Independent Electricity System Operator (IESO) INTERROGATORY #3 List 1

Interrogatory

Issue Number: 2.1
Issue: Are the overall levels of the 2007 and 2008 Operation, Maintenance and Administration Budgets appropriate? (C1/T1/S1)

Ref. C1/T1/S1
A1/T14/S1
A1/T14/S5/Table 1

On Page 1 of 6 of C1/T1/S1, it states that "…Hydro One Transmission's forecast cost of service has been developed consistent with corporate strategic goals to sustain a safe and reliable transmission system that economically meets customer needs and provincial policies." Hydro One's planning processes are described in A1/T14/S1 which further references the work prioritization process undertaken by Hydro One in A1/T14/S5. Table 1 of A1/T14/S5 references several business values with key performance indicators or measures.

Please explain how Hydro One considers, in its planning processes, the service Hydro One provides to the IESO-administered market?

Response

Hydro One provides transmission facilities and services in accordance with various statutory acts, regulations, and codes. These include the Electricity Act 1998 and the OEB Act 1998, as amended, the Transmission System Code, and the Transmission Licence. Hydro One also makes available its transmission facilities to the IESO, so that it can direct the operation of these facilities, in accordance with the IESO – Hydro One Operating Agreement.

Hydro One considers all of the above requirements in its planning processes. The service Hydro One provides to the IESO-administered market is an important consideration in the Company's planning processes and is fully reflected in our corporate business values (such as reliability). Hydro One's transmission facilities are planned on the basis of our investment prioritization process (IPP). As discussed in Exhibit A, Tab 14, Schedule 5, the goal of the IPP is to ensure that the OM&A and capital work program levels arrived at are the most effective in mitigating the risks to the Company's business values.