By RESS February 1, 2024

Ms. Nancy Marconi
Registrar
Ontario Energy Board
PO Box 2319
2300 Yonge St., Suite 2700
Toronto, ON, M4P 1E4

Dear Ms. Marconi:

Subject:| Draft Phase One Benefit-Cost Analysis Framework- OEB File No. EB-2023-0125

Hydro Ottawa Limited ("Hydro Ottawa") or ("the Utility") appreciates the opportunity to submit feedback on the Ontario Energy Board's ("OEB") draft Phase One Benefit-Cost Analysis Framework ("Draft BCA Framework"). Hydro Ottawa is a licensed electricity distributor serving approximately 360,000 customers in the City of Ottawa and the Village of Casselman. Hydro Ottawa is committed to delivering value across the customer experience by providing reliable, safe and responsive services to its customers.

The OEB issued its draft Phase One Benefit-Cost Analysis Framework for Addressing Electricity System Needs ("the Framework") on December 14, 2023 after incorporating feedback received from the project plan issued in October 2023. Hydro Ottawa appreciates the opportunity to provide comment on this draft while it is still in development. The Utility is very much aligned with the thought that the introduction of a Benefit-Cost Analysis ("BCA") Framework must counterbalance distribution system planning and ratepayer interest with the need to provide safe and reliable distribution service amidst the energy transition. As such, Hydro Ottawa is generally supportive of the Framework and appreciates the OEB's attention to this important file.

Herein are Hydro Ottawa's comments on the Draft BCA Framework. As encouraged in the OEB's letter dated December 14, 2023, Hydro Ottawa's comments are focused on Section 2 of the Draft BCA Framework, which address the intended purpose and use as well as associated requirements for distributors. Section numbers from the OEB's draft report have been provided for reference.

2.1 Purpose

"The intent of the BCA Framework is to encourage the development of solutions that are in the best interests of both an electricity distributor's customers and Ontario's energy customers more

broadly and to help level the playing field between NWS and traditional poles and wires infrastructure solutions to meet an electricity system need."[1]

Hydro Ottawa is supportive of the OEB's phased approach to the implementation of the BCA Framework, with the first phase currently focused on distribution impacts and the second to focus on the broader energy system impacts. While Hydro Ottawa is in agreement that at a foundational level, distribution ratepayers should only pay for distribution level benefits, the Utility notes that in many cases, a NWS may only pass the BCA when considering broader energy system impacts. It is therefore important that momentum continues towards developing the Energy System Test ("EST"), and in particular, funding mechanisms to encourage adoption of DERs where it is appropriate to do so, for example, when distribution impacts alone do not support a NWS.

2.2 Criteria for Use

Consideration of NWSs in Addressing System Needs

"*The BCA Framework establishes a new requirement that distributors shall document their consideration of NWSs when making material investment decisions as part of distribution system planning, excluding general plant investments. This does not mean that a BCA will be required in all cases; rather a distributor should first conduct a pre-assessment to identify whether there is a reasonable expectation that an NWS may be a viable approach to meeting an identified need."*

Hydro Ottawa notes that there are certain scenarios and criteria where NWSs would not be reasonable or appropriate investments, and therefore appreciates the flexibility presented in the Draft BCA Framework for electricity distributors to conduct a pre-assessment where the OEB is not establishing a mandatory format or requirements for the pre-assessment stage.

When a BCA is Required

"The BCA Framework is required when the projected cost of the proposed solution to an electricity system need (either NWS or traditional infrastructure) exceeds the materiality threshold of a given electricity distributor."

Chapter 2 of the OEB's Filing Requirements for Cost of Service applications dictate distributor materiality thresholds. In Hydro Ottawa's case, considering both customer count (over 30,000) and base revenue requirement (more than $200 million), the materiality threshold would be one million dollars. Hydro Ottawa suggests that using the same materiality threshold that is used to provide justification for "material amounts and material annual variances"[2] may not be the appropriate threshold for determining when a BCA may be required. For a distributor of Hydro Ottawa's size, for instance, a BCA would be required for most, if not all investments (unless they are to be screened out at the pre-assessment stage). Hydro Ottawa is concerned that this may result in undue constraints in its planning process that provides no value to ratepayers. Hydro

[1] Draft BCA Framework, s. 2.1 page 6
[2] Ch. 2 Filing Requirements, page 6.

Ottawa rather suggests that the OEB consider a materiality threshold based on actual revenue requirement, or only those designated as capacity constraint projects/programs. This would allow both the OEB and LDCs to test and learn from this approach and adjust in the future should it be deemed appropriate to include additional project types.

2.3 Interpreting BCA Outcomes

"The OEB will consider approving such proposals when there are compelling qualitative impacts that support the deployment of the specific NWS and/or the EST provides further justification as to the feasibility of a given NWS."

Hydro Ottawa appreciates the discretion allowed for qualitative analysis on the Draft BCA Framework, and recommends that the OEB proceed to allow this discretion in the final BCA Framework.

2.4 Regulatory Submissions

"The BCA Framework is effective for all electricity rate applications seeking approval for the 2026 rate year and onward. Rate applications filed by electricity distributors starting with the 2026 rate year (applications filed in 2025) are expected to be consistent with the BCA Framework. If they are not, detailed explanations for any divergence are required, such as any unique circumstances of an electricity distributor, which will be taken into account. Electricity distributors have discretion in the application of the BCA Framework for rate applications seeking approval for the 2025 rate year."

Hydro Ottawa suggests that an iterative approach be taken to implement the BCA Framework. An implementation date of 2026 may not be feasible for those distributors undertaking distribution planning for rebasing in 2026. Such distributors are already underway in their distribution system planning activities. Hydro Ottawa rather suggests that in the short term the BCA Framework be implemented at a paced approach where LDCs may test their BCA Frameworks prior to full implementation. It is suggested that the OEB consider implementing the BCA Framework on a staged approach whereby distributors may implement the BCA for certain projects in 2026 . Once enough knowledge is gained, the Framework may incorporate more projects/programs as appropriate.

The BCA is novel - distributors will require experience and knowledge to gain full benefits from the tool. Distributors would be able to gain valued experience in abilities and limitations in deploying if given an opportunity to implement on an iterative approach.

Other Considerations

It is not clear to Hydro Ottawa how the OEB intends to review projects or programs that are in the current rate plan but may foray into the next rate plan.

Conclusion

Hydro Ottawa appreciates the OEB's work in developing and consulting on this Framework and supports an iterative approach to administering a BCA Framework, as well as an ongoing dialogue with stakeholders.

Sincerely,

DocuSigned by:

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