



Decision of the Independent Panel – Exemption Application #1361

Part 1 – Panel Members

| |
|---|
| Panel Members hearing the application: Steve Baker, Patricia Koval, Michael Bernstein, Joe Oliver |
|---|

Part 2 – General Information

| |
|---|
| 1. Exemption Application ID: 1361 |
| 2. Market Participant Name: Hydro One Inc. (“Hydro One” or, the “Applicant”) |
| 3. Location/Site: South Middle Road TS |
| 4. Role of Applicant in the market as it pertains to this Exemption Application: Connection Applicant, Transmitter |
| 5. Date Exemption Application Heard: August 23, 2022 |
| 6. Did Exemption Applicant agree to Terms and Conditions of the IESO Staff Recommendation: Yes |
| 7. Market Rule(s) or Related Market Manual(s) from which the exemption is requested: Section 7.1 and 7.2 of the Ontario Resource and Transmission Assessment Criteria (ORTAC) market manual |
| 8. Material Reviewed: a) IESO Staff Presentation b) Hydro One exemption application c) Hydro One additional submission d) IESO staff recommendation |

9. Applicant's Position: Hydro One stated that the exemption application is required to incorporate load at South Middle Road (SMR) Transformer Station (TS) as part of the West of Chatham Transmission project. This will allow 412 MW of load seeking connection at the South Middle Road Transformer Station starting from Q4, 2022 to be incorporated prior to the completion of the system upgrades associated with the project.

10. IESO Staff recommendation: IESO staff recommend the request be granted in order to facilitate load connection ahead of the necessary transmission system expansion. Until the new transmission work is completed by the end of 2028, Hydro One has ensured that affected distribution connected customers understand that they will be connected at a lower level of reliability than normally prescribed by ORTAC.

Part 3 – Decision

Decision:

Exemption #1361 is granted to Hydro One subject to the terms and conditions set forth in Part 5 of this document.

Part 4 – Reasons

Reasons of the Panel:

Compliance with the market rules and market manuals for transmitters and wholesale consumers is mandatory. However, it is possible for the IESO to grant an exemption from the market rules and market manuals on a discretionary and case-by-case basis.

In rendering the decision, the Panel considered the materials submitted by the IESO and the exemption applicant as well as the applicable market manual requirements. In consideration of the exemption application, the Panel specifically considered the following points:

- The IESO's ability to direct operations and maintain the reliability of the broader IESO-controlled grid with the exemption in place
- The ability of the IESO to operate the IESO-administered markets in an efficient and competitive manner
- The IESO's mandate to provide non-discriminatory access to the IESO-controlled grid
- Whether the cost increase of market participants or the IESO is reasonable
- Whether the exemption that is the subject-matter of the exemption application would, if granted, give the exemption applicant an undue preference in the IESO-administered markets
- Whether the cost or delay to Hydro One of complying with the requirement is reasonable
- The adequacy of the exemption plan submitted by the exemption applicant
- The capability of Hydro One to operate the SMR TS consistent with the terms of the proposed exemption
- The IESO has been advised by Hydro One that the exemption requirements have been discussed with Hydro One Distribution, the customers for South Middle Road TS connections
- The rationale contained in Hydro One's application and the IESO staff recommendation related to the preceding points satisfied the Panel for granting the exemption.

Part 5 – Terms and Conditions

| | |
|---|---|
| <p>Effective Date of Exemption (or event causing exemption to become effective)</p> | <p>The date when and if the exemption is granted.</p> |
| <p>Date of Expiration of Exemption - If greater than 5 years, the Panel must be satisfied that the circumstances justify a later date - Circumstances which will cause the exemption to immediately expire</p> | <p>December 31st, 2028</p> <p>System upgrades in the form of the two 230 kV transmission circuits from Chatham SS to Lakeshore SS, and the two 230 kV transmission circuits from Lambton TS to Chatham SS come in-service by Q4, 2025 and Q4, 2028, respectively.</p> |
| <p>Market Rule(s) or related Market Manual(s) from which the Exemption is granted</p> | <p>Section 7.1 and section 7.2 in ORTAC</p> |
| <p>Restrictions on the manner of operation and/or additional obligations to be met during the term of the Exemption, if any</p> | <ul style="list-style-type: none"> • Planned outages to transmission elements connected to Chatham SS, Lakeshore TS, Keith TS and Lauzon TS will be coordinated or avoided to mitigate the need for load curtailment and rejection at SMR TS. • Transmission elements connected to Chatham SS, Lakeshore TS, Keith TS and Lauzon TS will be restored within the timeframe requested by the IESO, to mitigate the need for load curtailment and rejection at SMR TS • Thermal ratings higher than the existing ones will be used for L28C and L29C to mitigate the need for load curtailment and rejection at SMR TS • Pre-contingency load curtailment during outages and Post-contingency load rejection for SMR TS load will be used to maintain system reliability. • SMR TS load will not be allowed to submit bids to the energy markets. |
| <p>Monitoring Information Required Information required to be provided by the Exemption Applicant for monitoring by the IESO</p> | <p>Provide confidential project status update every six months to the IESO starting from the effective date of the exemption for the two 230 kV transmission circuits from Chatham SS to Lakeshore SS, and the two 230 kV transmission circuits from Lambton TS to Chatham SS projects</p> |
| <p>Payment of Costs - Processing Costs (when introduced) - Incremental Exemption Costs - Settlement amounts to be withheld or repaid</p> | <p>N/A</p> |

| | |
|---|--|
| <p>Reconsideration/Removal</p> <ul style="list-style-type: none"> - Date on which the Exemption will be reconsidered (if applicable) Circumstances under which the Exemption will be reconsidered (if applicable) other than unforeseen future change in circumstances | <p>December 31st, 2028</p> |
| <p>Transferability</p> <ul style="list-style-type: none"> - List the terms and conditions that need to be met to allow for a transfer of this exemption to be approved by IESO staff - Transferability in respect of a corporation, refers to a change of control of the corporation within the meaning of the Business Corporations Act (Ontario) | <p>This exemption is not transferable.</p> |
| <p>Other:</p> | <p>Not applicable</p> |

DRAFT