



TFSA Investors: 1 Recession-Proof Value Stock Set to Rise

Description

Hydro One ([TSX:H](#)) is Ontario's [largest electricity transmission and distribution utility](#) with approximately \$30 billion in assets and 2020 revenues of approximately \$7.3 billion. Hydro One owns and operates substantially all of Ontario's electricity transmission network and is the largest electricity distributor in Ontario by number of customers. The company's regulated transmission and distribution operations are owned by subsidiaries of Hydro One.

Hydro One delivers electricity [safely and reliably](#) to approximately 1.4 million customers across the province of Ontario and to large industrial customers and municipal utilities. The company owns and operates approximately 30,000 circuit kilometres of high-voltage transmission lines and approximately 124,000 circuit kilometres of primary low-voltage distribution lines.

Operational synergies

Hydro One's transmission and distribution businesses utilize common operating platforms, technology, work processes, equipment, and field staff, and thereby take advantage of operating efficiencies and synergies. The transmission business consists of owning, operating, and maintaining Hydro One's transmission system, which accounts for approximately 98% of Ontario's transmission capacity.

The company's transmission business represents approximately 60% of total assets and accounts for approximately 50% of Hydro One's total revenue, net of purchased power. Hydro One's transmission business is a rate-regulated business that earns revenues mainly from transmission rates that are subject to approval by the Ontario Energy Board (OEB). Transmission rates are generally determined using a performance-based model.

Diverse revenue streams

Transmission rates are administered and collected by the Independent Electricity System Operator (IESO) and are remitted by the IESO to Hydro One on a monthly basis, which means that Hydro One's transmission business has no direct exposure to end customer counterparty risk. Transmission rates

are based on monthly peak electricity demand across Ontario's transmission network. This gives rise to seasonal variations in Hydro One's transmission revenues, which are generally higher in the summer and winter due to increased demand and lower during other periods of reduced demand.

Hydro One's transmission revenues also include revenues associated with exporting energy to markets outside Ontario. Ancillary revenue includes revenues from providing maintenance services to generators and from third-party land use.

Major generation facilities

The company's transmission system serves substantially all of Ontario and transported approximately 132 terawatt hours (TWh) of energy throughout the province in 2020. Hydro One's transmission customers consist of 38 local distribution companies and 82 large industrial customers connected directly to the transmission network, including automotive, manufacturing, chemical, and natural resources businesses.

Electricity delivered over the company's transmission network is supplied by 134 generators in Ontario. The high-voltage power lines in Hydro One's transmission network form part of the bulk electricity system typically connect major generation facilities with transmission stations and often cover long distances, while area supply lines serve a local region.

Stringent reliability and security requirements

Hydro One's transmission network is managed from a central location. The company uses telecommunications systems for the protection and operation of Hydro One's transmission and distribution networks. These systems are subject to very stringent reliability and security requirements, which help the company meet reliability obligations and facilitate the restoration of power following service interruptions.

Overall, there could be significant opportunity in Hydro One's stock at current market prices.

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