



Market Rule Amendment Written Submission

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

Email Address: Rule.Amendments@ieso.ca
 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 *IESO* 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 *IESO* 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: _____

(if applicable) *Market Participant / Metering Service Provider* No.¹: 102007 *Market Participant Class:* Transmitter

Telephone: 416-345-5922 Fax: 416-345-4141

E-mail Address: David.Curtis@HydroOne.com

PART 2 – MARKET RULE AMENDMENT REFERENCE

Type of Rule Amendment Being Commented on (please indicate with x):

Amendment Submission Proposed Rule Amendment Recommended Rule Amendment

MR Number: MR-00372

This *Market Rule* number is located on the “Current Market Rule Amendment” web page.

Date Relevant *Amendment Submission*, Proposed or Recommended Rule Amendment Posted for Comment: September 29, 2010

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

PART 3 – COMMENTS ON RULE AMENDMENT

Provide your comments.

Hydro One respectfully submits that the Market Rule Amendment MR-00372 as posted is inappropriate. Although Hydro One agrees with the gross injection approach for Congestion Management Settlement Credits (“CMSC”) payments, we do not support the gross injection approach for Generation Cost Guarantee (“GCG”) payments. We offer the following reasons:

- With respect to the CMSC payments, this being a grid issue, Hydro One submits that payments to the generator should be based on the net contribution. However, this determinate would be identical to gross contribution of the generator output since the operation of the embedded load itself provides the net benefit to the overall system
- However, with respect to the GCG payments, Hydro One believes that the generator should receive compensation only for its actual contribution to the system, external to the aggregated facility, i.e. its net injection.
- The matter of loads being locally supplied has been addressed by the Ontario Energy Board (OEB) in the past. In a hearing dated September 4th, 2003 (RP-2002-0118/EB-2002-0332 and RP-2002-0143/EB-2002-0423) the OEB made a decision based on its obligation to protect ratepayers. At this hearing, the OEB decided that load customers, partly supplied by embedded generation facilities should be charged transmission rates on a net basis. The same concept applies to the matter being addressed in this market rule amendment and the IESO should stay within the OEB definition. It is appropriate to calculate payments to the generator based on its net contribution to the grid. We are accompanying our comments with the copy of the OEB Transcript for the reader’s convenience.
- The concept of aggregated facilities was introduced, in part, to address the issue of transmission charges to be collected from load customers that receive part of their supply from a locally connected generation facility, without using Network resources. From this viewpoint, it is appropriate to exempt such consumers from part of the transmission rates. However, the matter of compensation to the generator that supplies the load locally must be dealt with as an agreement between the load and the generator.
- The supporting documentation provided to date, reveals that an analysis of the impact that this Market Rule amendment would have on ratepayers has not been performed. We believe that this aspect should be investigated and the findings provided to the Technical Panel to permit that a decision is adopted in an informed manner.
- Hydro One would like to suggest that the IESO considers all possible metering configurations associated with the embedded/aggregated facilities and, if necessary, propose the appropriate market rule amendments in order to set clear rules for all market participants.

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):

PART 4 – EXTERNAL CONSULTATION MEETING

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

ONTARIO ENERGY BOARD

Volume: 3

4 SEPTEMBER 2003

BEFORE:

R. BETTS

F. PETERS

PRESIDING MEMBER

MEMBER

RP-2002-0118/EB-2002-0332 AND RP-2002-0143/EB-2002-0423

1

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15 (Sched. B); AND IN THE MATTER OF a
Notice of Intention to Make a Compliance Order under section
75 of the *Ontario Energy Board Act, 1998*.

2

RP-2002-0118/EB-2002-0332 AND RP-2002-0143/EB-2002-0423

3

4 SEPTEMBER 2003

4

HEARING HELD AT TORONTO, ONTARIO

5

APPEARANCES

| | |
|------------------|---------------------------|
| PAT MORAN | Board Counsel |
| HAROLD NABIH | Board Staff |
| THIESSEN MIKHAIL | Board Staff |
| JAMES SIDLOFSKY | Abitibi-Consolidated Inc. |
| MARY ANNE ALDRED | Hydro One Networks |
| DAVID BROWN | Cardinal Power |

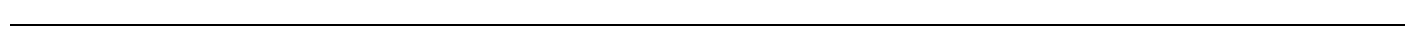
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UNDERTAKINGS

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13

--- Upon commencing at 9:37 a.m.

14

MR. BETTS: Please be seated.

15

Good morning, everybody. By way of explanation, first of all there are only three of us, or two of us, of our normal three-person panel present today. Mr. Brock Smith, for personal reasons, was unable to attend today. Mr. Smith has read and agrees fully with the decisions that will be issued today, and Mr. Peters and I will be reading those decisions. We will share those duties because they are a little bit long and it will make it easier for both of us.

16

Before we begin, are there any preliminary matters? Then we will begin.

17

DECISION - Abitibi-Consolidated/Hydro One:

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MR. BETTS: The Board has completed two proceedings relating to complaints brought by Abitibi-Consolidated Company of Canada and CASCO Inc. against Hydro One Networks Inc. The Board is now ready to deliver its decision on these two matters.

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The first proceeding, Board file number RP-2002-0118/EB-2002-0332, deals with the complaint brought by Abitibi-Consolidated Company of Canada Limited referred to as Abitibi after this.

20

In its complaint, Abitibi alleges that Hydro One is not billing Abitibi in accordance with Hydro One's transmission rate order. As a result of a review of the complaint brought by Abitibi, the Board, pursuant to section 75 of the *Ontario Energy Board Act*, issued a notice of its intent to issue a compliance order to Hydro One requiring that it comply with its transmission rate order as required by its licence. Hydro One exercised its right to request a hearing before the Board which led to this proceeding.

21

Abitibi owns and operates three pulp and paper mills in Fort Frances. It also owns and operates a hydraulic generator that provides about 10 megawatts of power to meet part of Abitibi's demand which is about 75 megawatts. Abitibi also operates under contract a co-generation plant that is owned by Westcoast Power and located on Abitibi's property. The co-generation plant produces about 100 megawatts of power. Abitibi also owns a transmission system that is connected to Hydro One's transmission system, specifically to Hydro One's line F2B.

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23

The co-generation plant is connected at the other end of Abitibi's transmission system. Abitibi's mills are also connected to Abitibi's transmission system. The hydraulic generator is connected at a distribution voltage to one of the mills. Under normal operating conditions, part of the 100 megawatts of power generated by the co-generation plant is used to meet the balance of Abitibi's demand that is not met by the hydraulic generator. The remaining power from the co-generation plant is delivered through Abitibi's transmission system to Hydro One's line F2B.

24

In its complaint, Abitibi alleges that Hydro One is not in compliance with its rate order as required by the terms of its licence. Abitibi, based on its interpretation of the Board's decision in RP-1999-0044, asserts that the co-generation plant is embedded generation and that Hydro One is only entitled to bill Abitibi on a net-load basis. In other words, Abitibi argues that Hydro One should only bill Abitibi for transmission services when Abitibi actually receives transmission services from Hydro One.

25

Abitibi says that it normally does not receive transmission services from Hydro One because all of its demand is met by the co-generation plant and the hydraulic generator, except when the co-generation plant is not in operation.

26

Under normal operating conditions, the flow of power is from Abitibi's transmission system to Hydro One's transmission system. Power flows from the Hydro One transmission system to Abitibi only when the co-generation plant is not in operation. Abitibi argues that it should only be charged for transmission services on those occasions when it actually takes power from the transmission system, i.e., on a net-load basis.

27

Hydro One's position is that it has been billing Abitibi properly, i.e., on a gross-load basis. Hydro One argues that the co-generation plant is not embedded generation based on the fact that Westcoast Power and Abitibi are separate transmission customers, are owned by separate entities, and Westcoast Power is connected at transmission voltage rather than distribution voltage.

28

Hydro One argues in the Board's RP-1999-0044 decision, when the Board referred to embedded generation, it was referring only to generation that is connected at distribution voltage. Hydro One also relies on the fact that Abitibi purchases its power from the IMO market and Westcoast Power is a merchant general that sells all of its power in the IMO market. Mr. Peters, please continue.

29

MR. PETERS: The first issue to be decided is whether Abitibi and Westcoast Power are separate transmission customers of Hydro One. In the terms and conditions set out in Hydro One's transmission rate order as approved by the

Board, it is stated that the rate schedules apply to the provision of provincial transmission service to the transmission customers who are defined as the entities that withdraw electricity directly from the transmission system in the province of Ontario.

30

In the Abitibi situation, the Board finds that Abitibi is a transmission customer because it is connected directly to Hydro One's transmission system by transmission facilities that it owns. The Board also finds that Westcoast Power is not a transmission customer of Hydro One because it is not connected directly to Hydro One's transmission system.

31

Instead, it is connected to Abitibi's transmission system which, in turn, is connected to Hydro One's transmission system. In other words, Westcoast Power is a transmission customer of Abitibi, not Hydro One.

32

The next issue is to determine whether Westcoast Power is embedded generation. In the Board's RP-1999-0044 decision, at paragraph 3.2.1, the Board stated:

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"Generation that is not connected directly to the transmission system and is located behind the meter that registers the electricity supplied from the regulated transmission facilities is referred to as embedded generation. Similarly, connection of any existing or new merchant generation to directly supply an LDC (local distribution company) or other customer will also reduce the demand on the transmission system."

34

Hydro One has argued that the reference to regulated transmission facilities means regulated for any purpose under the *Ontario Energy Board Act* or the *Electricity Act*.

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However, in the context of the RP-1999-0044 decision, the Board is of the view that the word "regulated" is clearly a reference to rate regulation which was the subject matter of that decision.

36

The purpose of having a meter to register electricity supplied by rate-regulated transmission facilities is to determine what to bill the customer for the transmission services provided by the rate-regulated transmission facilities. In this case, Abitibi is a customer who is receiving transmission services provided by the rate-regulated transmission facilities owned by Hydro One.

37

Westcoast Power is not directly connected to Hydro One. Instead, it is located behind the meter and therefore behind the meter -- let me go back a bit. I misread one statement.

Picking up after "directly connected to Hydro One."

Instead, it is located behind the customer and therefore behind the meter that registers electricity supplied to the customer. Therefore, Westcoast Power is embedded generation in relation to Abitibi.

Hydro One has argued that embedded generation is only embedded if it is connected at distribution voltage. However, this is not borne out by paragraph 3.2.1 in the Board's RP-1999-0044 decision. There is nothing in that paragraph that would suggest that the only way that embedded generation can be connected behind the meter is at distribution voltage. In fact, the evidence has disclosed the existence of generation facilities owned by Inco which are connected to the Inco plant at transmission voltage.

In that situation, Hydro One aggregates the Inco demand from the output from the Inco generator which, in effect, amounts to net-load billing. In the Abitibi situation, Abitibi's transmission system was in existence for many years prior to construction of the co-generation plant. It is clear that the co-generation plant was connected to Abitibi's transmission system at transmission voltage for reasons of economic efficiency.

The alternative would have been to construct separate distribution voltage lines from Westcoast Power to the paper mills, but this would have been created technical problems that would have rendered this option economically inefficient.

One of the objectives that the Board has to be guided by is the promotion of economic efficiency in the generation, transmission and distribution of electricity. In this case, the Board is of the view that it would be inappropriate to restrict the definition of embedded generation to generation that is connected at distribution voltage where it would be economically inefficient to do so.

Abitibi already had a transmission system in place that was available for Westcoast Power to use. It was economically efficient to use that system to connect the Westcoast Power generation. Hydro One has argued that the embedded generation definition does not apply to a situation where the generator is separately owned and sells all of its power into the IMO market. Again, this is not supported by paragraph 3.2.1 of the Board's decision in RP-1999-0044.

In that paragraph, there is clear reference to existing or new merchant generation as examples of embedded generation. Generation that is embedded in relation to LDCs is typically not owned by those LDCs.

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In the Board's view, a requirement that embedded generation has to be owned by the customer is an unnecessary restriction.

46

Abitibi also raised an issue with respect to whether there should be any charges for line connection services provided by Hydro One. The line connection charges relate to line F2B which is owned by Hydro One and which connects the Hydro One transmission system to the Abitibi transmission system.

47

Abitibi asserts that because it paid for the construction of line F2B, it should not be billed line connection charges for the use of that line. The only evidence that Abitibi can point to is an agreement setting out what Abitibi would pay toward the capital cost of upgrading the line. However, Abitibi cannot produce any evidence that it actually made the payments.

48

In any event, a customer is only exempt from line connection charges if the customer has paid for the entire connection and not just an upgrade to the connection.

49

Abitibi has not produced any evidence that it paid for the entire cost of the connection. The Board is of the view that it is appropriate for Hydro One to bill Abitibi for line connection charges for the use of that line.

50

Mr. Betts?

51

MR. BETTS: In conclusion, the Board is of the view that Abitibi is a transmission customer and Westcoast Power is not. The Board is also of the view that the co-generation plant is embedded generation. That embedded generation was in existence prior to October 1998. Therefore, Hydro One, in accordance with the Board's decision in RP-1999-0044, and as required by its licence, should only be billing Abitibi on a net-load basis for both the network charges and line connection charges.

52

The current rates came into effect on May 1st, 2002. As a result of the Board's decision in this matter, the Board requires Hydro One to reimburse Abitibi without interest for any amount it has collected from Abitibi over and above what it would have been entitled to collect if it had billed Abitibi on a net-load basis from May 1st, 2002 onward for transmission services required to meet Abitibi's

53

demand, including meeting the demand of Abitibi's transmission customer, Westcoast Power.

54

Hydro One raised concerns about the implications arising out of a decision in favour of Abitibi. Hydro One's concern was that if the Board were to allow net-load billing for Abitibi, other load customers who are currently connected to Hydro One's transmission system might disconnect themselves from Hydro One's transmission system and build their own transmission facility to connect directly with existing generators in order to avoid transmission charges.

55

The Board is of the view that such a possibility raises a different issue from the issue that was raised in the Abitibi proceeding. In the Abitibi proceeding, the Board is dealing with an existing situation that does not involve the kind of reconfiguration that Hydro One says it is concerned about.

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Such reconfigurations would result in the bypass of Hydro One's transmission facilities by existing customers of Hydro One. There is no bypass issue in the Abitibi situation.

57

Furthermore, the bypass issue has been identified by the Board as an issue in another proceeding that is currently underway to review the transmission system code. Hydro One is a party to that proceeding and will have every opportunity to address the bypass issue in that proceeding.

58

Therefore, the Board will not address the issue of bypass in the Abitibi proceeding.

59

Turning now to the issue of costs, the Board has reviewed the submissions of the parties. Given the fact that there was, for all parties, a legitimate question of interpretation relating to the Board's decision in RP-1999-0044, the Board is of the view that each party should bear its own costs.

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The Board's costs, if any, will be divided evenly between Abitibi and Hydro One.

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That concludes the Board's decision in RP-2002-0118/EB-2002-0332.

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Are there any questions that arise at this point on that?

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MR. SIDLOFSKY: Sir, just on the issue of reimbursement, that was without interest, I think you said; is that right?

MR. BETTS: That's correct.

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MR. SIDLOFSKY: That's fine, thank you.

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DECISION - CASCO/Hydro One:

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MR. BETTS: In the second matter, Board file number
RP-2002-0143/EB-2002-0423, deals with the complaint brought by CASCO Inc.

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In its complaint, CASCO alleges that Hydro One is not billing
CASCO in accordance with Hydro One's transmission rate order.

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As a result of a review of the complaint brought by CASCO, the
Board, pursuant to section 75 of the *Ontario Energy Board Act* issued a notice of its
intention to issue a compliance order to Hydro One requiring it to comply with its
transmission rate order as required by its licence. Hydro One exercised its right to
request a hearing before the Board which lead to this proceeding.

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CASCO owns and operates a plant located in Cardinal which
produces various corn-derived products. Cardinal Power of Canada LP owns a
co-generation plant on property leased from CASCO. It also owns transmission
facilities which connect its co-generation plant to CASCO and to Hydro One's
transmission system.

70

The generation and transmission facilities are operated by Sithe
Energies Canada Power Services Inc. on behalf of Cardinal Power of Canada LP.
For the purposes of this decision, the Board will use Cardinal Power to refer
collectively to Sithe Energies Canada Power Services Inc. and Cardinal Power of
Canada LP.

71

Cardinal Power provides steam, compressed air and de-ionized
water to CASCO. Cardinal Power's co-generation plant produces about 200
megawatts of power. CASCO's electricity demand is approximately 11 megawatts.
Under normal operating conditions, part of the 200 megawatts of power generated
by the co-generation plant is used to meet CASCO's demand through Cardinal
Power's transmission system.

72

The remaining power from the co-generation plant is delivered to
the Hydro One transmission system, again, through Cardinal Power's transmission
system.

73

When the co-generation plant is out of operation, both CASCO's and
Cardinal Power's demand is met by power transmitted from Hydro One's
transmission system.

74

75

In its complaint, CASCO alleges that Hydro One is not in compliance with its rate order as required by the terms of its licence. CASCO asserts that it is not a transmission customer and therefore should not be billed by Hydro One for transmission services.

76

In the alternative, CASCO asserts that Cardinal Power is an embedded generator and that Hydro One is only entitled to bill CASCO on a net-load basis based on CASCO's interpretation of the Board's decision in RP-1999-0044.

77

CASCO argues that it should only be charged by Hydro One for transmission services when it actually takes power from Hydro One's transmission system.

78

Hydro One's position is that it has been billing CASCO properly on a gross-load basis. Hydro One argues that both CASCO and Cardinal Power are separate transmission customers and that it is entitled to bill both of them for transmission services. Hydro One also argues that the co-generation plant is not embedded generation based on the fact that Cardinal Power and CASCO are separate transmission customers and are separate legal entities and that Cardinal Power is connected at transmission voltage rather than distribution voltage.

79

Hydro One argues that in the Board's decision, RP-1999-0044, when the Board referred to embedded generation, it was referring to generation that is connected at distribution voltage. Hydro One also relies on the fact that CASCO purchases its power from the IMO market and Cardinal Power is a merchant generator that sells all of its output into the IMO market.

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Mr. Peters.

81

MR PETERS: The first issue to be decided is whether CASCO and Cardinal Power are separate transmission customers of Hydro One. In the terms and conditions set out in Hydro One's transmission rate order as approved by the Board, it is stated that the rate schedules apply to the provision of the provincial transmission service to the transmission customers who are defined as the entities that withdraw electricity directly from the transmission system in the province of Ontario.

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In the CASCO situation, the Board finds that Cardinal Power is a transmission customer because it is connected directly to Hydro One's transmission system by transmission facilities that it owns.

83

The Board also finds that CASCO is not a transmission customer of Hydro One because it is not connected to Hydro One's transmission system. Instead, it is connected to Cardinal Power's transmission system which, in turn, is connected to Hydro One's transmission system.

84

In other words, CASCO is a transmission customer of Cardinal Power, not Hydro One.

85

The next issue is to determine whether Cardinal Power is embedded generation. In the Board's RP-1999-0044 decision, at paragraph 3.2.1 the Board states:

86

"Generation that is not connected directly to the transmission system and is located behind the meter that renders the electricity supplied from the regulated transmission facilities is referred to as embedded generation. Similarly, connection of any existing or new merchant generation to directly supply an LDC or other customer will also reduce the demand on the transmission system."

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The Board is of the view that the definition of embedded generation applies to any situation where a customer has a generator located behind the customer's meter. In the CASCO situation, the transmission system customer is Cardinal Power who owns a generator that is located behind the meter that would register the electricity supplied to Cardinal Power from Hydro One's transmission facilities.

88

That generator, when it is operating, meets Cardinal Power's demand. Cardinal Power's demand is composed of the generator's demand and CASCO's demand. When Cardinal Power's generation is out of operation, Cardinal Power receives transmission services from Hydro One to meet that demand.

89

The Board finds that Cardinal Power's generation is embedded generation in relation to Cardinal Power's demand which includes CASCO's demand. On this basis, the Board is of the view that Hydro One is only entitled to bill Cardinal Power for the actual demand that has to be met through Hydro One's transmission system.

90

This is no different from the situation that occurs when an LDC has an embedded generator. The LDC has to meet the demand of all of its load customers. The output from an embedded generator will meet part of that demand and the LDC will have to obtain power from the rate-regulated transmission system to meet the rest of the demand.

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Cardinal Power has a similar responsibility toward CASCO. Under normal operating conditions, Cardinal Power meets CASCO's demand from its embedded generator. If the generator is down, Cardinal Power has to meet demand from Hydro One's transmission system.

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Mr. Betts.

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MR. BETTS: In conclusion, the Board is of the view that Cardinal Power is a transmission customer and CASCO is not. The Board is also of the view that the co-generation plant is embedded generation. That embedded generation was in existence prior to October 1998. Therefore, Hydro One, in accordance with the Board's decision in RP-1999-0044, and as required by its licence, should only be billing Cardinal Power on a net-load basis for both network charges and line connection charges. Hydro One should not be billing CASCO at all.

94

As a result of its findings, the finding that CASCO is a transmission customer of Cardinal Power rather than Hydro One, the Board recognizes that there are certain regulatory implications for Cardinal Power. Cardinal Power was not a party to this proceeding.

95

When the Board recognized, during the course of its deliberations, that its decision might have implications for Cardinal Power, the Board wrote to the parties and Cardinal Power on July 10th, 2003, to provide the parties and Cardinal Power with an opportunity to make submissions with respect to those implications.

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In response, Hydro One and CASCO wrote to the Board indicating that they had agreed with one another that the Board could consider CASCO to be a transmission customer of Hydro One, notwithstanding CASCO's previous position to the contrary. Cardinal Power wrote to indicate its support for this agreement.

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Because neither the parties, nor Cardinal Power made submissions directly on the issues that were raised in the Board's letter of July 10th, 2003, the Board wanted to ensure that Cardinal Power had a full opportunity to participate in the proceeding before any decision would be made.

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On July 15th, 2003, the Board wrote to Cardinal Power asking Cardinal Power to advise the Board whether it wished to participate in the Board's proceedings. The Board provided Cardinal Power with the opportunity to cross-examine any witnesses who had already appeared before the Board, call evidence of its own, and make submissions.

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In a response dated July 29th, 2003, Cardinal Power advised the Board that it was choosing not to become a party to the proceeding. Cardinal Power

went on to make submissions on a without-prejudice basis. Cardinal Power expressed concern that a finding by the Board that CASCO is a transmission customer of Cardinal Power, rather than Hydro One, would have an adverse affect on "its exemption as a transmitter," pursuant to Ontario regulation 161/99, and that Cardinal Power might find itself out of compliance with the *Act*.

100

Based on its finding that CASCO is a transmission customer of Cardinal Power rather than Hydro One, it appears that Cardinal Power does not qualify for an exemption from the requirement to have a transmitter's licence.

101

However, the Board is of the view that this is not a matter in which it should taken enforcement steps against Cardinal Power. It is clear that the matter arises solely as a result of a legitimate need for the Board to interpret and apply its decision and rate order issued in the RP-1999-0044 proceeding.

102

It is clear that Cardinal Power has been acting in good faith, relying on what has turned out to be an incorrect assumption that both CASCO and Cardinal Power are transmission customers of Hydro One.

103

Cardinal Power has a number of options available to it. Cardinal Power can apply for a transmitter's licence and rate order to allow it to pass through Hydro One charges to CASCO. The Board is prepared to expedite such an application. It is also open to Cardinal Power to sell part or all of its transmission system to either CASCO or Hydro One. Cardinal Power also has the option of approaching the government to seek an exemption.

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The Board is prepared to give Cardinal Power a reasonable amount of time to consider its options and implement a solution. The Board will not consider Cardinal Power to be out of compliance during this time. The Board requires Cardinal Power to advise the Board of what steps it intends to take no later than October 6th, 2003.

105

The current rates came into effect on May 1st, 2002. As a result of the Board's decision in this matter, the Board requires Hydro One to reimburse CASCO, without interest, for any amount it has collected from CASCO from May 1st, 2002 onward. The Board also authorizes Hydro One to bill Cardinal Power for what it would have been entitled to collect if it had been billing Cardinal Power on a net-load basis for the transmission services required to meet Cardinal Power's demand, including meeting the demand of Cardinal Power's transmission customer, CASCO.

106

Hydro One raised concerns about the implications arising out of a decision in favour of CASCO. Hydro One's concern was that if the Board were to allow net-load billing for CASCO, other load customers who are currently

connected to Hydro One's transmission system might disconnect themselves from Hydro One's transmission system and build their own transmission facilities to connect directly with existing generators in order to avoid transmission charges.

107
The Board is of the view that such a possibility raises a different issue from the issue that was raised in the CASCO proceeding. In the CASCO proceeding, the Board is dealing with an existing situation that does not involve the kind of reconfiguration that Hydro One says it is concerned about. Such reconfigurations would result in the bypass of Hydro One's transmission facilities by existing customers of Hydro One.

108
There is no bypass issue in the CASCO situation. Furthermore, the bypass issue has been identified by the Board as an issue in another proceeding that is currently underway to review the transmission system code. Hydro One is a party to that proceeding and will have every opportunity to address the bypass issue in that proceeding.

109
Therefore, the Board will not address the issue of bypass in the CASCO proceeding.

110
Turning now to the issue of costs, the Board has reviewed the submissions of the parties. Given the fact that there was, for all parties, a legitimate question of interpretation relating to the Board's decision in RP-1999-0044, the Board is of the view that each party should bear its own costs. The Board's costs, if any, will be divided evenly between CASCO and Hydro One.

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The appropriate Board orders supporting this decision will be issued in due course.

112
Are there any questions?

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MR. BROWN: Mr. Betts, if I could ask one. David Brown, I am here on behalf of Cardinal Power.

114
Just so I got the date right, is it October the 6th by which the Board wishes to be advised of what steps Cardinal Power will take?

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MR. BETTS: That's correct.

116

Any further questions? With that, this will conclude the two hearings and we will adjourn. Thank you.

--- Whereupon the hearing adjourned at 10:12 a.m.

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