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BY EMAIL AND RESS

June 23, 2026

Mr. Ritchie Murray
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto, ON M4P 1E4

Dear Mr. Murray,

RE: Application for an Exemption from Hydro One Networks Inc.'s Distribution Rate Order

Please find attached an application from Hydro One Networks Inc. requesting an exemption from its Distribution Rate Order (EB-2025-0030) to address a unique scenario involving a customer who has installed embedded generation.

Please do not hesitate to contact myself or Yoon Kim (yoon.kim@hydroone.com) if you have any questions.

Sincerely,

Jason Savulak

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Hydro One Networks Inc. for an Order or Orders granting an exemption from provisions in Hydro One's Distribution Rate Order related to Gross Load Billing

APPLICATION

1. Hydro One Networks Inc. ("Hydro One") is a licensed distributor whose distribution rates are determined based on the charge determinants set by the Ontario Energy Board ("OEB") in its Distribution Rate Order (EB-2025-0030) ("Rate Order").

2. Hydro One requests an exemption from provisions in its Rate Order that pertain to the application of Gross Load Billing (GLB) of distribution customers with embedded generation facilities. The exemption is required to address a unique scenario, which was never contemplated when the GLB rules were initially established, and is necessary for enabling Hydro One to bill customers impacted by the circumstances of this unique scenario for their delivery charges in a manner that is fair and appropriate.

3. On May 6, 2025, a similar exemption to the one requested by Hydro One in this application was granted by the OEB to Hydro One Sault Ste. Marie LP, a licensed transmitter, in respect of a transmission customer with embedded generation (EB-2024-0357).

4. On November 27, 2025, the OEB issued its Decision for Phase 2 of the Uniform Transmission Rates (UTR) proceeding (EB-2022-0325) (the "UTR Decision"), which included the following amendment to the UTR schedule:

> *.... where the Transmission Customer's forecast capacity needs (associated with a new or modified load facility) exceeds the maximum capacity that can be supplied by the transmission system and the licensed transmission company cannot expand the transmission system to meet the Transmission Customer's forecast capacity needs at the time the Transmission Customer's load facility goes into service (and the Transmission Customer agrees to limit its demand to the maximum capacity allocated), the Transmission Customer shall be subject to gross load billing for Line Connection service charges and Transformation Connection service charges, as appropriate, on only the maximum capacity that can be supplied by the transmission system.*

5. Hydro One requests that the exemption remain in place until its Rate Order is amended to reflect this unique scenario.

6. Hydro One requests that the OEB conduct its review of this application without a hearing under section 21(4)(b) of *the OEB Act*, since no person will be adversely affected in a material way by the outcome of the proceeding.

1. BACKGROUND

Hydro One is a licensed distributor whose distribution rates are determined based on the charge determinants set by the OEB in its Rate Order.

Hydro One is seeking an exemption from provisions included in its Rate Order in respect of two customers, Customer A ("Customer A") and Customer B ("Customer B"). Customer A is an existing customer connected to the distribution system in the Leamington area and has a demand of 20 MW. Customer B is a prospective customer with a forecast demand of 2.5 MW who has requested a connection to Hydro One's distribution system in the Leamington area.

Hydro One's distribution system is currently constrained in the Leamington area where Customer A is connected and Customer B has requested to connect. In the case of Customer A, the customer has only been allocated 10 MW of capacity on Hydro One's distribution system despite its higher load. Similarly, in the case of Customer B, Hydro One is only able to provide 500 kW of capacity on its system to accommodate their connection. Due to the lack of available capacity on Hydro One's distribution system, Customer A and Customer B have both opted to address their load needs by installing load displacement generation facilities to supply the incremental load that otherwise cannot be supplied from the distribution system.

Due to the size of the load displacement generation units installed by the customers, Hydro One's Rate Order requires these customers to be billed the Retail Transmission Service Rates (RTSR) Line and Transformation Connection Service rates and distribution volumetric rates at the gross load level. Specifically, Note 5 of the Rate Order states that the connection is billed at the gross demand level for the monthly billing determinant for the RTSR Line and Transformation Connection Service rates.

2. EXEMPTION REQUEST

Under normal circumstances, when a customer applies for a load connection, the connection is approved on the basis that the distribution system can supply the customer's full load and meet their load requirements. Where distribution assets are installed to supply the customer's demand and the customer later elects to install embedded generation to displace their load and reduce their energy costs, the OEB determined in RP-1999-0044 that it is appropriate, as a matter of regulatory policy, to bill the customer on a gross load basis in such cases. The rules governing the application of GLB in such cases are reflected and established in Hydro One's Rate Order. However, these rules never contemplated a scenario in which a customer connects to Hydro One's distribution system but the system is unable to supply the customer's full load and the customer must install a load displacement generation facility as a means for addressing the supply limitations on Hydro One's system. This is the scenario faced by both Customer A and Customer B.

If Hydro One's distribution system is unable to meet the supply needs of a customer who has requested a connection and the customer installs embedded generation to make up this shortfall, Hydro One does not believe that it would be fair to gross load bill these customers based on their non-coincident peak demand, as required by its Rate Order, because the distribution system was never built to supply the customer's full load when they connected. In such cases, it would be more appropriate to bill the customer for delivery charges on a gross load basis up to the maximum load that can be supplied by its distribution system to meet the customer's demand under system peak conditions.

Therefore, Hydro One is requesting an exemption from the current provisions in its Rate Order to permit Hydro One to bill Customer A and Customer B on a gross load basis up to the maximum load that can be supplied by its distribution system. Hydro One believes that taking this alternative approach to GLB in both cases is fair, appropriate, and would have no adverse impact on ratepayers. This alternative approach is also consistent with a previous exemption granted by the OEB to a transmission customer and changes that were made by the OEB to the UTR schedule following the UTR Decision, which allows for this approach to be taken in all similar cases going forward.

Hydro One expects more scenarios to arise in which load customers may rely on embedded generations to meet their supply needs where distribution system capacity constraints cannot be readily mitigated. For this reason, Hydro One also asks that the OEB consider an amendment to its Rate Order to allow Hydro One to apply this alternative GLB approach in other identical scenarios that may arise. This would mirror the outcome of the UTR Decision, which now permits transmitters to apply this approach if the transmission system is unable to supply a customer's demand during peak system loading conditions.