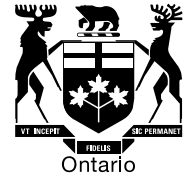


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## BY E-MAIL AND WEB POSTING

January 7, 2016

**To: All Licensed Electricity Transmitters  
All Licensed Electricity Distributors  
Independent Electricity System Operator  
All Participants in Consultation Process EB-2011-0043  
All Parties in EB-2013-0421  
All Other Interested Parties**

**Re: Regional Planning and Cost Allocation Review  
EB-2016-0003**

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The Ontario Energy Board (OEB) is initiating a policy consultation aimed at ensuring the cost responsibility provisions for load customers in the OEB's Transmission System Code (TSC) and Distribution System Code (DSC) are aligned and facilitate regional planning and the implementation of regional infrastructure plans. This letter provides an overview of the consultation and how to participate in it.

As described below, the consultation will consider the need for amendments to the TSC and the DSC to implement any policy changes related to cost responsibility.

It is expected this consultation will build on changes to the TSC cost responsibility rules that were finalized in August 2013 to implement the OEB's Renewed Regulatory Framework for Electricity (RRFE) policies related to regional infrastructure planning. There is also a linkage to a recent Hydro One leave to construct application involving the Supply to Essex County Transmission Reinforcement (SECTR) project, as described below.

### **Issues for the Consultation**

As described below, this consultation will address two outstanding issues relating to cost responsibility but will not necessarily be limited to those two issues.

#### *Proportional Benefit Approach (TSC)*

In August 2013, at the same time as final amendments to the DSC and TSC were issued in relation to regional infrastructure planning, a [supplementary proposed amendment](#) to the TSC cost responsibility rules was issued by the OEB for comment.

The supplementary amendment was intended to address circumstances where a new or modified connection facility that exceeds the needs of the connecting load customer(s) that created the need for the new or upgraded connection investment is more cost effective than an investment in a network facility. The OEB proposed to allow for cost responsibility to be apportioned based on the proportional benefit between the connecting customer(s) and the overall system (i.e., all Ontario consumers), in such circumstances.

On January 22, 2014, Hydro One filed the [leave to construct application relating to the SECTR project](#) referred to above. In that application, a proportional benefit approach to cost allocation was proposed, but the apportionment methodology differed in some respects from the proportional benefit approach proposed in the OEB's supplementary proposed amendment to the TSC. The OEB determined that the cost allocation issues should be reviewed from a policy perspective, so that a full spectrum of public interest considerations can be canvassed and the issues considered from a broader perspective (i.e. not based on one specific project).<sup>1</sup>

An issue for this consultation will therefore be to determine the most appropriate way to apply the proportional benefit concept given the two different methodologies that have been proposed.

#### *Upstream Transmission Investments (DSC)*

The SECTR proceeding also exposed the potential need for a change to the cost responsibility rules in the DSC; specifically, in relation to instances where customers connecting or connected to a distribution system create a need for investments in upstream transmission connection assets. Under the current DSC rules, the costs associated with such upstream investments are recovered from all customers of the distributor; i.e., not only the load customer(s) that created the need for the investment. However, in the SECTR proceeding the transmitter proposed that the TSC cost responsibility rules should apply at the distribution level, to better align with the OEB's "beneficiary pays" principle.

Another issue for this consultation will therefore be whether the DSC should be amended to better align with the TSC in relation to the apportionment of costs for upstream transmission investments and, if so, what the most appropriate approach to that apportionment should be.

#### *Other Issues*

As noted above, the consultation process is not intended to be limited to the issues discussed above. Other issues related to cost responsibility, beyond the two noted above, that will be within the scope of this consultation include the following:

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<sup>1</sup> See the OEB's [letter dated August 28, 2015](#) (EB-2013-0421).

- Whether changes are required to the DSC to facilitate regional planning and the implementation of regional infrastructure plans (for example, the appropriate allocation of costs where two or more distributors within a region conclude a shared distribution investment is the most cost effective solution). During the RRFE consultation process, the focus was on cost responsibility changes to the TSC.
- Other potential inconsistencies between the TSC and DSC that should be aligned; and
- Other potential gaps in the TSC and DSC that should be addressed.

This consultation is intended to focus solely on load customers. Cost responsibility rules related to generators will be reviewed as part of a separate consultation process in the future.

### **Invitation to Participate**

The OEB encourages participation in this consultation process by all interested parties. Those interested in participating should indicate their intent by letter addressed to the Board Secretary by **January 17, 2016** in accordance with the filing instructions set out below. The letter should include a statement as to whether the participant wishes to request cost eligibility. All requests for cost eligibility should comply with the requirements referred to under “Cost Awards” below.

### **Cost Awards**

Cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998* in relation to their participation in this consultation process. The costs to be awarded will be recovered from all licensed rate-regulated electricity transmitters and all licensed rate-regulated distributors based on their respective transmission or distribution revenues. The OEB will determine later how costs will be apportioned between these two classes.

**Attachment A contains further details regarding cost awards for this consultation, including in relation to eligibility requests and objections, and eligible activities.** In order to facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

### **Filing Material with the OEB**

Three (3) paper copies of each filing must be provided and should be sent to:

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, Suite 2700  
Toronto, Ontario M4P 1E4

The OEB requests that interested parties make every effort to provide electronic copies of their filings in searchable/unrestricted Adobe Acrobat (PDF) format, and to submit their filings through the OEB's web portal at [www.pes.ontarioenergyboard.ca/eservice](http://www.pes.ontarioenergyboard.ca/eservice). A user ID is required to submit documents through the OEB's web portal. If you do not have a user ID, please visit the "e-filings services" webpage on the OEB's website at [www.ontarioenergyboard.ca](http://www.ontarioenergyboard.ca), and fill out a user ID password request. Additionally, interested parties are requested to follow the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the e-filing services webpage. If the OEB's web portal is not available, electronic copies of filings may be filed by e-mail at [boardsec@ontarioenergyboard.ca](mailto:boardsec@ontarioenergyboard.ca).

Those that do not have internet access should provide a CD or diskette containing their filing in PDF format.

Filings to the OEB must be received by the Board Secretary by **4:45 p.m.** on the required date. They must quote file number **EB-2016-0003** and include your name, address, telephone number and, where available, your e-mail address and fax number.

All written comments, requests for cost award eligibility and other filings received by the OEB related to this consultation will be available for viewing at the OEB's offices and will be placed on the OEB's website.

If the written comment, request for cost award eligibility or other filing is from a private citizen (i.e., not a lawyer representing a client, not a consultant representing a client or organization, not an individual in an organization that represents the interests of consumers or other groups, and not an individual from a regulated entity), before making the written comment, request or other filing available for viewing at the OEB's offices or placing the written comment, request or other filing on the OEB's website, the OEB will remove any personal (i.e., not business) contact information from the written comment, request or other filing (i.e., the address, fax number, phone number, and e-mail address of the individual). However, the name of the individual and the content of the written comment, cost award eligibility request or other filing will be available for viewing at the OEB's offices and will be placed on the OEB's website.

Any questions regarding this consultation process should be directed to Chris Cincar at [Chris.Cincar@OntarioEnergyBoard.ca](mailto:Chris.Cincar@OntarioEnergyBoard.ca) or at 416-440-7696. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary  
Attachment A: Cost Awards

## Attachment A

### Cost Awards

#### Eligibility

The OEB will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person requesting cost eligibility must file with the OEB a written submission to that effect by **January 17, 2016**, identifying the nature of the person's interest in this process and the grounds on which the person believes that it is eligible for an award of costs (addressing the cost eligibility criteria as set out in section 3 of the OEB's *Practice Direction on Cost Awards*). All requests for cost eligibility will be posted on the OEB's website.

Rate-regulated licensed electricity transmitters and rate-regulated licensed distributors will be provided with an opportunity to object to any of the requests for cost award eligibility. Any objections to any of the requests for cost eligibility must be filed with the OEB by **January 24, 2016** and will be posted on the OEB's website. The OEB will then make a final determination on the cost eligibility of the requesting parties.

#### Eligible Activities

Cost awards will be available to eligible persons in relation to the provision of written comments on proposed amendments to the OEB's codes. Further details will be provided at the relevant time.

#### Cost Awards

When determining the amount of the cost awards, the OEB will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the OEB's Cost Awards Tariff will also be applied. The OEB expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process.

The OEB will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the OEB will act as a clearing house for all payments of cost awards in this process. For more information on this process, please see the OEB's *Practice Direction on Cost Awards* and the October 27, 2005 letter regarding the rationale for the OEB acting as a clearing house for the cost award payments. These documents can be found on the OEB's website at [www.ontarioenergyboard.ca](http://www.ontarioenergyboard.ca) on the "Rules, Guidelines and Forms" webpage.