



December 22, 2022

TO: All Licensed Electricity Distributors

RE: Reminder of Distributor Discretion to Extend Customer Connection Horizon for System Expansions

This letter reminds licensed electricity distributors that under the Distribution System Code (DSC), they have discretion, on a case-by-case basis, to extend the customer connection horizon that is used in distribution system expansions. Ontario Energy Board (OEB) staff is providing this reminder as we have recently had some questions related to this issue and have received notification from some distributors who have exercised this discretion.

The DSC provides, in part,¹ that if a distributor must construct new facilities to its main distribution system or increase the capacity of existing distribution system facilities in order to be able to connect a specific customer or group of customers, the distributor shall perform an initial economic evaluation based on estimated costs and forecasted revenues of the expansion project. The economic evaluation, which is described in Appendix B to the DSC, is undertaken to determine if the future revenue from the customer(s) will pay for the capital cost and on-going maintenance costs of the expansion project (the DSC also contemplates final economic evaluations).

One of the main elements in determining the forecasted revenues is the forecast of customer additions over the customer connection horizon. The DSC sets out a customer connection horizon of five years, calculated from the energization date of the facilities. OEB staff reminds distributors that while Appendix B considers a five-year customer connection horizon to be one of the parameters of the common elements of the economic evaluation, and while the five-year period is referred to in the DSC, distributors have the discretion to extend the customer connection horizon as noted in Appendix B. As also noted in Appendix B, for customer connection periods of greater

¹ DSC s.3.2.1 and s.3.2.4

than 5 years, an explanation of the extension of the period must be provided to the OEB.

Distributors that decide to allow for an extended customer connection horizon will need to adjust other components of the economic evaluation and offer to connect to appropriately reflect this change. An extension of the connection horizon may also affect other aspects of the expansion such as warranty periods (if applicable) and unforecasted customer connections.

Any questions related to this letter should be directed to industryrelations@oeb.ca.

Yours truly,

A handwritten signature in black ink, appearing to be 'BH', followed by a long horizontal line extending to the right.

Brian Hewson
Vice President
Consumer Protection & Industry Performance