

Hydro One Networks Inc.

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Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

January 9, 2012

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

Dear Ms. Walli:

EB-2011-0140 – East-West Tie - Designation Process Information Request – Hydro One Protocols

In a letter dated December 22, 2011, the Ontario Energy Board (“Board”) requested Hydro One Networks Inc. (“Hydro One”) to provide a description of the protocols in place to ensure that any information and resources that have been developed or acquired, relevant to the development of the East-West Tie Line, cannot be accessed by any registered transmitter. Additionally, the Board asked Hydro One to describe the protocols developed (or proposed to be developed) regarding the sharing, with all registered transmitters, of information necessary to prepare an application for designation.

Hydro One has identified specific employees to work on the Application for Designation and has issued a mandatory Directive to those employees. The Directive instructs that all inquires are to be made through the Board and not through the normal internal resources. A second mandatory Directive was sent to all other relevant employees that will be working on inquires from all registered transmitters. The second Directive instructs internal resources to direct all inquires to the Board – even if the inquiry originates from Hydro One. Both Directives outline the requirement for all Hydro One employees to follow the Directives and avoid providing EWT LP with any unfair advantage throughout the process for East-West Tie Designation. Both Directives (and an errata sheet) are attached with this response.

Furthermore, all Hydro One employees are bound by the Corporate Code of Conduct. One of three core principles of the Code of Conduct is Integrity. Along with various other obligations, the section states that all employees

“Recognize the value of competition and to not engage in practices that seek to reduce the openness and fairness of competition. We do not prevent others from competing freely and fairly with us, except when constrained by law.”

Hydro One will provide all registered transmitters with equal access to information for the East-West Tie Designation process.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

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North Tower, 15th floor
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Tel: (416) 345 6301
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Joseph Agostino
General Counsel



DIRECTIVE

September 20, 2011

To: Myles D'Arcey; Nairn McQueen; Wayne Smith; Mike Sheehan; Rick Stevens; Laura Cooke, Susan Frank; LeeAnne Cameron; Bing Young; Ian Bradley; Randy Church; Andrew Skalski

Re: East-West Tie Designation Process—Handling of Inquiries by Persons Seeking Designation

Ontario's Long-Term Energy Plan, published November 23, 2010, identified the need to build the "East-West Tie", a new transmission line along the northern shore of Lake Superior. Pursuant to the Plan, the OEB is conducting a designation process (which it initiated on August 22, 2011) to select the most qualified and cost-effective licensed transmission company to develop the project. As the owner/operator of the transmission system to which the new line will connect (a.k.a. the "incumbent" transmitter), Hydro One can expect to receive requests for information from parties preparing applications for designation. Hydro One itself may seek to be designated to develop the East-West Tie. You are receiving this directive because the nature of work in your area suggests that you may receive requests from internal or external parties for incumbent transmitter information or advice.

To avoid having an unfair advantage in the designation process and to avoid even the appearance that its role as incumbent transmitter gives it an unfair advantage in the designation process, Hydro One is instituting measures to withhold information regarding Hydro One in its role as incumbent transmitter and information related to queries from competitors in the designation process from persons within Hydro One involved in preparing Hydro One's own application for designation. To ensure transparency, the OEB has agreed to manage all inquiries to the 'incumbent' transmitter regarding information associated with the East-West Tie project. Therefore, if you or any of your staff are contacted directly on a matter of this nature, please redirect the inquirer to the OEB, **even if the inquiry originates within Hydro One**. The OEB will then redirect inquiries to Hydro One, as appropriate, and determine whether to disseminate, to all participants, the queries and the responses. Hydro One has designated Philip Poon of Regulatory Affairs to receive all such inquiries redirected by the OEB.

Your cooperation is required to avoid the sharing of any incumbent transmitter information relevant to this initiative, with anyone (including Hydro One staff) participating as an applicant in the East-West Tie transmitter designation process. You must direct everyone in your respective groups who is in a position to provide such information to follow this protocol. If you are unsure whether certain information falls into this category, please contact Philip Poon at (416) 345-5064.

A handwritten signature in cursive script, appearing to read "Joseph Agostino".

Joseph Agostino
General Counsel

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Joseph Agostino
General Counsel



DIRECTIVE

September 20, 2011

To: Peter Gregg; Sandy Struthers; Carmine Marcello; Mike Penstone; Rhonda Wise

Re: East-West Tie Designation Process—Maintaining Separation of Roles as Applicant for Designation and Incumbent Transmitter

As the incumbent transmitter, Hydro One can expect to receive requests for information from parties preparing applications for designation. To avoid giving ourselves an unfair advantage in the designation process, and to avoid even the appearance that our role as incumbent transmitter gives us an unfair advantage, we have suggested, and the OEB has agreed, that the OEB manage all inquiries to the 'incumbent' transmitter. Hydro One personnel responding to such redirected inquiries are being instructed not to share such information with you.

For this separation to work, you are asked to make inquiries relating to our existing transmission assets, and the work associated with them, to the OEB, rather than from an internal resource as you would normally. You must direct anyone gathering information on your behalf to follow this protocol as well. The OEB will then redirect all inquiries to Hydro One, as appropriate, through Philip Poon in Regulatory Affairs.

Thanks for your co-operation.

A handwritten signature in cursive script, appearing to read "Joseph Agostino".

Joseph Agostino
General Counsel

From: AGOSTINO Joseph
Sent: September 20, 2011 4:31 PM
To: SKALSKI Andrew
Cc: WISE Rhonda
Subject: FW: East-West Tie Designation Process-Maintaining Separation of Roles as Applicant for Designation and Incumbent Transmitter

Andrew, you should have been included in this attached Directive. I am forwarding it to you and deeming this email to be your inclusion in the Directive.

*Joseph Agostino
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From: LOCKYER Gwen
Sent: Tuesday, September 20, 2011 12:50 PM
To: GREGG Peter; STRUTHERS Sandy; MARCELLO Carmine; PENSTONE Mike; WISE Rhonda
Subject: East-West Tie Designation Process-Maintaining Separation of Roles as Applicant for Designation and Incumbent Transmitter

***Attachment Sent on Behalf of Joseph Agostino, General Counsel,
Hydro One Inc.***

CODE OF BUSINESS CONDUCT



Integrity • Excellence • Citizenship



Mixed Sources
Product group from well-managed
forests, controlled sources and
recycled wood or fiber
www.fsc.org Cert no. SW-COC-002717
© 1996 Forest Stewardship Council



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HYDRO ONE – A GREAT COMPANY

Great companies have great people, great values and great aspirations. Hydro One is fortunate to be one of those companies. Our people accomplish projects of remarkable scope and of infinite detail. Our values guide us to consider the needs of each other and those of our customers, in spite of our many challenges. And our key aspiration – to help Ontarians secure a safe and reliable electricity future – gives us a special purpose and importance for the communities we serve.



The principles we stand on are integrity, excellence and citizenship. They form the foundation for all of our great endeavours and define who we are as a company. They also help to lead us in everything we do towards achieving new levels of professionalism, ingenuity and generosity.

Hydro One's Code of Business Conduct embraces these core principles. It is designed to help us remain a great company and to guide us in making the right choices and decisions on behalf of our colleagues, our customers, our shareholder and all Ontarians.

I encourage you to read the Code and to refer to it when you face questions of an ethical nature. If you are not sure of the right course of action, ask your supervisor. You can also consult with our Corporate Ethics Officer.

Ensuring public confidence and trust in Hydro One is an important responsibility we all share. Our actions, as guided by our Code, will help us to continue to maintain and enhance public confidence and trust in Hydro One.

A handwritten signature in black ink that reads "L. Formusa".

Laura Formusa
President and CEO
Hydro One Inc.



OUR PRINCIPLES

Integrity • Excellence • Citizenship

These principles are the foundation of Hydro One's corporate Code of Business Conduct ("Code") and its corporate policies. Everyone who works at Hydro One Inc. or any of its subsidiaries follows these principles when conducting business.

For Hydro One to be successful, we must continue to earn the trust and confidence of our customers and stakeholders. Each business action and decision provides us with this opportunity.

Hydro One expects all employees, at every level, to conduct themselves in accordance with this Code and will hold employees accountable for their conduct. If employees do not comply with this Code, they will be subject to disciplinary procedures, up to and including dismissal. Parallel expectations and associated consequences apply to our agents, consultants, contractors and business partners.

Integrity Excellence Citizenship

Integrity

Conducting business with unfailing honesty is what integrity is all about. Integrity means that all employees at every level of the organization:

- Conduct business lawfully and ethically, establishing honest dealings in all relationships and expecting the same of those with whom we have business relationships;
- Comply with all applicable laws, statutes, regulations and contractual obligations;
- Avoid conflicts of interest between their personal interests and their role in the conduct of company business;
- Do not disclose confidential information inappropriately;
- Recognize the value of competition and do not engage in practices that seek to reduce the openness and fairness of competition. We do not prevent others from competing freely and fairly with us, except when constrained by law; and
- Protect the company's assets and use them responsibly and for business purposes.



Excellence

Hydro One is an efficient and dynamic transmission and distribution company that is a leader in North America in the areas of safety, customer service and reliability. All Hydro One employees are stewards of Ontario's electricity delivery system and are responsible for ensuring that they work safely, efficiently and responsibly for the people of Ontario. Accordingly, Hydro One demands excellence from everyone at every level in the organization. We achieve excellence by:

- Performing our work safely;
- Providing our customers with reliable service;
- Continuing to improve performance;
- Upgrading our skills and developing the talents and abilities of others; and
- Fostering and maintaining respectful, trusting, and collaborative relationships with our colleagues.

Citizenship

Our work at Hydro One touches the lives of millions of customers and people across Ontario. They depend on us and we have a responsibility to them. We show our commitment to them by:

- Conducting our business in a way that protects the health and safety of the public and our fellow employees;
- Conducting our business in an environmentally-responsible manner;
- Respecting and supporting the social and cultural fabric of the communities where we work, live, and serve; and
- Treating everyone with respect and dignity.



STANDARDS OF BUSINESS CONDUCT

Hydro One expects every employee at every level of responsibility to follow the principles and standards of business conduct described in this Code. These principles and standards apply in every part of Hydro One Inc. or any of its subsidiaries, to the Hydro One Board of Directors, and to the extent feasible, are equally applicable to our agents, consultants, contractors and business partners.

If there is a case where the Code does not provide the answer to a particular ethical issue, or if you have questions about our Code, talk to your supervisor or consult Hydro One's Code intranet site, which includes a section dedicated to answers to frequently asked questions. If your question remains unanswered, you may contact Hydro One's Corporate Ethics Officer.

WORK ENVIRONMENT

Health and Safety

Health and safety are the keys to the success of the company and are of paramount importance to Hydro One. Healthy employees working safely are essential to achieving our corporate goals. We are all accountable for health and safety. Fulfilling our individual accountabilities is a vital and fundamental requirement of every employee's job. While management has the responsibility for managing health and safety, all employees must make safety the prime consideration in every decision made and every action taken. All employees will visibly support practices and programs that promote excellence.

Each of us has a personal responsibility to come to work fit for duty, to work safely and to identify, report, and where appropriate, correct workplace hazards. While at work, employees must not be impaired by the use of alcohol, medication, or illicit drugs, shall comply with Hydro One's Safety Rules, and shall not bring or permit anyone else to bring alcohol or any illicit drugs to any Hydro One workplace.

The delivery of products and services in a safe manner is essential to the success of the business. We are committed to minimizing the risk of injury to the public associated with our operations and the provision of services.

Diversity

We value the background, experience, perspective, and talent of each individual. We strive to create a workforce that reflects the diverse populations of the communities in which we operate.

We do not discriminate in hiring and employment practices on grounds prohibited by applicable law, which includes such grounds as race, ancestry, colour, place of origin, sex, ethnic origin, age, marital and family status, physical abilities, sexual orientation, creed, religion, or citizenship.

Harassment

We treat employees and persons with whom we do business with dignity and respect.

We do not tolerate personal harassment, including behaviour that demeans, threatens, or humiliates a person or group of people. We do not tolerate sexual or racial harassment. We do not tolerate comments or conduct that ridicule or disparage a group of employees, even if not directed at a particular employee.

We do not tolerate any behaviours that may promote violence in the workplace. Workplace violence often begins with harassment. We have a duty to take preventive action by bringing forward information relating to emerging situations in the workplace that may result in violence.

Work Performance

As employees, we are accountable for our work and for our results, and are committed to giving our full effort in everything we do. We expect to be evaluated by such standards as quality, quantity, timeliness, and whether the work has been completed safely and within the limits of allocated resources. We recognize that we must continue to seek new ways to be more effective and efficient. We expect our supervisors to follow leadership practices that promote an environment where high performance is encouraged. We expect our supervisors to set clear expectations and to provide appropriate support and timely feedback. We expect a work environment in which suggestions for improvement are welcomed and implemented where appropriate.

Developing our Potential

As a company, we recognize that the capability and commitment of our people is our most valuable asset and is critical to our business success. Supervisors are expected to treat employees in a manner that encourages commitment and high performance. At the same time, supervisors are held accountable for maintaining and enhancing the capability of their unit. Although each of us is responsible for our own career planning and development, we understand that the company will support our active pursuit of a jointly agreed and supported development plan. As a result, we can expect to increase our personal contribution and value, as well as our collective capability within the company.



CONFLICT OF INTEREST

Avoiding Conflicts of Interest

We avoid any conflict of interest. A conflict of interest is any situation where our personal interest interferes in any way or even appears to interfere with the interests of Hydro One and the making of decisions with honesty and integrity. There are three broad guidelines for avoiding conflicts of interest:

- Any business decision for Hydro One is to be based on merit and made strictly in the best interests of Hydro One;
- No personal benefits, whether direct or indirect, are to be derived for ourselves, family members or friends as a result of reaching business decisions on behalf of Hydro One; and
- We are to avoid any situation that may – or even appear to – create a conflict of interest between our personal interests and those of Hydro One.

Areas of conflict of interest that may arise in the course of our day-to-day work are covered in other sections. We have an obligation to declare any conflict of interest or any potential or perceived conflict of interest to our supervisor or to the Corporate Ethics Officer.

Outside Business Activities

While we all have a right to personal freedom outside working hours, certain outside business activities may constitute a conflict of interest.

We do not serve as directors of any organization that supplies goods or services to Hydro One, buys goods or services from Hydro One, or competes with Hydro One, without the approval of the Corporate Ethics Officer.

We may work for another organization, including one set up by ourselves, provided it is not a supplier, a commercial or industrial customer, or competitor of Hydro One, or does not affect our work performance at Hydro One. Where it is not clear whether external work interferes with our duty to Hydro One or affects our work performance at Hydro One, it is the responsibility of the employee to seek the prior approval of the Corporate Ethics Officer.

We do not perform work for the other organization on Hydro One's time, nor do we use Hydro One equipment, supplies, personnel or intellectual property for the use of the other organization.

We do not promote any non-Hydro One product or service to others during working hours. Contact with customers and colleagues from the outside activity should be limited during work hours and must not interfere with our regular duties. We do not sell products or services from our outside work to Hydro One.

Investments

Investment in a Hydro One competitor or supplier can create a potential conflict of interest. We, and our immediate family members – including common-law relationships – normally may not hold any ownership or financial interest in any organization that competes with any business activity of Hydro One or that sells goods and services to the company where that interest may give rise to a potential or perceived conflict of interest. Exceptions include where the interest is exercised through a blind trust, or equivalent, such as a mutual fund, or as discussed below.



While, as an example, ownership of less than five per cent of the issued shares of a publicly-traded corporation would be permitted for an employee and immediate family members in total, there may be situations in which such ownership would give rise to the potential for a conflict of interest. Any holdings which exceed these limits will be approved only on an exception basis, and must receive prior approval from the employee's supervisor and the Corporate Ethics Officer.

It is the responsibility of employees to disclose to their supervisor, and to the Corporate Ethics Officer, any investments which contravene these guidelines. With respect to investments in publicly-traded shares, disclosure is only required if the investment or financial interest exceeds five per cent of the issued shares or the value of the company, or if an investment below this level could be perceived to create a potential conflict of interest. As well, disclosure is not required for investments held in a blind trust or equivalent, such as a mutual fund.



In addition, in order to avoid conflict of interest situations, when we are aware that a family member or a friend has more than five per cent ownership in a competitor or supplier of Hydro One, we must inform our supervisor and the Corporate Ethics Officer, both of the ownership interest and of our relationship to the investor. It is the responsibility of management to ensure that the employee appreciates the potential conflict of interest that might arise from his/her relationship with the investor.

Confidential Information

Confidential information includes, but is not limited to, any trade secrets or intellectual property and any proprietary, sensitive, technical, commercial, strategic, financial, customer and personal information about customers and employees that is not made available publicly. We are responsible for knowing what information must remain in confidence and for seeking clarification from our supervisor if in doubt.

We do not disclose confidential information – except as required by law – to anyone outside Hydro One, including family and friends, even after we have left Hydro One’s employ. Within Hydro One, we do not disclose confidential information to colleagues other than is necessary to ensure that we can effectively perform our assigned work. We protect confidential information against theft, fraudulent use, loss, unauthorized access, or misuse (notably as it relates to how we collect, store and retain confidential information on our computer assets). We recognize that any unauthorized use of confidential information exposes Hydro One to legal, commercial and liability risks.

Personal information about employees must be managed and kept in a confidential manner respecting the privacy of the individual, and taking into account our obligations under any applicable legislation and our business practices.

Purchasing and Suppliers

We protect Hydro One’s reputation by refusing to make purchasing decisions based on favouritism, prejudice, preferential treatment or personal gain. We make them honestly and with integrity, using such criteria as competitive pricing, quality, quantity, delivery, and service. We refuse involvement in purchasing decisions that could lead to a conflict of interest, and we declare to our supervisor or to the Corporate Ethics Officer all conflicts or potential conflicts, seeking guidance from our supervisor or the Corporate Ethics Officer when we are uncertain.

We treat suppliers courteously, respectfully, and in a professional manner.

We inform suppliers of our Code and we expect suppliers to abide by it. Non-compliance must be communicated to Hydro One’s Corporate Ethics Officer who will recommend what actions should be taken. An example of an action would be to discuss our ethics with suppliers and make it known to them that their conduct is unacceptable. A relationship with a supplier should be ended if there is a lack of improvement, consistent with any contractual obligations.

Conducting Business Relationships – Gifts and Entertainment

Hydro One employees, representatives and business partners do not offer, give, solicit, or receive:

- any form of bribe or kickback;
- gifts of cash, gift certificates, services, discounts, or loans;
- any gift, entertainment, or similar type of benefit that does not serve a legitimate business purpose; or
- any gift, entertainment, or similar type of benefit that may compromise or appear to compromise their ability to make business decisions in the best interest of Hydro One.

The onus is on everyone to act with integrity, use good judgment and consider all implications before accepting or giving gifts, entertainment or similar favours. They should be of a nature and amount that avoids embarrassment, does not constitute a real personal enrichment of the recipient, and would not reflect unfavourably on Hydro One or the recipient, if subjected to public scrutiny. Generally speaking, acceptable gifts will have a nominal value.

Unacceptable gifts should be returned with thanks and clarification of our policy, or suitably distributed in the community. These requirements do not change during traditional gift-giving seasons.

Insider Trading and Personal Advantage

We do not divulge confidential or proprietary information about our company or its affiliates, and their customers and suppliers, to any unauthorized person, or release confidential information in advance of its authorized release. We do not use for private speculation or personal advantage, data or information that is not available to the general public.



PROTECTING THE ENVIRONMENT

The Environment

We will comply with all environmental laws and regulations and will move beyond compliance where it makes good business sense to do so. We will design, build and operate our facilities to make efficient use of resources, prevent pollution and reduce environmental effects to the extent that is reasonably achievable. We will set environmental objectives and targets, monitor our performance relative to expectations, and implement programs to achieve continual improvement.

Supervisors are expected to provide visible leadership and employees will identify, anticipate and report potential environmental effects, and are expected to know and comply with corporate policies, procedures and standards which incorporate legal requirements and generally accepted industry practices.

SAFEGUARDING COMPANY ASSETS

Proper Use of Assets

We protect the company's assets, use them properly, safely, efficiently, and only for Hydro One business. We comply with all corporate policies, standards and guidelines governing the company's assets. We do not use company assets in a manner that compromises our business practices or offends, harasses, or promotes unacceptable behaviour.

We protect our assets from all external and internal threats including theft, fraud, destruction, vandalism, terrorism or neglect. We dispose of company property in an ethical and approved manner. Theft or fraud will not be tolerated.

Any use of company assets for a non-business reason (charitable work, for example) must be approved by the supervisor accountable for that asset.

Accounting and Finance

Hydro One will conduct its financial affairs only for lawful and proper purposes in accordance with approved authorities, and properly record resulting transactions. Employees shall not mislead, manipulate, coerce or fraudulently influence any accountant. No undisclosed funds or accounts may be established. All cash and bank account and other business transactions are handled in a manner that avoids any questions of bribery, kickbacks, other illegal or improper payments or any suspicion of impropriety whatsoever. Employees have a responsibility to report concerns about the integrity of financial reporting and have an obligation to report concerns to Hydro One's Corporate Ethics Officer. Alternatively, if an employee is uncomfortable doing so directly, Hydro One has selected ClearView Strategic Partners Inc. ("ClearView") to provide a secure

third-party reporting system (“ClearView Connects™”) that allows employees to anonymously report concerns regarding accounting, internal accounting controls, or auditing matters. ClearView can be reached by calling 1-866-921-4491, by accessing their website at www.clearviewconnects.com or by mailing an anonymous report to ClearView, P.O. Box 90505, Toronto, Ontario, M1J 3N7 (for P.O. Box reports, please ensure you identify the organization as Hydro One). Choosing to include personal information in a report to ClearView means you have consented to the collection of that personal information by Hydro One, which will be sent to Hydro One. There will be no reprisal against an employee for making a report in good faith.

Business Reporting

All Hydro One financial reports, accounting records, research reports, sales reports, expense accounts, time sheets, and other documents must accurately and clearly represent the relevant facts or true nature of a transaction. Financial transactions and performance will be disclosed in accordance with appropriate generally accepted accounting principles.

Managing Risk

We will appropriately identify and control the company’s risks, within the limits of our accountabilities and allocated resources. This does not mean eliminating all risks, but rather it means mitigating the risks to acceptable levels for the company. Risk is defined as any possible event that may adversely impact the company’s business objectives. We will understand the business objectives relevant to our work, and ask our supervisors for help or information on objectives where these are not understood. If, in our opinion, there are situations where risks are not being appropriately controlled, either by other Hydro One employees or by contract employees, we will discuss the situation with our supervisors and, if not resolved, we will consult the Corporate Ethics Officer for direction.



Using E-mail and the Internet

While limited and reasonable personal use is permitted with your supervisor’s approval, access to e-mail and the Internet is made available to promote effective work-related research, improve our professional development and enhance corporate-wide communication. Since the Internet is an “open” environment and accessible to numerous users, care must be taken to protect and treat as confidential all corporate information, including customer or any other information of a commercially sensitive nature, which is not publicly available.

When using e-mail or the Internet we will not download programs not already supported by Hydro One, access sites carrying socially or politically offensive material, access sites in any way related to terrorism, send chain letters, send threatening, libelous or harassing messages or send, view or obtain pornographic material.

We will not use the Internet to play games, gamble, participate in non-work related online based social networking (i.e. Facebook, MySpace, dating sites, etc.), post or send messages under disguised identification or send confidential information unless effectively protected (i.e. using encryption.)

RELATIONSHIPS

Relationships with Customers

In all aspects of doing business with customers, we strive to build a strong and mutually valued relationship. We demonstrate that Hydro One is a customer-focused company in every transaction. We strive to give our customers high value, reliable products and services. We seek customers' views on issues affecting them, consider their views, and give them feedback where possible. Customers are given the information they need to make informed choices and they receive truthful information about our products and services. Their safety and health is protected. We respect our customers' privacy and diversity. In all interactions with customers, every employee shall act as an ambassador of Hydro One thereby treating customers courteously, respectfully, and in a professional manner.

Fair Competition

We obey the laws governing competition, not conspiring with anyone to lessen fair competition. We do not engage in anti-competitive practices or illegal activities such as price-fixing, bid-rigging, and kickbacks. We ensure all procurement policies, procedures and required processes are followed.

We gather information about competitors in a lawful manner. We do not, directly or indirectly, misrepresent ourselves, use a third party, or offer bribes or gifts to solicit proprietary information about competitors.

Relationships with Non-Profit and Professional Organizations

We have a civic responsibility to contribute to our communities and to our professional organizations, provided our participation does not interfere with our duty to Hydro One. We only perform services on company time and/or use company assets for an organization when we have prior approval from our supervisor and/or the supervisor accountable for the asset. If we act as a spokesperson for an organization, we make it clear we are speaking for that organization or for ourselves, and not acting as a spokesperson or representative of Hydro One.

Political Participation

As private citizens, we take part in the democratic process at any level, including campaigning in elections, during non-working hours. Prior company approval is required if we need a leave of absence to participate, and our participation must be kept strictly separate from our association with Hydro One. All such leaves of absence will be without pay.

Conducting International Business

We apply Hydro One's Code to all the company's operations, international as well as domestic. Hydro One employees and business partners comply with the letter and spirit of domestic and foreign legal requirements as they apply to all business activities.

Hydro One employees and business partners are committed to ensuring that internationally-recognized human rights of men, women, children, and indigenous and tribal peoples, are respected in all Hydro One activities, wherever Hydro One does business.

We consult with relevant government authorities and local communities to ensure a project does not pose a disproportionate physical, social, or economic danger to the neighbouring populations, property, or environment.

Hydro One employees and business partners maintain the highest standards of conduct, in Ontario, North America and overseas. We adhere to the same standards provided by Canadian law concerning the conduct of business in foreign countries. We resist all other trade restrictions or restrictive trade practices where they violate international norms and standards.





ENSURING COMPLIANCE

At Hydro One, we are committed to building upon our well-earned reputation as an ethical and credible company. For each of us, this means living up to the principles of integrity, excellence and citizenship in everything we do, as well as ensuring complete compliance with our Code.

Your accountabilities and reporting responsibilities are outlined on the following pages. If you have any questions or concerns about your obligations, be sure to discuss them with your supervisor or the Corporate Ethics Officer.

ACCOUNTABILITIES

All employees shall:

- comply with the Code;
- complete any required training on the Code;
- declare all conflicts of interest, perceived conflicts of interest, and potential conflicts of interest to their supervisor or the Corporate Ethics Officer;
- immediately report any violations or suspected violations of the Code to their supervisor or the Corporate Ethics Officer;
- immediately report any concerns regarding questionable accounting or auditing matters to the Corporate Ethics Officer or through ClearView; and
- inform suppliers of our expectation that they comply with our Code and immediately report non-compliance to the Corporate Ethics Officer.

In all good faith reporting, employees are assured that there will be no reprisals.

All MCP employees, in addition to their responsibilities as employees, shall:

- annually confirm, and update throughout the year as necessary, that they have complied with the Code, that they have declared any conflicts of interest, actual or perceived, and taken appropriate steps to mitigate such conflicts, and that they have identified any outside appointments, directorships or officer positions using the form entitled “Compliance Form”. This form is available on *Plugin* at <http://plugin.hydroone.com> under the “Policies, Procedures, and Manuals” section – Code of Business Conduct.

Supervisors, in addition to their responsibilities as employees, shall:

- ensure that their employees understand and comply with the Code;
- ensure that their employees meet their accountabilities as outlined above;
- create an environment that ensures that employees feel comfortable bringing their concerns forward;
- be a knowledgeable and reliable source of advice;
- maintain the confidentiality of the identity of the individual raising

concerns to the extent permitted by law and the company’s ability to address the concern;

- inform the Corporate Ethics Officer of any conflict of interest declarations (including potential conflicts of interest);
- immediately inform the Corporate Ethics Officer of any actual or suspected violations of the Code; and
- provide written confirmation on an annual basis to their supervisor that they have reviewed the Code with their employees and that they have reported all Code violations and conflicts of interest to the Corporate Ethics Officer.

Direct Reports of the President and Subsidiary Presidents, in addition to their responsibilities as employees and supervisors, shall:

- monitor compliance with the Code and address infractions within their respective lines of business; and
- submit an annual due diligence report to the Chief Executive Officer and the Corporate Ethics Officer that confirms that the Code has been reviewed with all of their employees, that all their MCP employees have completed the “Compliance Form” and that all Code violations and conflict of interest declarations within their lines of business have been reported to the Corporate Ethics Officer.

The Corporate Ethics Officer shall:

- ensure that the Code is implemented within Hydro One;
- implement and maintain a secure third-party reporting system;
- annually review and update the Code for submission to the Human Resources and Public Policy Committee (“HRPP Committee”);
- track and report all reported violations of the Code to the HRPP Committee on an annual basis;
- track and report all reported violations of the Code regarding accounting, internal accounting controls, or auditing matters to the Audit and Finance Committee biannually or more frequently as required;
- provide advice and guidance with respect to the provisions of the Code;
- ensure that appropriate management action is taken to investigate and manage known or suspected violations of the Code;
- immediately report all anonymous complaints regarding the Code,

regardless of the materiality of such complaints, to the Chief Executive Officer (if the complaint does not involve the Chief Executive Officer), or the Chair of the Board (if the complaint involves the Chief Executive Officer); and

- report all anonymous complaints regarding the Code to the Board of Directors.

The Chief Executive Officer will submit the Code for approval by the Board of Directors of Hydro One Inc. and is accountable for development and implementation of any policies and procedures required for putting the Code into practice. The Chief Executive Officer is ultimately responsible for Hydro One's compliance with the Code and this includes ensuring the compliance of all employees.

The Board of Directors monitors compliance with the Code through the HRPP Committee and the Audit and Finance Committee, to whom the Corporate Ethics Officer reports. Any waivers from the Code for the benefit of directors or executive officers shall be granted solely by the Board of Directors and will be disclosed in accordance with all applicable legal requirements. In addition, the Board of Directors reviews and reassesses the Code annually.

WHO TO CONTACT

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EFFECTIVE DATE: JULY 1, 2008