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BY MAIL

September 4, 2009

Mr. Jim Fox
Team Leader
Regulatory Development Team
National Energy Board
444 Seventh Avenue SW
Calgary, Alberta
T2P 0X8

Dear Mr. Fox,

**National Energy Board's Amendments to the Cost Recovery Regulations - Hydro One Networks
Comments**

Hydro One Networks Inc. ("Hydro One") does not support the proposed changes to the National Energy Board's ("NEB's") Cost Recovery Regulations away from the status quo.

Hydro One is concerned that the proposed shifting of costs from electricity exporters to power line companies would result in higher costs for electricity end consumers, with no offsetting incremental benefit. The NEB's cost allocation methodology today allocates recoverable costs attributable to the regulation of the electricity industry to exporters.

Under the proposed amendments, the NEB would seek to recover costs from power line companies. Power line companies would, in turn, have to pass on such costs to transmission rate payers, with no guarantee of a corresponding reduction in the electricity commodity price. This would mean that the proposed allocation methodology could actually lead to higher total electricity prices for consumers, and potential windfall gains for exporters.

Hydro One further notes that the precise methodology by which the NEB proposes to apportion recoverable costs among electricity exporters and power line companies remains unclear. Hydro One submits that clarity is needed in this area before the proposed amendments can be properly reviewed. It is critical that such allocation methodology be equitable among electricity exporters and power line companies. In Hydro One's view, this means that where costs can be assigned to identifiable beneficiaries (for example, Market Monitoring and Export Returns), it should only be the identified

beneficiaries that pay those costs. Failing to do so would only further exacerbate any adverse impacts on the total electricity price for consumers.

In closing, Hydro One submits that the proposed amendments would likely result in higher total electricity prices for consumers, which would be contrary to the NEB's mandate to promote an efficient energy market in the Canadian public interest. Therefore, Hydro One urges the NEB to reject the proposed amendments.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank