of reference to help guide the working groups in drafting each code.

Comments from Interested Parties

With respect to the written comments to be provided, Board staff requests that:

- a. Parties separate their comments between those on the transmission licence and those on each of the proposed codes. To the extent possible, parties are asked to organize their comments to follow the drafts ;
- b. Written comments are to be mailed or faxed to Brian Hewson by **November 16, 1998** at:

Ontario Energy Board
26 Floor/ P.O. Box 2319
2300 Yonge St
Toronto ON M4P 1E4

fax (416) 440-7656
Attention: Brian Hewson

- c. Any questions relating to the interim transmission licence or tables of contents for the proposed associated codes are be directed to Brian Hewson (416-440-7628) or Paula Conboy (416-440-7613) or toll free at 1-888-632-6273.

Details of the formal consultation process and industry working groups to be developed following the passage of the *Act*, will be made available to those interested parties that request this information in their written comments.

Sincerely,

Robert A. Cappadocia
Director of Regulatory Affairs

DRAFT INTERIM TRANSMISSION LICENCE

For Discussion Purposes Only

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Draft Interim Transmission Licence

Part 1 - Definitions and Interpretations

Definitions

- 1.1 “Act” means the *Ontario Energy Board Act, 1998*;
- 1.2 “affiliate” with respect to a corporation, has the same meaning as in the *Business Corporation Act*;
- 1.3 “Board” means the Ontario Energy Board;
- 1.4 “Affiliate Relationships Code ” means the code approved by the Board that is in force at the relevant time, which establishes the rules under which the Licensee may interact with its affiliates, as well as rules for separating data and resources;
- 1.5 “consumer” means a person who uses, for the person’s own consumption, electricity that the person did not generate;
- 1.6 “Director” means the Director of Licensing appointed under section 5 of the *Act*;
- 1.7 “distribution system” means a system for distributing electricity at voltages of 50 kilovolts or less;
- 1.8 “distributor” means a person who owns or operates a distribution system.
- 1.9 “generator” means a person who owns or operates a generation facility;
- 1.10 “IMO” means the Independent Electricity Market Operator established under the *Electricity Act*;
- 1.11 “Licensee” means Ontario Energy Services Corporation⁵;
- 1.12 “Market Rules” means the rules approved by the Minister under section 30 of the *Electricity Act 1998*, and as amended by the IMO pursuant to sections 30, 31, 32 and 33 of that *Act*;
- 1.13 “rate” means a rate, charge or other consideration and includes a penalty for late payment;
- 1.14 “Rate Order ” means an order of the Board that is in force at the relevant time which, among other things, regulates transmission and connection rates to be charged by the licensee;
- 1.15 “Performance Standards” means the performance targets for the transmission and connection activities of the Licensee as established by the Board pursuant to section 82 of the *Act*;
- 1.16 “regulations” means the regulations made under the *Act*;
- 1.18 “retailer” means a person who sells or offers to sell, or acts as an agent for the purpose of selling or offering to sell electricity;
- 1.19 “transmit” means to convey electricity at voltages greater than 50 kilovolts;
- 1.20 “Transmission System Code” means the code, approved by the Board, that is in force at the relevant time, which regulates the financial and information obligations of the Licensee with

⁵DN this will identify the licensee

respect to its relationship with customers, as well as establishing the standards for connection of customers to, and expansion of a transmission system; Note: the content of this code will be dependent on the matters that will be included in the Market rules and Transmission Operating Agreement.

- 1.21 “*transmission system*” means a system for transmitting electricity at voltages of 50 kV or greater, and includes any wires, structures, transformers, equipment or other things used for that purpose;
- 1.22 “*transmitter*” means a person who owns or operates a transmission system;
- 1.23 “*transmission licence*” means a licence to transmit electricity granted under Part V of the *Act* ;
- 1.24 “*wholesale supplier*”.means a person who supplies electricity to the IMO or directly to a wholesale buyer; and,
- 1.25 “*wholesale buyer*” means a person that purchases all or part of their electricity or ancillary services in the IMO administered markets or directly from a generator.

Interpretations

In this licence words and phrases shall have the meaning ascribed to them in the *Act* or the *Electricity Act, 1998*. Words or phrases importing the singular shall include the plural and vice versa and words importing a gender shall include the opposite gender. Headings are for convenience only and shall not affect the interpretation of the licence. A 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. An event which is required under this licence to occur on or by stipulated day which is not a business day may occur on or by the next business day.

Part 2 - Conditions

4. Authorization

The Board, in exercise of the powers conferred by Part V and section 128 of the *Act*, licences the Licensee to own and operate a transmission system as designated by the facilities defined in Schedule 1, subject to the conditions set out in this licence.

5. Licence fees

- 2.1 The Licensee shall pay as directed by the Board a licence fee determined in accordance with section 12 of the *Act*.⁶
- 2.2 The licensee shall, on an annual basis, pay any amounts, which may be assessed pursuant to section 25(1) of the *Act*, in respect of expenses

⁶ The Board is currently considering the appropriate format of the licence fees. As such, the calculation and bases for payment will be set out as a condition in the licence (either as broad or detailed calculations).

incurred by the Board for the purpose of maintaining the licence, including the monitoring of compliance with the conditions of this licence.

6. Term of licence

This licence shall take effect on xx⁷ for a period of 24 months. The term of the licence may be extended by the Board.

7. Licence not transferable

This licence is not transferable or assignable without leave of the Board.

8. Amendment of licence

The conditions of this licence may be amended in accordance with section 73 of the *Act*.

9. Suspension or revocation of licence

The Board may suspend or revoke this licence in accordance to section 75 and section 76 of the *Act*. The Board may cancel this licence if the Licensee agrees, at any time, in writing that the licence should be revoked.

10. Provision of information to the Board

7.1 The Licensee is required to provide information to the Board regarding its business activity for which it is licensed in the form and manner that is determined by the Board.⁸

7.2 The Licensee must provide, in the manner and form determined by the Board, such other information as the Board may require to monitor compliance with the conditions of this licence and any legislative or regulatory requirements.

7.3 The Board may require from the Licensee any information or further explanation of information relating to the business activity for which the Licensee is licensed, or any information or further explanation relating to related party or affiliate transactions involving the Licensee.

7.4 Without limiting the generality of condition (7.1) the Licensee shall also notify the Board as soon as practicable, of any major incident affecting the operation of the Licensee's Transmission system, in accordance with the standards issued by the Board for the reporting of such major incidents.

⁷This date will be determined following the passage of Bill 35.

⁸The form and manner of the information requirements is still being developed and will be prescribed as a condition of the licence or as a part of the rate order and codes to which the information requirements are related.

11. Requirement to enter into an Operational Control Agreement

The Licensee is required, following a request by the IMO, to offer to enter into an agreement (“the Operational Control Agreement”) with the IMO providing for the operation and direction by the IMO of the Licensee’s transmission system. Following a request made by the IMO, the Licensee and the IMO shall enter into an Operational Control Agreement within a period of 90 days. The finalized Agreement shall be filed with the Board within 10 days of its completion. Any disputed term or condition of the Agreement shall be subject to final determination by the Board. Where an Agreement is not completed within the time specified the unresolved issues shall be determined by the Board following submissions from both parties to the Agreement. The Licensee may, at any time, apply to the Board for a determination of any matter in dispute under the Agreement.

12. Non-discriminatory access

- 12.1 If a request is made by a generator, distributor, retailer, wholesale supplier, wholesale buyer or customer to the Licensee to convey electricity using the Licensee’s transmission system, the Licensee shall make an offer to convey electricity on behalf of the applicant. A request under this condition must be consistent with the Market Rules and the Transmission System Code. Any question over the terms of an offer to provide transmission service shall be subject to determination by the Board.
- 12.2 The Licensee shall not be required to make an offer if it is determined that there is insufficient capacity on the Licensee’s system to provide the requested service. Any question as to the reasonableness of the Licensee’s determination under this condition shall be subject to determination by the Board.
- 12.3 Transmission service shall be provided in compliance with the Rate Order.

13. Obligation to connect

- 10.1 If a request is made for connection to the Licensee’s transmission system or a change in the capacity of an existing connection, the Licensee shall respond to the request within 30 days, provided the request includes all information reasonably required by the Licensee to determine its ability to offer a connection contract. The contents of the request shall at a minimum include any information required by the Market Rules and the Transmission System Code.
- 10.2 If sufficient information is not provided the Licensee shall inform the party requesting service of the deficiencies and allow sufficient time for the party to comply with the request for additional information. Any dispute over the requirement for additional information by the Licensee shall be determined by the Board.
- 10.3 Should the Licensee require a system planning study or other extensive review prior to making an offer it shall inform the party that is requesting service.

- 10.4 An offer of connection shall be consistent with the terms of the Rate Order, the Market Rules and the Transmission System Code.
- 10.5 An offer to connect must be fair and reasonable. To the extent there is any question as to the fairness or reasonableness of an offer either party may request the Board to determine the reasonableness.
- 10.6 The Licensee shall not refuse to make an offer to connect unless it is permitted to do so by the *Act* or any codes, standards or rules to which the Licensee is obligated to comply with as a condition of this licence.

14. System integrity

The Licensee shall maintain its transmission system to the standards established in the Operational Control Agreement, the Market Rules and having regard to any other recognized industry operating or planning standard which has been specified by the Board.

15. Provision of information to other market participants

The Licensee shall provide information regarding its system capability to all market participants. Such information shall be provided for the purpose of system design and system augmentation. The Licensee shall not, unless necessary for compliance with the Market Rules or any Board approved code or standard, release specific information regarding a market participant to any party unless the market participant has authorized the release of such information.

16. Obligation to comply with codes and rules

- 16.1 The Licensee is required to comply with the applicable provisions of the Transmission System Code and the Affiliate Relationships Code (“the Codes”).
- 16.2 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.
- 16.3 Amendments to the Affiliate Relationships Code shall be made by the Board following public consultations and notice of the proposed changes. Either the Board or the Licensee may propose amendments. The Board shall ensure that all holders of licences requiring compliance with the Code shall have an opportunity to provide submissions with respect to the proposed amendments prior to determining the appropriateness of the amendments. Notice shall be provided in the form and manner determined by the Board. Amendments shall take effect on the date determined by the Board set out in its written notice approving the amendments.
- 16.4 Amendments to the Transmission System Code shall be made following industry and public consultations by the Licensee regarding any proposed amendments or additions

with all such changes subject to final approval by the Board.

- (a) Amendments to the Transmission System Code proposed by the Licensee or the Board shall be provided in writing to all transmission service licence holders having as a condition of their licence the obligation to comply with the Transmission System Code. Prior to an amendment taking effect all such licence holders shall have had a reasonable opportunity to provide comments on the proposed amendments;
 - (b) Notice of proposed amendments shall be provided to the public, including all customers of transmitters by the Licensee and shall permit a reasonable opportunity for public consultation ; and,
 - (b) The amendment of the Transmission System Code shall not become effective until such time as the Board has given written notice to all holders of transmission service licences. The amended Code shall become effective on the date prescribed by the Board in its written notice.
- 16.5 The Board may require the Licensee to establish or participate in industry groups to develop new standards or codes to deal with procedures or standards related to the operations of the Licensee or to address specific industry matters. Such codes and or standards shall have no effect or force on the Licensee until they have been approved by the Board. Such codes or standards shall be considered to be included in condition once they have been approved by the Board.
- 16.6 Subject to the Licensee's ability to do so under any of the codes or rules in the licence, if the Licensee becomes aware of a material breach of any of the codes or rules by the Licensee, the Licensee must notify the Board if the material breach in accordance with the guidelines issued by the Board or in absence of such guidelines, as soon as practical.

17. Market Rules

The Licensee is required to comply with the Market Rules administered by the IMO under section 30 of the *Electricity Act, 1998*.

18. Separation of Business Activities

- 18.1 The Licensee shall maintain separate accounting and financial records with respect to its transmission system business activity in the manner and form approved by the Board.
- 18.2 The Licensee shall not engage in or undertake any activity set out in section 56 of the *Act*, other than the transmission of electricity unless it has received prior approval from the Board and shall if required ensure organizational or structural separation of its transmission business activity from all other electricity industry related activities as required by the Board.
- 15.2 The Licensee shall provide separate independently audited financial statements prepared by the Licensee's external auditors for its business activity related to its transmission system. The Board's Energy Returns

Officer or other authorized personnel shall have access to the financial accounts and statements for the purpose of verification and audit.

- 15.3 The Licensee shall conduct operational and compliance audits to determine its adherence to the Affiliate Relationships Code and to demonstrate the separation of its transmission service business activity from any other business activity of the Licensee; including any distribution services activity or retail activity.

19. Transmission Rates

The Licensee shall not impose charges for the transmission of electricity or for connection to its transmission system except in accordance with the Rate Order approved by the Board.

20. Performance standards

The Licensee shall conduct its business in the manner in which it reasonably considers necessary in order to achieve any standards of overall performance determined by the Board pursuant to section 82 of the *Act*. The Board shall approve such standards as part of the Rate Order.

21. Expansion of the Licensee's transmission system

- 21.1 The Licensee shall not expand or reinforce its transmission system or the capacity of its transmission system except in accordance with the standards established in the Transmission System Code. Any expansion of the Licensee's system shall be subject to the Board's approval.
- 21.2 The Board may also require the Licensee to expand or reinforce its transmission system to ensure adequate and reliable service in accordance with Market Rules and in such a manner as the Board may determine.

22. Disposal of assets

The Licensee shall not sell, lease or otherwise dispose of its transmission system as an entirety or substantially as an entirety or any part of its transmission system that is used or useful in serving the public without first obtaining approval from the Board.

23. Dispute resolution

If requested by the Board, the Licensee must develop and submit to the Board for its approval a mechanism for the investigation and resolution of disputes between the Licensee and: a customer about the Licensee's services, billing and charging; or an aggrieved person(s) about the manner in which the Licensee conducts its business generally.

24. Communications

- 21.1 All communication related to this Licence must be in writing.
- 21.2 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 by hand or by courier;
 - (b) 5 business days after the date of posting by registered mail; and,
 - (c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

Schedule 1 Transmission licence issued Ontario Energy Services Corporation's dated January XX, 1999.

Definition of the transmitter' facilities by designated list and approximate geographic service area, including the location of any excluded areas serviced by other transmitters.

Transmission System Code

Proposed Table of Contents

General and Administrative Rules

This section sets out the purpose of the Code as well as administrative matters related to the operation of the code.

Purpose of this code

The purpose of the Transmission System Code is to set the requirements for connection to the transmission system, in this way it also establishes the basis for the connection contract between the Transmitter and its customers, including the both technical and financial obligations of the Transmitter and the customer. The Code establishes the procedures and requirements for system expansion planning, design, construction and cost recovery. Lastly, the Code may contain provisions relating to the minimum conditions for the operation and maintenance of a transmission system facilities. Many of the obligations will be contained in the Operational Control Agreement between the Transmitter and the IMO or in the Market Rules.

To whom this code applies

Each transmitter must comply with this code as a condition of its transmission licence. A customer will be obligated to comply with the relevant provisions of this code as a result of the requirement to enter into a service connection contract as required by the transmitter in order to obtain connection to the transmission system.

Hierarchy of codes

This section identifies if and where provisions of other codes may prevail over this code should a provision of this code be inconsistent with a provision of any other code. The hierarchy of codes will be consistent across all licences and codes. The transmitters will be required to follow the Market Rules and as such the Market Rules would take precedence where there is a conflict.

If a provision of this code is inconsistent with a provision of the Market Rules the provision of the Market Rules prevails to the extent of the inconsistency.

Amendments to this code

This provision sets out the amendment procedures for this code. The procedures are outlined in the licence in order to allow the Board flexibility as the market evolves while providing certainty for market participants and customers.

This code may only be amended in accordance with the procedures set out in each transmission licence. Any provincial or federal standard referred to in this code may only

be amended in accordance with the usual procedures adopted by the provincial or federal government.

Definitions and Interpretations

This section will identify the relevant definitions and interpretations to this code.

“customer” means a consumer, generator, retailer, wholesale buyer or wholesale supplier that is purchasing connection services from a transmitter, and that has entered into a connection service contract.

Technical requirements

This section presents a table of contents and brief description of the requirements that may be contained in the Transmission System code. The contents of this section will be developed by a working group made up of industry stakeholders. The Market Rules may include a number of matters set out below, or parts of the particular provisions in the suggested table of contents.

1. Non discriminatory access

- # offer process, reasonable information requirements, standard terms of offers, timing.
- # refusal to connect
- # transmitter’s rights and obligations
- # customer’s rights and obligations
- # obligation to provide access to supply address
- # types of services

2. Connection Rules and Requirements

- # offer process
- # connection technical standards
- # transmitter requirements
- # allocation of costs
- # customer contribution methods
- # customer information requirements
- # load customer requirements
- # connection standards
- # system operating standards
- # technical requirements for connections

- # performance requirements
- # generator connection requirements
 - # connection standards
 - # system operating standards
 - # technical requirements for connections
 - # performance requirements
- # limitations on obligation to connect
- # economic assessment criteria
- # customer rights and obligations

3. Billing and settlement procedures

- # Customer's bills
 - # frequency
 - # method of issue
 - # Content of the bill
 - # Undercharging
 - # Overcharging
 - # Security deposits (applicability, amount)

4. Responsibility to provide information

- # Customer's obligations
 - # change in electricity demand
 - # change in contact details
 - # change in electricity usage purposes
 - # changes affecting access to metering equipment

- # Generator's obligations
 - # change in connection requirements

- # Transmitter's obligations
 - # customer's bills
 - # Information the transmission company must provide the customer upon request (tariff structure, electrical installation options)
 - # privacy and confidentiality of customer information

5. Quality standards and obligations

- # minimum standards
- # safety standards

6. System Expansion

- # system planning information
- # system load profile and demand
- # outage scheduling
- # facilities planning process
- # cost recovery

7. General Requirements for Transmission Systems

- # safety and environmental responsibilities
- # system design criteria, standards
- # inspection standards

Affiliate Relationships Code

Proposed Table of Contents

General and Administrative Rules

This section sets out the purpose of the Code as well as administrative matters related to the operation of the code.

Purpose of this code

The purpose of the Affiliate Relationships Code is to set out the rules and conditions for the interaction and relationships between distributors or transmitters and their respective affiliates. Specifically, the Code would establish the guidelines on the types of allowed transactions, the rules for sharing any resource and transfer pricing practices.

To whom this code applies

This Code will apply to all licenced distributors and transmitters. Each of these entities will be obligated to comply with the Code as a condition of their licence. Certain provisions of the Code will also place limitations on the affiliates of the licence holder, such as provisions relating to the use of resources and the provision of information to the Board.

Hierarchy of codes

This section identifies if and where provisions of other codes may prevail over this code should a provision of this code is inconsistent with a provision of any other code. The hierarchy of codes will be consistent across all licences, codes and guidelines. The Affiliate Relationships Code will prevail over any other code or rules where there is a conflict.

Amendments to this code

This provision sets out the amendment procedures for this code. The procedures are outlined in the licence in order to allow the Board flexibility as the market evolves while providing certainty for market participants and customers.

This code may only be amended in accordance with the procedures set out in each participant's licence.

Definitions and Interpretations

This section will identify the relevant definitions and interpretations to this code.

Complaints and Dispute resolution

This section will identify the relevant complaint and dispute resolution process for complaints relating to unfair trading or dealing between affiliates, or issues of preferential access. Where there is any dispute over the interpretation of this Code or whether any transaction is affected by the Code the Board shall determine the matter.

Technical requirements

This section presents a table of contents and brief description of the requirements that may be contained in the Affiliate Relationships Code. The contents of this section will be developed by a working group made up of industry and customer stakeholders.

- 1. Organizational Separation Rules, Financial versus Structural**
 - # This section would set out rules with respect to the types of separation between business activities.**
 - # Structural separation would involve the establishment of individual corporations, either subsidiaries or non-subsidiary businesses for different activities.**
 - # Financial separation requires the maintenance of specific financial records for each activity, as well as maintaining appropriate separation of transactions and information.**
 - # Separation of corporate governance**

- 2. Separation of Business Activities**
 - # Prior approval of generation and or retailing activities**
 - # Obligations with respect to structural separation**

- 3. Sharing of Resources**
 - # Sharing of utility executives**
 - # Limits on commonality in boards of directors**
 - # Sharing of non utility transmission or distribution services**
 - # Intercorporate personnel relations**
 - # Use of utility facilities, systems, information systems**
 - # Limitations on information sharing**

4. Transfer Pricing

- # **Affiliate Transaction pricing rules**
- # **Use of fully-allocated or marginal prices**
- # **Market-based pricing methods and tests**
- # **Board approved cost allocation mechanism**

5. Financial Transactions between affiliates

- # **Loans to affiliates from Licensees**
- # **Other forms of financial assistance, guarantees**
- # **Investments in affiliates by Licensees**
- # **Maintenance of Financial integrity and viability of Licensees**

7. Equal access to services

- # **Equality of treatment in provision of utility services**
- # **Consistent treatment and rules for access**
- # **Prohibition on tied selling, implied favoured treatment**
- # **Reasonable and fair representation of affiliate relationships**

8. Confidentiality of Customer Information

- # **Protection of utility service related customer information**
- # **Provision of system expansion information**
- # **Provision of customer-specific information to approved participants**

9. Transfer rules for assets and resources

- # **Transfer of non-utility assets to affiliates**
- # **Transfer of utility employees, limits on returning to the utility**

10. Compliance

- # **Corporate responsibility for informing and training employees**
- # **Employee compliance reporting**
- # **Reporting on compliance**
- # **Treatment of complaints**