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May 1, 2024

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4

Attention: Registrar

Dear Madam/Sir:

**Re: Board File No. EB-2024-0092 - Low-Income Energy Network ("LIEN")
LIEN's Comments on Distribution System Expansion for Housing Developments**

Please find enclosed Low-Income Energy Network ("LIEN")'s Comments on Distribution System Expansion for Housing regarding OEB Initial Consultation on April 3, 2024.

Yours truly,



Matt Gardner
Partner
*Certified as a Specialist in Environmental
by the Law Society of Ontario*

cc: LIEN Legal Subcommittee
Judy Simon

Encl.

1379-0624-4876, v. 1

LIEN Comments on Distribution System Expansion for Housing Developments

EB-2024-0092

Regarding OEB Initial Consultation on April 3, 2024

OEB held an initial consultation on April 3, 2024, to obtain stakeholder input on existing policies regarding the connection horizon and revenue horizon for new housing developments, potential options for changes to both of these horizons, and alternate cost recovery approaches. The Minister of Energy in his letter dated November 29, 2023, asked the OEB to report by June 30, 2024, on a review of electricity system expansion connection horizon and revenue horizon direction to ensure that the balance of growth and ratepayer costs remain appropriate. Stakeholder comments are due on May 1st and OEB intends to submit its report to the Minister on June 28, 2024.

Guiding Policy Principles

In providing LIEN's comments, LIEN is guided by principles of equity, fairness, and prevention of undue energy burden to existing Ontario low-income electricity consumers as well as future ones in any new greenfield community or subdivision. LIEN also recognizes there is a dearth of housing in Ontario and in particular, affordable housing, and supports efforts to expedite the provision of affordable housing in Ontario to match consumer demand, especially, low-income consumer needs.

Because of financial limitations, low-income electricity consumers tend to live in rental accommodation in older housing stock and are least likely to benefit from new private market housing unless subsidized in some form for these consumers. LIEN supports policies that will accelerate housing development while ensuring those that benefit from the new housing development pay their fair share of the costs. LIEN also supports sharing of costs across a wide range of ratepayers, if there are broader societal electricity system benefits (e.g., resiliency, reliability, decarbonization, net zero progress, increased beneficial load factor on existing transmission/distribution network) that are achieved through the electricity system expansion required for new development. Finally, LIEN supports affordable housing as in-fill development (including brownfield properties), which is less environmentally detrimental by minimizing sprawl, promotes complete communities, and is less expensive because it avoids costs that would otherwise need to be incurred to establish utilities for new development.

Customer Connection Horizon

The Distribution System Code sets out a customer connection horizon of 5 years, calculated from the energization date of the facilities, but distributors have discretion to extend that horizon, providing an explanation to the OEB. Extending the customer connection horizon might be beneficial if capital and operating/maintenance costs are shared across more new residential customers in the new community or subdivision. This could reduce the financial burden for those early residents and help to ensure that later residents pay their share of the costs of the development. However, it might be preferable to keep the horizon at 5 years, as the magnitude of the impacts caused by a 5-year connection horizon may not warrant any change.

It is necessary to know to what extent a 5-year customer connection horizon is creating impacts for development and the magnitude of those impacts. An OEB Staff research paper that provides a fulsome investigation of the current situation regarding connection horizon and the impacts of extending the horizon out 5-10 years would provide more informed decision-making. The research should include scenarios of different connection horizons which illustrate the rate impacts, and benefits and costs to existing residential and low-income ratepayers as well as to the residential ratepayers in the new community and/or subdivision. The research should also identify best practices in similar jurisdictions to Ontario (e.g. fast-growing communities, decarbonization objectives, net zero targets). The OEB Staff paper should be a basis for a subsequent and more thorough OEB consultation on electricity distribution system expansion for housing developments.

Given the diversity of LDCs and their communities (fast growing vs stable, large vs small, urban vs. rural, etc.), a standard connection horizon across the province may be difficult to determine without setting standards to reflect different types of development. However, maintaining distributor discretion to determine the connection horizon for each project may be worthwhile to keep, subject to notifying OEB and providing reasons. For example, there may be situations where the connection horizon should be 5 years, such as for a small infill subdivision in a large city versus a longer connection horizon for a new, relatively slow-growing rural community. The OEB Staff research paper should assess whether standardization is appropriate and if different standard customer connection horizons should apply to different types of development, and if so how.

Revenue Horizon

The DSC sets out a maximum customer revenue horizon of 25 years from the in-service date of the new customers, with distributors having discretion for applying a different horizon. Increasing the revenue horizon from 25 to 40 years will add revenue to rate base; an estimate of this impact provided at the OEB consultation was rate base would increase by 21% at a 5%

discount rate. Although extending the revenue horizon would reduce the costs for developers, this could result in a significant rate impact to existing residential and low-income ratepayers.

To decide on an extension of the revenue horizon, it is necessary to know the impacts of that extension on existing residential and low-income ratepayers. The suggested OEB Staff paper referred to in the preceding section should also include a fulsome investigation of the current situation regarding revenue horizon and the impacts of extending the horizon out to 40 years and beyond. The research should include scenarios of horizons that illustrate the rate impacts, and benefits and costs to existing residential and low-income ratepayers as well as to the residential ratepayers in the new community and/or subdivision. The research should also identify best practices in similar jurisdictions to Ontario (e.g. fast-growing communities, decarbonization objectives, net zero targets).

There should be a standard across the province for revenue horizon. Different horizons may be appropriate for different types of development. This should be considered. However, there may be unusual circumstances where LDC discretion is still needed, so this discretion may need to be maintained, subject to the LDC notifying OEB and providing reasons. The OEB Staff paper should assess whether standardization is appropriate and if different revenue horizons should apply to different types of development, and if so, how.

Alternative Cost Recovery Approach

OEB Staff put forward three alternative cost recovery approaches: fixed development charges, system enhancement, and standalone rates for new development. An alternative cost recovery approach may preclude the need to change either the connection horizon or the revenue horizon. However, the alternative cost recovery approach may still require adjustments to either or both of the connection horizon and revenue horizon. A fulsome analysis of alternative cost recovery approaches is necessary to understand the costs, benefits, and ratepayer impacts.

The three approaches suggested by OEB Staff should be more fully considered along with the suggestions made by stakeholders and other options that have proven effective from a relevant jurisdictional scan [e.g., rolling portfolio approach (E.B.O. 188), EGI approach to calculating and attributing development costs (EB-2020-0094), and development rate, among others].

The previously suggested OEB Staff paper should also include a best-practices scan of alternative cost recovery approaches for housing developments and their applicability to Ontario. In addition, for each cost recovery approach investigated, there should be a range of scenarios depicted to illustrate the rate impacts, and benefits and costs to existing residential and low-income ratepayers as well as to the residential ratepayers in the new community and/or subdivision.