

April 26, 2019

**VIA Email, Courier and RESS**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
27<sup>th</sup> Floor 2300 Yonge Street  
Toronto, ON M4P 1E4

**Independent Electricity System Operator**

1600-120 Adelaide Street West  
Toronto, ON M5H 1T1  
t 416.967.7474  
www.ieso.ca

Dear Ms. Walli:

**Re: Board File No.: EB-2019-0120**  
**Hydro One Networks Inc. – Application for Approval on Attribution of Cost of a**  
**Deferral Account**  
**Independent Electricity System Operator Confirmation**

On April 4, 2019, the Independent Electricity System Operator (“IESO”) received a letter from the Ontario Energy Board (“OEB”) requesting the IESO to confirm certain details regarding the above referenced application. Through discussions with OEB staff, it was clarified that the OEB is seeking confirmation on the attribution of costs set out by Hydro One for the Supply to Essex County Transmission Reinforcement (SECTR) project, and is not looking for additional information on the broader network need as this is not a proposed project.

In its application, Hydro One is seeking approval for the disposition of construction costs currently held in the SECTR Deferral Account (“SECTRDA”). Hydro One is also seeking approval of the attribution of these costs between the triggering customer and the network pool for all costs that have been recorded to date in the SECTRDA, utilizing a proportional benefit approach. Hydro One is proposing that 72.6% of the costs be allocated to local load customers and 27.4% to transmission rate payers.

The IESO has reviewed the cost allocation provided by Hydro One in their request for approval for disposition of funds currently being held in the SECTRDA. The IESO confirms that the IESO and Hydro One discussed upgrading autotransformers at Keith TS and that the IESO indicated support for upgrading to 250MVA.<sup>1</sup> The IESO can also confirm that the upgrade would reduce avoided network costs; however the IESO is not providing comment on the magnitude of the cost savings.

The cost allocation method used by Hydro One is consistent with the IESO's recommendation for the SECTR project. However, the IESO notes that the attribution of cost is based on

---

<sup>1</sup> The IESO also articulated its support for the upgrade in its 2018 Scoping Assessment Outcome Report for the Windsor-Essex region, available on the IESO website at: <http://www.ieso.ca/-/media/Files/IESO/Document-Library/regional-planning/Windsor-Essex/2018-Windsor-Essex-Scoping-Assessment-Outcome-Report.pdf?la=en>.

estimates at a given point in time. Using new cost information to revisit cost allocations will result in allocation ratios that differ from the original cost allocation available at the time of the leave to construct determination. In addition, the new allocation proposed by Hydro One is based on estimated avoided network costs and actual construction cost for the SECTR project, as opposed to the allocation proposed by the IESO at the time the SECTR project was approved which was based on estimated avoided network costs and estimated project costs for SECTR. Adjusting the cost allocation ratios as proposed by Hydro One seems to retroactively attribute costs which could not have been known at the time of the leave to construct proceeding. Adopting the approach of introducing new information in the attribution of costs between the pool and the triggering customer could invite argument more generally around the validity of forecast-based decision making.

If you have any additional questions, please do not hesitate to contact me at (905) 855-6340.

Yours truly,

Devon Huber  
Senior Manager, Regulatory Affairs

Cc: Tina Li, Ontario Energy Board  
Joanne Richardson, Hydro One Networks Inc.