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BY COURIER

May 6, 2009

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

Dear Ms. Walli:

EB-2008-0003 - Re: OEB's Revised Proposed Amendments to the Transmission System Code Relating to Enabler Facilities - Hydro One Networks Inc.'s Submission

Introduction

On January 4, 2008, the Ontario Energy Board (the "Board") initiated a policy review on the subject of cost responsibility for transmission connections. The Board subsequently released a Notice of Proposal on October 29, 2008, to amend the Transmission System Code (the "Code"), in which the Board proposed to define a new class of connection facilities, called *Enabler Facilities*, that would be subject to a *Hybrid Model* for cost responsibility and a new *Transmitter Designation Process* for the development and construction of such facilities. On April 15, 2009, the Board issued a Notice of Revised Proposal in which some aspects of the original proposal were modified. Hydro One Networks Inc. ("Hydro One") welcomes the opportunity to comment on the revisions to the October Proposed Amendments.

The Green Energy and Green Economy Act, 2009

The Board acknowledges that Bill 150 may necessitate the policies embodied in the Notice of Revised Proposal to evolve over time. Hydro One agrees with the Board that this may well be the case, particularly in the area of cost responsibility for capital costs, as well as any unanticipated capital or ongoing maintenance costs associated with enabler facilities.

Hydro One recommends that, at such time as Bill 150 comes into force, there be further consultation on the impact of such legislation on the manner in which enabler connections are planned, developed and implemented.

Until such time, Hydro One recognizes that the proposed amendments continue to move forward and respectfully submits the following additional comments for the Board's consideration.

Transmitter Designation Process

Hydro One commends the Board on its proposal to select, in the absence of any alternate transmitter applications, the transmitter to whose transmission system an enabler facility would connect as the party that should, in the normal course, undertake the development activities relating to that enabler facility. However, Hydro One believes the application and hearing process anticipated by the Board to designate a transmitter would still introduce complexity and delay that would impede the timely reinforcement of the transmission system to meet the critical connection needs of an already large and continually increasing number of renewable generation projects across the Province.

Hydro One acknowledges and takes comfort in the Board's assurance that "It is not the Board's intention to revisit the same issues in successive proceedings". However, Hydro One believes that the designation process, unless limited in scope to a simple vendor qualification process, would necessarily have to address many of the issues addressed in the later section 92 proceeding, and would thereby lead to needless overlap and duplication. For example, if the intent of the designation process is to pick the transmitter having, or likely to have, the best project solution, the selection criteria used would presumably need to be the same as or similar to the price, quality, reliability of service and (now) promotion of renewable generation criteria that the Board is obliged to use in assessing section 92 projects. Hydro One fails to see how it could be otherwise if the intent is to use the designation process to make a substantive determination of the transmitters' respective proposals, beyond their simple capacity to build, own or operate. Accordingly, if making a substantive determination is the Board's intent behind the designation process, Hydro One submits that the designation process is likely to introduce a needless additional layer at a time when approval processes are supposed to be streamlined.

Hydro One suggests therefore that the Board, if it intends to proceed with a transmitter designation process, ensure that both the determination and the criteria used in making that determination are different in substance from those used in the section 92 process, in order to minimize process overlap.

Definition of Enabler Facility

Hydro One agrees with the Board's revised proposal on the definition of an enabler facility, but strongly recommends that the definition in section 2.0.28A be further clarified to state that such facilities would be owned and operated by a *licensed* transmitter.

Further to the question of the definition of an enabler facility, Hydro One also notes that the technical standards to which a connection facility needs to be designed and constructed depend on whether the facility is intended to serve load and/or generation. In the absence of any alternate direction from the Board, Hydro One will understand the Transmission System Connection Point Performance Standards in Appendix 2 of the Code to apply to enabler facilities and will perform the design and construction of such facilities accordingly.

Determination of Capital Contribution

Hydro One agrees that the use of the depreciated cost of an enabler facility in the calculation of a customer's capital contribution is reasonable where the capital contribution is based on the fully allocated cost (as per section 6.5.1 of the Code) of the enabler facility, as opposed to a discounted cash flow ("DCF") calculation (as per section 6.5.2 of the Code).

In Hydro One's view, it is reasonable that, in addition to the fully allocated capital cost, connecting generators also pay the present value of the operation and maintenance costs associated with the enabler facility based on a discount rate that is consistent with the discount rate referenced in section 6.5.2 (e) of the Code and an economic horizon (e.g. 40 years) that reflects the anticipated long-term nature of such facilities.

Distribution-connected Generation

Hydro One believes the issue of cost responsibility for transmission enhancements driven by distribution-connected generation needs to be carefully considered by the Board in the upcoming review of cost responsibility policy for distribution connections. This will help ensure that all cost responsibility issues related to the incorporation of generation into the transmission system are dealt with in a coordinated manner and the cost responsibility rules do not provide an unintentional incentive for generation to connect at the "wrong" voltage from a technical perspective.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank