



Market Rule Amendment Written Submission

This form is used to provide comment on a market rule amendment under consideration by the IMO. Please complete all four sections of this form and submit the completed form by email or fax to the following:

Email Address: Rule.Amendments@theIMO.com

Fax No.: (416) 506-2847 Attention: Market Rules Group

Subject: *Market Rule Written Submission*

All information submitted in this process will be used by the *IMO* solely in support of its obligations under the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, the *Market Rules* and associated policies, standards and procedures and its licence. All submitted information will be assigned the *confidentiality classification* of “public” upon receipt. You should be aware that the *IMO* intends to *publish* this written submission.

Terms and acronyms used in this Form that are italicized have the meanings ascribed thereto in Chapter 11 of the *Market Rules*.

PART 1 –SUBMITTER’S INFORMATION

Please enter your organization and contact information in full

Name: Hydro One Networks Inc.

Andy Poray – Director, Pricing & Load Forecast Management

*(If applicable) Market Participant /
Metering Service Provider No. ¹:* 102007

Market Participant Class: Transmitter

Telephone: 416 345 5888

Fax: 416 345 5890

Email Address: andy.poray@HydroOne.com

¹ This number is a maximum of 12 characters and does not include any spaces or underscore.

PART 2 – MARKET RULE AMENDMENT REFERENCE

<p>Type of Rule Amendment being commented on (please indicate with X):</p> <p><u> </u> <i>Amendment Submission</i> <u> X </u> Proposed Rule Amendment <u> </u> Recommended Rule Amendment</p>
<p>MR-# <u> 00213-Q00 </u></p> <p>This Market Rule number is located on the “Current Market Rule Amendment” web page.</p>
<p>Date relevant <i>Amendment Submission</i>, Proposed or Recommended Rule Amendment posted for comment: December 9, 2002</p>

PART 3 – COMMENTS ON RULE AMENDMENT

Provide your comments.

Hydro One Networks Inc. (Networks) has reviewed the proposal to simplify the Market Rules regarding connection assessments and is satisfied that the proposal is sound and appropriate.

Specifically, Networks concurs that Section 6 of Chapter 4 of the Market rules should be revised so that the rules enable and authorize, rather than prescribe, the connection assessment process and procedures. Further, Networks also concurs that all of the existing procedural elements in the market rules should be relocated to the appropriate market manual. This will simplify the market rules and the process for evolving the connection assessment process in response to the needs of the market and transmission users.

The IMO’s December 9, 2002 e-mail to market participants and other stakeholders requested comments on the following two related issues:

- The extent to which the System Impact Assessment conducted by the IMO and the Customer Impact Assessment conducted by the transmitter could occur in parallel; and
- The respective roles of the Ontario Energy Board (OEB) and the IMO in regard to the allocation of costs associated with connection activities.

Networks’ comments on these two issues are summarized below.

(i) System Impact Assessment and Customer Impact Assessment

Section 6 of Chapter 4 of the Market Rules envisages that, upon application by a connection applicant, the IMO shall carry out a preliminary assessment or a System Impact Assessment in relation to the impact of the proposed modification or new connection to the integrated transmission system. The Market Rules also articulate in detail the obligations of the IMO and the connection applicants with respect to the operation of the overall system and the establishment of new connections or modifications of an existing connection. While some of the details covered in Section 6 may be moved to Market Manuals, as proposed by the amendment submission, the basic tenet of the requirement for a preliminary assessment or a System Impact Assessment will likely remain unchanged from that which is currently embodied in the rules.

PART 3 – COMMENTS ON RULE AMENDMENT

Provide your comments.

The Transmission System Code (TSC) requires that all connections to the transmission system shall be made with due regard to the safety of employees, agents, and the public and that the connections meet and conform to various codes and good utility practice. Further, the TSC requires that new or modified connections shall not materially reduce the level of reliability of the transmission system and shall not increase fault levels beyond the capability of existing equipment. In accordance with the TSC, the transmitter is required to publish detailed procedures for processing requests to connect to its system or to modify an existing connection.

During OEB proceedings relating to recent applications for leave to construct under *Section 92* of the *OEB Act*, it was observed that the impact of new or modified connections on local area customers (in the vicinity of connections proposed by the applicant) should be carried out by the transmitter in a timely manner. This would assist the OEB in making its decisions concerning the “leave to construct” applications for connections on the basis of information regarding their impact on other customers in the vicinity of the applicant’s connection, as well as on the information regarding the reliability impact on the integrated system (which will be addressed by IMO’s System Impact Assessment).

Based on the experience gained through “leave to construct” proceedings in 2001 and Networks’ consultations with the IMO during 2001, Networks has developed a Customer Connections Process to be used by applicants for new or modified connections to the transmission system. This process, submitted to the OEB for review in January 2002, addresses the need for review of the impact of new or modified connections on other transmission customers by requiring a transmitter’s Customer Impact Assessment which would be carried out by the transmitter in parallel with IMO’s System Impact Assessment. The Customer Connections Process envisages that the transmitter’s Customer Impact Assessment report will also be used by the OEB, to complement the System Impact Assessment carried out by the IMO, while reviewing the application for leave to construct. The relationship between the processes for the System Impact Assessment and Customer Impact Assessment is summarized in Figure 1 below.

(ii) Allocation of Costs Arising from New or Modified Connections

The TSC requires that the transmitter shall collect from a generator customer the cost of any required modifications, enhancements and reinforcements required to accommodate the generator customer’s initial connection or subsequent generating capacity increases. It also requires that “the cost of modifications and upgrades on specific network facilities that are triggered by and are for the sole benefit of the generator shall be borne by the generator” [*s9.1.3 of TSC*].

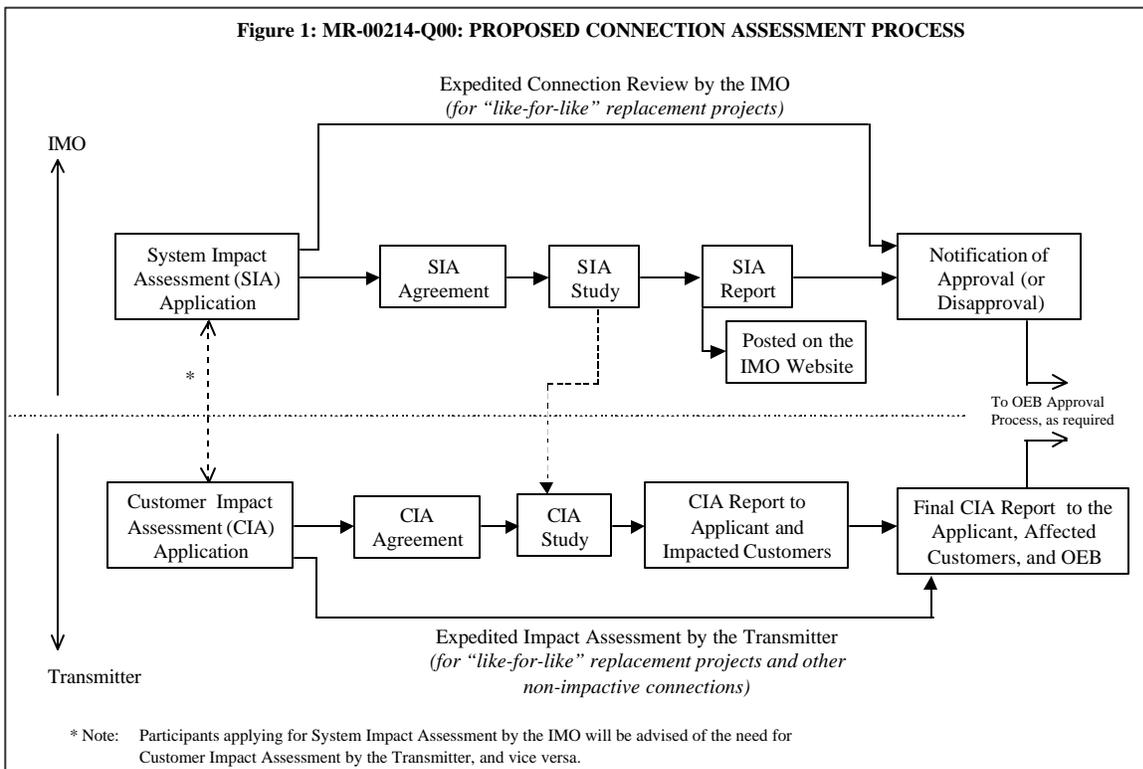
With respect to load customers requiring new or modified connections, the TSC requires the load customers to either pay for new or modified connections or to opt for a pool-funded option wherein the customer may be required to make a capital contribution, if needed, to keep the pool harmless. The TSC also requires that “for connection facilities shared among customers, the costs shall be apportioned by considering such factors as” the relative load level, the relative connection line length, and the proportion of transformation capacity being used by each party. Further, the TSC states that “modifications and upgrades to specific network facilities or installation of new network facilities that are triggered by a load customer and are for its sole benefit shall be borne by that customer” [*s9.2.5*].

PART 3 – COMMENTS ON RULE AMENDMENT

Provide your comments.

Recent “leave to construct” proceedings in front the OEB have indicated the need to resolve the issues of how to determine the cost responsibility for new facilities or for modification of existing facilities, particularly where these facilities are not directly associated with the new connections required by an entity. There is also a need to resolve the issue of how to apportion the costs between two or more entities, when the new or modified connections or network enhancements are triggered by the requirements of these particular entities. As a result, Networks is in support of the IMO’s initiative, indicated by its request for comments, to resolve the issue. Networks believes that the resolution of this issue will result in an efficient and a streamlined process that will ensure a more definitive and timely approval process for leave to construct new or modified connections. This would also assist the OEB in its current review of the TSC.

Networks submits that the IMO should undertake to identify the proportion of technical benefits arising out of the new or modified connections that are used by two or more entities and for enhancing network facilities as a result of applicant(s) proposing new or modified connections for their own use. In view of the IMO’s activities around System Impact Assessment and its competencies and impartiality, the IMO is the most appropriate entity to identify such proportions. Networks submits that these proportions may then be used, at least in part, to apportion between the benefiting entities the costs of the new or modified connections or network enhancements that may have to be undertaken by regulated and licenced transmitters.



PART 4 – EXTERNAL CONSULTATION MEETING

If you believe that a special meeting of stakeholders would be necessary/desirable to discuss the issues raised by the rule amendment, please complete the following information:

External Stakeholdering meeting necessary/desirable (please indicate with X):

Reason(s) why you believe a meeting is necessary/desirable:

The two issues for which the IMO has requested comments are important to transmission customers and many stakeholders including the IMO, the transmitters and the OEB. These issues are also rather complex. As a result, Networks believes that a special meeting of stakeholders is necessary and desirable to discuss the issues identified by the IMO.