



The Voice Of Ontario's Electricity Distributors

July 9, 2007

Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Via email to BoardSec@oeb.gov.on.ca and by courier

Dear Board Secretary:

Re: Board File No. : EB-2006-0189 – Interpretation of Section 6.3.6 of Transmission System Code re Cost Responsibility Associated with Transmission Plans

The Electricity Distributors Association (EDA) is the voice of Ontario's local distribution companies (LDCs). The EDA represents the interests of almost 90 publicly and privately owned LDCs in Ontario.

The EDA has reviewed with its members the issue of cost responsibility with respect to plans by the transmitter to meet load growth. Specifically, members reviewed Section 6.3.6 of the Transmission System Code (TSC) to determine when transmission connected customers would be required to provide a capital contribution to fund new or reinforced transmission connection facilities.

The EDA notes that Hydro One's proposed connection procedures were reviewed at the June 7, 2006 Operations Council meeting where members indicated support for the proposal. At that meeting, it was proposed that Hydro One will develop and maintain plans in accordance with the TSC, specifically identifying Local Area Supply (LAS) Connection Facilities (the "Plan"). Customers will not make a capital contribution for a LAS connection facility that is part of the Plan (except for advancement costs). LAS connection facilities would be defined as supplying or having the future potential of supplying several delivery points for more than one customer, and would include transmission system transformers (except for transformers stepping down from above 50 kV to below 50 kV) and line connection facilities.

Section 6.3.6 of the TSC states:

"A transmitter shall develop and maintain plans to meet load growth and maintain the reliability and integrity of its transmission system. The transmitter shall not require a customer to make a capital contribution for a connection facility that was otherwise planned by the transmitter, except for advancement costs."

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Electricity Distributors Association

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The EDA understands that Hydro One has taken the position that in making plans for supplying an area that has growing load, broad consideration and long term solutions should be considered for meeting future potential load. This long term broad planning approach will be more efficient and cost effective in the long term. This approach is facilitated when the transmitter considers more than the immediate needs of customers in the area who may have different timing and supply needs. Transmitters must take a long term broad approach to planning in order to ensure that adequate and cost effective transmission capacity will be available to meet expected loads.

In its May 11, 2007 correspondence to the OEB, Hydro One noted that requiring capital contributions for Local Area Supply could result in delays to building needed transmission facilities, due to the inability or unwillingness of customers to raise capital and the need for distributors to obtain approvals for cost recovery. Many members have expressed concern on how they would obtain the relatively significant capital amounts and the method for recovering these costs. Members also were concerned with the resulting impacts on distribution rates.

At the EDA's June 28th Regulatory Council meeting, members indicated that LAS facilities provide an overall benefit to the transmission system, and in many cases it would be difficult to properly attribute causality when there are more than one transmission customer and the facilities are needed to address load growth.

If capital contributions are required when more than one customer is involved, it would be expected that there would be more potential debates on cost responsibility, and more need for hearings every time there is a disagreement. Distributors concerned about the level of capital contributions will argue that a shorter planning horizon should be used to minimize the size of the additional transmission facilities, and may argue over the load forecasts of other neighbouring customers in order to shift cost responsibility. Members believe clear rules are required to minimize debate and facilitate long term planning. Members also wanted a clear definition of delivery points as used in the criteria for determining the number of customers in the LAS Plan.

Members also noted that the cost of capital for most distributors would be higher than for the transmitter and therefore overall costs would be higher if contributions are required for LAS connection facilities.

Yours truly,



Richard Zebrowski
Vice President, Policy & Corporate Affairs

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cc: Glen MacDonald – Hydro One Networks Inc.