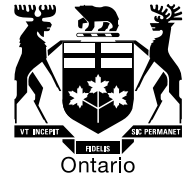


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BY EMAIL AND WEB POSTING

December 21, 2015

NOTICE OF AMENDMENTS TO A CODE

AMENDMENTS TO THE DISTRIBUTION SYSTEM CODE

BOARD FILE NO.: EB-2015-0006

**To: All Licensed Electricity Distributors
All Participants in Consultation Process EB-2009-0095
All Participants in Consultation Process EB-2015-0006
All Other Interested Parties**

The Ontario Energy Board (OEB) has issued final amendments to the Distribution System Code (DSC) under section 70.2 of the *Ontario Energy Board Act, 1998*.

The purpose of the DSC amendments is to set out the criteria under which all load transfer arrangements will be eliminated. The principles underlying those criteria are minimizing the impacts on the load transfer customers and avoiding unnecessary costs being imposed on consumers due to an uneconomic distribution system expansion by a geographic distributor for the sole purpose of connecting load transfer customers.

A. Background

On February 20, 2015, the OEB issued a Notice of Proposal to Amend a Code (February 20th Notice) in which it proposed to amend the DSC (February Proposed Amendments).

On October 14, 2015, the OEB issued a Revised Notice of Proposal to Amend a Code (October 14th Notice) in which it proposed revised DSC amendments (October Revised

Proposed Amendments) in response to stakeholder comments.

The OEB received and reviewed four written comments on the October 14th Notice from distributors and the Power Workers Union. Those comments are available on the OEB's web site at www.ontarioenergyboard.ca.

B. Adoption of Revised Proposed Amendments

The OEB has considered the comments received in response to the October 14th Notice and has determined that no changes are required to the October Revised Proposed Amendments. The OEB has therefore adopted the October Revised Proposed Amendments as they relate to the DSC without any revisions.

In light of the comments, however, the OEB has provided a number of clarifications that were requested as well as responses related to comments on process matters, which are described below.

The final amendments to the DSC, as adopted by the OEB, are set out in Attachment A to this Notice.

C. Clarifications of Revised Proposed Amendments

The following sets out requested clarifications related to the proposed approach to rate mitigation.

The OEB proposed in its October 14th Notice the use of a monthly credit rather than a negative rate rider since the former approach would avoid implementation costs and complications with the planned move to a fully fixed distribution charge. Clarification was requested on whether the credit should be based on the difference in the delivery charges on the consumer's bill or the distributor's Tariff of Rates & Charges. The OEB clarifies that distributors should derive the credits using the delivery charge on the consumer's bill, including the cost of losses and excluding all rate riders, since rate riders are temporary in nature. The OEB also notes the credit should be calculated based on the customer's average consumption over the most recent 12 months.

The OEB also clarifies that distributors should calculate the credit once at the outset for each load transfer customer (i.e., not updated to reflect each rate change) and it is to be based on the delivery charge differential at the time the SAA application is filed with the

OEB for approval. However, the credit should be discontinued if the delivery charge of the physical distributor becomes lower than the delivery charge of the geographic distributor since rate mitigation is no longer necessary. The assessment of whether the credit should be discontinued will be done in the course of the physical distributor's cost of service application.

There was also a request for a deferral account related to rate mitigation. The OEB confirms that, consistent with prior decisions involving the elimination of load transfers and rate mitigation, a deferral account will be provided for the purpose of future recovery of rate mitigation costs. Further details related to that deferral account will be provided at a later date.

An implementation plan was also recommended for planning and coordination purposes. The OEB agrees with this recommendation as Hydro One has load transfer agreements with 47 distributors, each of which must be eliminated within 18 months. The OEB therefore expects Hydro One to submit an implementation plan within one month of this Notice. The elimination of load transfers should begin with all distributors where the affected customers will experience a reduction in their bill and the OEB expects those to be completed over the next 12 months (i.e., before the end of 2016).

As identified in the February 20th Notice, once the proposed DSC amendments are finalized, streamlined filing guidelines will be issued separately for combined service area amendment (SAA) and asset transfer applications involving the elimination of load transfer arrangements.

D. OEB Response to Other Comments Received

It was suggested that, if an expansion that would connect the load transfer customers had been approved before the final amendments are issued, the load transfer should not need to be eliminated. The OEB agrees with this suggestion as the load transfer will be eliminated without the need for approval of any incremental costs. In such cases, a request for an exemption can be made by distributors as part of the applicable SAA application. However, any request for an exemption will need to be accompanied by evidence that the expansion was approved by the OEB before the final amendments were made.

One comment stated that temporary arrangements (under 12 months) were necessary to accommodate construction projects. The OEB will not consider these arrangements

to be load transfers under the DSC. However, the arrangements must be temporary in nature (less than 12 months) and necessary only to ensure continuity of service to customers during construction projects. They cannot be long-term or permanent and they cannot be used by a geographic distributor in order to expand its system to connect customers.

Hydro One proposed a simplified approach be used in relation to asset valuation in order to comply with the 18 month timeline due to the large number of distributors they have load transfer agreements with and also to reduce implementation costs. Given the materiality of the assets associated with load transfers, the OEB sees merit in the proposal. In most cases, distributor resource costs associated with a detailed evaluation of each asset would likely exceed the value of the assets involved. The OEB is of the view that outcome would not be acceptable and there is a need to strike a reasonable balance between the precision associated with valuing the assets and the costs associated with the asset valuation. The OEB therefore facilitated a working group comprised of distributors and they agreed on an approach that the OEB believes achieves that balance. The OEB expects distributors to adopt that approach rather than a site visit and detailed evaluation of each asset unless the assets being transferred are material and justify a detailed evaluation.

E. Anticipated Costs and Benefits

The anticipated costs and benefits of the February Proposed Amendments were set out in the February 20th Notice. Interested parties should refer to the February 20th Notice for further information in that regard. The OEB also believes the responses to the comments set out in this Notice as described above will provide greater clarity for all concerned.

The OEB acknowledges that some distributors raised concerns in their comments in relation to administrative burden associated with implementation. However, the OEB believes that the Final DSC Amendments will substantially reduce the administrative burden and associated costs for distributors relative to the February Proposed Amendments.

F. Coming into Force

The final amendments to the DSC, as set out in Attachment A, come into force on the date that the final DSC amendments are published on the OEB's website after having

been made by the OEB.

If you have any questions regarding the Final Amendments described in this Notice, please contact Chris Cincar at Chris.Cincar@OntarioEnergyBoard.ca or at 416-440-7696. The OEB's toll free number is 1-888-632-6273.

DATED at Toronto, December 21, 2015

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Attachment A: Final Amendments to the Distribution System Code

Attachment A
to
Notice of Final Amendments to the
Distribution System Code

December 21, 2015

EB-2015-0006

Final Amendments to the Distribution System Code

Note: The text of the Final amendments is set out in italics below, for ease of identification only.

1. Sections 6.5.3, 6.5.4, 6.5.4.1, 6.5.4.2, and 6.5.5 of the DSC are revoked and replaced with the following:

6.5.3 All load transfer arrangements shall be eliminated by transferring the load transfer customers to the physical distributor by June 21, 2017. The geographic distributor shall apply to the Board for a service area amendment to the necessary licence(s) to effect the transfer.

6.5.4 If the transfer to the physical distributor results in the load transfer customer(s) paying higher delivery charges, the physical distributor shall apply rate mitigation in a manner that is approved by the Board.

6.5.5 Until such time as the load transfer arrangement is eliminated under section 6.5.3, the physical distributor shall be obligated to continue to service an existing load transfer customer.

6.5.6 A distributor shall not enter into any new load transfer arrangements.