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MAIL ROOM  
SALLE DE COURIER

2011 MAY 27 P 2: 57

NEB/ONE



BY EMAIL

May 20, 2011

Electricity Reliability  
Attention: Anne-Marie Erickson  
Secretary of the Board  
National Energy Board  
444-7<sup>th</sup> Avenue S.W.  
Calgary, AB T2P 0X8  
[electricityreliability@neb-one.gc.ca](mailto:electricityreliability@neb-one.gc.ca)

Dear Ms. Erickson:

**NEB File OF-Fac-ElecGen-Rel-IPL 04 – Mandatory Electricity Reliability Standards**

Hydro One Networks Inc. (“Hydro One”) offers the following comments in response to the National Energy Board (“NEB”) letter of February 23, 2011, which provides notice of draft provisions for an order, for International Power Lines (“IPLs”) under jurisdiction of the NEB.

Hydro One supports the adoption of reliability standards that provide for safe and reliable operation of IPLs. Further, Hydro One continues to operate and maintain its facilities that are covered by NEB certificates and permits to the current reliability standards as defined by the North American Electric Reliability Corporation (“NERC”), Northeast Power Coordinating Council (“NPCC”) and Ontario’s Independent Electricity System Operator (“IESO”). Hydro One has also taken many steps over the years to create and maintain a culture of compliance in order to place an emphasis on reliability excellence.

Hydro One appreciates that the NEB faces a difficult challenge to develop a single set of regulations that works for all parties. Each Province / Territory in Canada has a unique set of circumstances which translates into different models and frameworks. This makes it difficult to develop a set of rules that would be applicable in all jurisdictions. In the Province of Ontario, our reliability framework comprises NERC, NPCC and IESO requirements, and the accountabilities for compliance with those requirements are clearly assigned to the appropriate Ontario Market Participants. Hydro One recognizes the NEB’s authorities with respect to IPLs. Hydro One strongly recommends that, in executing these authorities, and to the extent possible, the NEB should avoid duplication of existing standards and regulatory processes. Since it is arguably impossible to operate IPLs to different standards than other (intraprovincial) transmission lines, Hydro One is in favour of

the use of consistent set of standards within each jurisdiction. As noted above, Hydro One has invested and continues to invest resources in complying with reliability standards requirements for all its facilities, including IPLs. Any duplication of standards and regulatory requirements would only add to the regulatory and financial burden placed on ratepayers, and could contribute to obscuring of the accountabilities in this critical area. Below, Hydro One points out potential areas of duplication within the NEB proposal.

### **Pending Changes**

Hydro One notes that, for the Province of Ontario, the regulatory gap identified by the NEB will soon be closed, or at least narrowed, with the conclusion of the NERC project to redefine the Bulk Electric System ("BES") to include all facilities that are operated at 100 kV and above (an approach commonly referred to as the "BES bright line definition"). Specifically, Hydro One expects that major IPLs covered by Hydro One's certificates and permits, that are not already subject to compliance with the NERC Reliability Standards, would fall under the new definition.

Thus the NEB's move for immediate action may not be needed, and would seem to create an overlap with the pending NERC definition. We believe the NEB's approach should be flexible to accommodate increases in reliability standards at a more local level, provided that those local standards meet the NEB's requirements.

### **Requirement for Compliance Plan**

While provision 3 in the draft would allow for Hydro One to adopt the reliability standards established by a standards development authority, provision 4 would require Hydro One to submit a Compliance Plan to the NEB with the said plan being subject to approval by the NEB. The requirement to file a Compliance Plan far exceeds the current reliability compliance monitoring approach in Ontario and most other jurisdictions. Currently, organizations such as Hydro One are only required to self-certify that they are compliant, and are then subject to compliance audits, as needed, to provide documented evidence of such compliance. Hydro One is not subject to, nor is it aware of a requirement by NERC, NPCC or other regional entities for the submission of reliability compliance plans of the type contemplated in the draft order. It is Hydro One's opinion that both the NEB and the IPL companies under its jurisdiction would be best served by regulatory requirements that are consistent with requirements in other jurisdictions. Thus, Hydro One proposes that the general requirement for submission of a *Compliance Plan* be replaced by a '*Declaration*' by the certificate or permit holder identifying the standards it plans to adopt and the name of any standards authority or authorities whose standards the holder will apply. Unlike a compliance plan, such a declaration would focus on the "what", rather than the "how." Hydro One's view is that, for those entities that are successfully managing their reliability obligations, the filing of a compliance plan provides little additional value. However, Hydro One accepts that the submission of a compliance plan (dealing with "how" compliance will be achieved or restored) may be appropriate in specific cases where non-compliance has been identified.

## Compliance Accountabilities Outside of the IPL Company's Authority

Lastly, within the Province of Ontario, some of the Reliability Standards listed in provision 2 are either the sole responsibility of the IESO or a joint responsibility of Hydro One and the IESO. This is because, within the Ontario reliability standards framework, compliance responsibilities are allocated to different entities, depending on their roles. With respect to the NERC Standards applicability, Hydro One is responsible for compliance with requirements that apply to Transmission Owners, Load Serving Entities, Transmission Operators, Transmission Planners and Distribution Providers. Furthermore, some of the Transmission Planner and Transmission Operator requirement obligations are shared with the IESO. For example the reliability standards listed under 2 (a) are solely the responsibility of the IESO, a statutory body created by the Province of Ontario, and as such Hydro One feels that it would be inappropriate to place a similar obligation on the holder of the certificate / permit for the power line (i.e. Hydro One). This would place responsibilities on Hydro One that it does not have within the Ontario framework and that are outside of its authority. To avoid duplicate regulation over two parties, which could additionally lead to confusion of accountabilities, Hydro One proposes that in such cases, IPL companies would, as part of their declaration, seek exemptions from standards that are outside their authority because third parties are accountable for compliance with the standards.

Hydro One is appreciative of the opportunity to provide comments. Please contact us if you have any questions or require further clarification.

Sincerely,



Oded Hubert

CC: Mr. Brian Rivard,  
Manager, Regulatory Affairs & Sector Policy Analysis  
Independent Electricity System Operator