June 16, 2022

Secretary Vanessa Countryman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Public Comment on Enhancement and Standardization of Climate-related Disclosures for Investors Proposed Rule – Release Nos. 33-11042; 34-94478; File No. S7-10-22

Dear Ms. Countryman,

Hydro One Limited (referred to as "Hydro One" or "we") appreciates the opportunity to provide comments in response to the U.S. Securities and Exchange Commission (SEC) public comment on Enhancement and Standardization of Climate-related Disclosures for Investors Proposed Rule – Release Nos. 33-11042; 34-94478; File No. 27-10-22 dated March 21, 2022 (Proposed Rule). We commend the SEC for seeking to move toward a standardized set of climate disclosures as we believe in and support transparent, consistent, and comparable standards in environmental, social and governance (ESG) reporting.

Overview of Hydro One

Hydro One Limited, through its wholly-owned subsidiaries, is Ontario's largest electricity transmission and distribution provider with approximately 1.5 million valued customers, approximately $30.4 billion in assets as of December 31, 2021, and annual revenues in 2021 of approximately $7.2 billion. Our team of approximately 9,300 skilled and dedicated employees proudly build and maintain a safe and reliable electricity system, which is essential to energizing life for people and communities across the province. In 2021, Hydro One invested approximately $2.1 billion in its transmission and distribution networks and supported the economy through buying approximately $1.7 billion of goods and services. We are committed to the communities where we live and work through community investment, sustainability and diversity initiatives. We are designated as a Sustainable Electricity Company by Electricity Canada (formerly the Canadian Electricity Association).

Sustainability at Hydro One

At Hydro One, sustainability means that we are committed to conducting our business safely in an environmentally and socially responsible manner and to partnering with our customers, Indigenous communities and other community stakeholders to build a brighter future for all. We publish an annual sustainability report to help our stakeholders, partners, customers, and communities better understand how we manage the related opportunities and challenges associated with our business.

We are committed to enhancing our reporting by keeping pace with the evolving ESG landscape and increasing the transparency and accountability of our disclosures. Our reporting is guided by the Global Reporting Initiative Standards Core option, the Sustainability Accounting Standards Board framework, and the Taskforce on Climate-related Financial Disclosure (TCFD) guidelines. Our sustainability reports and related policies can be found on our website at https://www.hydroone.com/sustainabilty/.

Comments

Hydro One welcomes this opportunity to provide comments and engage with the SEC on climate-related financial disclosure standards. Hydro One recognizes and supports the importance of transparent and standardized ESG reporting. We support the SEC's decision to leverage the TCFD framework which is widely used and accepted by many companies, financial institutions, and investors. Providing climate related disclosures in accordance with the TCFD recommendations provides us a framework with which to report our work on reducing our carbon footprint and creating a resilient grid for the future.

Hydro One and its subsidiary Hydro One Inc. are Multijurisdictional Disclosure System (MJDS) issuers and we offer our insights from that perspective. As the MJDS is premised on MJDS issuers' compliance with their home jurisdiction requirements, it makes sense to continue to permit MJDS issuers to meet the requirements of their home jurisdiction, as is currently proposed. We see no compelling reason to deviate from that foundational principle for climate-related disclosure.

The Canadian disclosure requirements are also current and effective, even if they are different from the SEC regime. The Canadian securities regulators are also focused on mandatory climate-related disclosure standards. The Canadian Securities Administrators (CSA) have been updating guidance on the climate disclosure reporting framework for Canadian issuers, and currently have a proposed national instrument (Proposed Instrument) and framework regarding disclosure of climate-related matters, which was recently circulated for comment (Proposed National Instrument 51-107, *Disclosure of Climate Related Matters*). In developing the Proposed Instrument, the CSA has been informed by its own research on domestic and international developments in climate-related disclosure, as well as review of Canadian reporting issuer and other stakeholder practices. The Proposed Rule and Proposed Instrument are both grounded in similar norms and have been developed in response to the same investor concerns.

Although the proposed Canadian framework may be crafted or worded differently from the U.S. proposal, it is nonetheless evolving in real time, it is current and has been prepared by the securities regulators in Canada with a view to a similar goal of providing consistent and comparable climate-related disclosure. It is also a new instrument that Canadian issuers are reviewing and already starting to consider with respect to evolving their climate-related disclosures and practices. For MJDS issuers to comply with the domestic Canadian requirements and layer in the additional SEC requirements (if those requirements were applied to MJDS issuers), would be quite challenging and potentially onerous, requiring time and effort for MJDS issuers that other U.S. and Canadian issuers would not have to expend. There may also be inconsistencies or even contradictions in the nature and extent of disclosure required under the different regimes. We support the SEC's current proposed approach with respect to MJDS issuers.

In addition to our perspective as MJDS issuers, we are also providing comments on key climate-related disclosures for consideration.

Governance Disclosures

Hydro One supports disclosure of board and management governance of climate-related risks and opportunities, as outlined by the TCFD framework. Hydro One's Board of Directors ("Board") oversees the company's approach to ESG matters relating to the long-term health and sustainability of the company. The Board's Indigenous Peoples, Safety & Operations Committee oversees environmental strategies, policies, and programs, including those relating to climate change. The corporate Enterprise Risk Management function delivers quarterly updates to the Board and its committees for the risks relevant to their respective mandates, including ESG and climate-related risks. Climate change, a key component of our ESG program, is overseen by our Chief Safety Officer (CSO), who manages our climate change mitigation and adaptation programs. Our CSO works closely with other executives such as our Chief Operating Officer, who supports and guides the effective design and implementation of our climate change adaptation program.

Climate-related Risks Disclosure

Hydro One supports the SEC's proposal to disclose climate-related risks that are reasonably likely to have a material impact on the issuer. We believe that climate-related risk disclosures should be part of an issuer's risk disclosures. A requirement to disclose all material risks should be sufficient to capture all the risks that are material to an issuer. It would not be helpful to define specified time periods for the contemplated risk disclosure, as the relevant timeframes may be quite different for different issuers in different industries. In our view, letting individual issuers define the relevant timeframe for each category (short, medium, long term) would result in the most relevant and useful risk disclosure for investors in relation to that issuer.

Climate-related Impact on Strategy, Financial Planning and Capital Allocation
Hydro One also supports the SEC's proposed requirement to address climate-related impacts on issuers' business strategy, financial planning, and capital allocation. We do not recommend mandating the disclosure of forward-looking information given the difficulty that may arise in determining a reasonable basis for certain climate-related assumptions incorporated in a forward-looking statement. Evaluation of potential climate-related risks and opportunities often rely on third party information which issuers can neither verify nor control. A high variability in climate considerations included as part of issuers' business strategy, financial planning and capital allocation may require revision to its business model, potentially subjecting an issuer to liability under Section 18 of the *Securities Exchange Act of 1934* or Section 11 of the *Securities Act of 1933*, as applicable. If the SEC requires this disclosure, we recommend including an additional safe harbour for forward-looking statements to alleviate concerns about liability because of such limitations.

Financial Statement Metrics
Hydro One recommends applying the materiality concept in determining the disclosure of financial impact metrics. This will ensure consistency with the materiality determination of other information included in issuers' filings and lessen the additional burden on issuers.

However, Hydro One does not support the proposal to require disclosure of financial statement metrics for the historical fiscal years included in the issuer's consolidated financial statements. Most companies are at an early stage of maturity in determining the full spectrum of their climate-related financial statement metrics, hence improvements in ESG tracking and measuring may result in adjustments to prior period estimates – potentially subjecting an issuer to liability under Section 18 of the *Securities Exchange Act of 1934* or Section 11 of the *Securities Act of 1933*, as applicable. Such a requirement may have unintended consequences.

Scenario Analysis
We believe that issuers should be permitted to report climate scenario analysis and its impact on a voluntary basis. At Hydro One, we conduct scenario analyses to understand both the opportunities and risks associated with climate change. Building out detailed outlooks is challenging and expensive because there is no agreed upon scenario to use or guidance as to how issuers should conduct these analyses. Additionally, the breadth of analysis required to estimate local impacts of climate change in a geographically dispersed operating environment is significant. We encourage the SEC and other securities regulatory organizations to provide opportunities to assess and compare consistency of scenario analysis approaches across issuers in comparable sectors.

The SEC could also consider publishing guidance documents to support issuers who choose to publicly report this disclosure. We support the SEC providing issuers with discretion to choose the relevant narrative to describe primary impact, and the data provided to support the conclusions. If the SEC mandates extensive disclosure requirements (including disclosure of revenue or cost implications under different scenarios) for organizations that conduct scenario analysis, we believe it will discourage organizations from conducting scenario analysis.

Greenhouse Gas (GHG) Emissions Disclosures
Hydro One must report on legally specified GHG emission types and levels. We also voluntarily report on a wide range of direct and indirect GHG emissions that we can control or influence. Our GHG emissions are calculated in accordance with the World Resource Institute's *The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition*) (GHG Protocol), ISO 14064 (2018), and regulatory reporting requirements prescribed by the Ontario provincial government. The GHG Protocol and Environment and Climate Change Canada (a Canadian federal department) require both Scope 1 (direct) and Scope 2 (indirect) emissions to be reported. Scope 3 (indirect) emissions may be reported voluntarily.

We believe that disclosure of GHG emissions by an issuer, be it Scope 1, Scope 2, Scope 3, or a combination thereof, should be based on materiality. We believe that reporting of Scope 3 emissions should not be required for upstream and downstream value chain emissions over which the issuer has no control or influence, and it may be double-reported with disclosures reported by other issuers who have direct control over these GHG emission sources. If the SEC requires issuers to disclose Scope 3 emissions, we believe this process would be labour intensive and expensive for many organizations, including Hydro One. We believe that the labour and financial commitment needed to disclose Scope 3 emissions would be better spent on adapting to climate change and mitigating GHG emission impacts that are under the direct control of organizations.

In addition, we support the requirement for an independent, third-party limited level of assurance of GHG emissions. Third party review (audit, assurance, or verification) provides an added layer of confidence that the GHG emission disclosures are reliable, consistent, and comparable.

Placement and Timing of Disclosures

The proposed disclosure requirements under Regulation S-K and Regulation S-X would present Hydro One with a timing challenge. We are currently able to complete our climate-related reporting within six to eight months following our financial year end. This timeline allows us to accurately measure and report data that has gone through internal controls and well-established data validation procedures. We believe the best way to address the challenge of this timing gap is to allow issuers flexibility in choosing the appropriate public document(s) in which to publish the proposed required climate-related disclosures.

We also support issuers having the option to incorporate the proposed disclosure by reference, as it makes sense to allow issuers to organize their disclosure in a manner which they believe will make most sense for their circumstances and industry, and so would be most useful for investors. From our perspective, individual issuers would be best placed to determine in which of their public documents the proposed new disclosures would be most appropriate, given the individual circumstances of the issuer (for example, regarding timing of data availability, as well as considering natural fit with other related elements in an issuer’s existing disclosure). This would provide investors with access to higher-quality, more current, and more relevant data (reducing the time gap resulting from delays in data availability if disclosures were only required in the specified reporting documents), as well as help to balance the burden on issuers.

Conclusion

Thank you for the opportunity to provide comments and contribute to the SEC’s work in moving toward consistent and comparable climate-related disclosures. Hydro One is supportive of transparent and comparable ESG reporting standards and we look forward to continuing our engagement with the SEC on this work. If you have any questions or would like further details or clarification about any of our comments, please reach out to us.

Sincerely,

Jason Fitzsimmons
Chief Corporate Affairs and Customer Care Officer