

Ms. Nancy Marconi
Registrar
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

May 1, 2024

EB-2024-0092 – OEB Engagement on Electricity Distribution System Expansion for Housing Development
Pollution Probe Comments

Dear Ms. Marconi:

In accordance with Ontario Energy Board (OEB) direction, below are the comments from Pollution Probe for the Engagement on Electricity Distribution System Expansion for Housing Development.

The Minister of Energy, in his November 29, 2023 Letter of Direction, asked the OEB to report on a review of electricity distribution system expansion connection horizon and revenue horizon direction to ensure that the balance of growth and ratepayer costs remain appropriate, by June 30, 2024. On April 3, 2024 the OEB hosted a stakeholder session to exploring Connection and Revenue Horizon Options.

It is important to consider the context of this review to ensure that improvements withstand the test of time and provide a high degree of value to ratepayers while meeting the needs of a growing Ontario in the context of the energy transition that continues to accelerate. Making short term or short-sighted adjustments without thinking through the full consequences can have longer term negative impacts and could result in poor system design, stranded assets and future costs much greater than short term benefits.

A broader perspective also requires ensuring that the regulatory system. Policy and the grid is developed to meet long-term future needs. If a short term perspective is used (e.g. costs are allocated to the first subdivision that connects), it will incent short term planning that ends up costing ratepayers more over time and being less robust in the future.

The foundational OEB Cost Allocation Principles have withstood the test of time, such as:

- The OEB has established rules for electricity distributors regarding customer connections. These rules are based on the principle of beneficiary pays such that the person who benefits from a connection should pay for the connection (i.e., cost causality).
- Where there is no clear beneficiary, the cost may be recovered more broadly, i.e., system enhancement by distributors is recovered through rates.
- The rules set out how costs and benefits are to be assessed, including setting out economic evaluation models and the parameters to be used in applying the models.
- The rules also provide for payments of capital contributions, expansion deposits, and expansion rebates.

- What is the period that the assets be used and useful.
- What is the risk of the assets becoming redundant, replaced or stranded. If this occurs, how are those costs treated.

A strength of the process leveraged by the OEB is that proceedings apply evidence, logic and transparency to ensure that facts are tested in favour of the public interest. It protects against vested interests and biased information which may not be based on actual facts. Sound Ontario energy planning requires logical and transparent energy policy at the Provincial level to lay out a long-term energy transition roadmap aligned with a Net Zero future. Recently Enbridge and others identified the lack of clear long term energy policy in Ontario as a major source of uncertainty and a barrier to energy transition progress. It's recent Rebasing application indicated that "To date, the provincial government has not set any GHG reduction targets beyond 2030, however, as Canada's second-largest emitting province, Ontario will need to achieve further GHG reductions"¹. The same uncertainty impacts electricity planning and expansion of Distributed Energy Resources which could be used to reduce energy, costs and emissions. Provincial policy decisions such as the Ultra Low Overnight Rates have demonstrated the impact and value of leading with clear energy policy in Ontario. More is needed to logically and systematically incent energy efficiency, distributed energy resources and consumer behaviour. Ontario policy and regulatory tools needs to align in order to make the progress needed.

The challenges ahead should be no surprise to anyone based on rationale long-term planning (like previously done under the Ontario Long Term Energy Plan process). Proper long-term planning (including open and comprehensive consultation) is one of the most important tools to avoid short term problems. In fact, a well-designed process avoids many of the short term 'emergencies' that get artificially created when effective policy and procedures do not exist. There has been a sense of apathy toward enhanced long-term electricity planning and innovation in the recent past since the past decades have had limited net growth in electricity demand, in part resulting from energy efficiency gains. The energy transition requires this unused muscle to be applied once again to energy policy and planning in Ontario. It is not just a matter of building supply, but using the more intelligent modern toolset available. Examples include enhanced Regional Planning, expanded Distributed Energy Resources, Demand Side Management, modern building design (plus the codes and standards that drive it), customer education and behavioral management. The OEB and IESO partnered to identify opportunities to modernize the Regional Planning process and the OEB published several reports and recommendations under the Regional Planning Process Advisory Group². It is recommended that those recommendations be implemented, including enhanced Regional Planning coordination with municipalities and the Load Forecast Guideline for Ontario³. It is not useful to have effective recommendations that are unanimously endorse sit unimplemented. Current demand forecasts are done on a Gross basis (vs. Net demand) which excludes effective consideration of the modern opportunities to manage local demand on a distributed basis. As long as the Regional Planning process continues to favour old-school generation and transmission planning, the ongoing problems will persist.

The future of energy is more distributed than it has been in the past. The old 'pipes and wires' mentality that has been in place for over a century does not leverage a modern set of tools to meet distributed customer needs in a cost-effective manner. Using old style approach will result in old style results. This

¹ EB-2022-0200, Exhibit 1, Tab 2, Schedule 1

² [Regional Planning Process Advisory Group \(RPPAG\) | Ontario Energy Board \(oeb.ca\)](https://www.ontarioenergyboard.ca/rppag)

³ [Regional Planning Process Advisory Group \(RPPAG\) - Load Forecast Guideline for Ontario \(oeb.ca\)](https://www.ontarioenergyboard.ca/rppag-load-forecast-guideline)

issue is even more urgent with the acceleration of the energy transition and alignment with Net Zero, which the old model is not designed to handle.

There is a need to align energy planning in Ontario with community/municipal energy and emission planning. Only by aligning those requirements and outcomes will holistic, cost-effective clean energy solutions be supported across Ontario. Lack of alignment will lead to duplication and higher costs to consumers. The growth in housing expected in Ontario is occurring in municipalities that have ability to ensure that they are built in a modern, efficient manner. The municipalities expecting the largest growth have Net Zero plans in place that can significantly reduce peak demand and need to align with energy policy and infrastructure decisions.

Modern, energy efficient buildings use a fraction of the energy of those that are not designed efficiently. Best available information from the Canmet ENERGY notes that new energy efficient home design can required 78% less energy demand (2.6kW compared to older homes at 11.6kW)⁴. When applied across the proposed building stock increases forecasted, this could equate to 13,000 MW. Even of fraction of that is staggering. Incenting homebuilders to select energy systems that minimize lifecycle costs for consumers reduces the amount of utility infrastructure required while enabling greater local flexibility. This also reduces homebuyers annual operating costs. Examples includes incenting more efficient heating and cooling equipment, rooftop solar for subdivisions and supplemental storage or other Distributed Energy Resource and DSM options. One of the major electricity loads forecasted for the future include data centers, which use significant electricity and produce significant waste heat (summer and winter). There are options to promote peak shaving for data centers and requiring heat recovery for local or district use is a logical way to avoid inefficient use of energy. Requirements at an Ontario-wide level would be the most consistent, like was done for other effective policy measures like energy reporting and benchmarking for large building and broader public sector facilities. These tools play an important role and are supported by related programs and service offerings across the sector.

It's not the life of a home that drives utility asset rules, but the life and expected use of the utility assets. Avoiding initial costs for developers could be trying to solve the wrong problem and lead to sub-optimal decisions that will actually burden ratepayers with higher costs and a sub-optimal system. It is important that the exercise not turn into a shell game to move developer costs onto homeowners that pay monthly utility bills. Homeowners are also tax payers and pay monthly utility bills. Even if the costs are paid up front and carried on a mortgage, the math is the same as paying them annually through taxes or utility bills. If a homeowner can't carry the monthly costs, it does not solve the issue to move costs to utility rates or taxes. Having a choice to install a more efficient heating/cooling system upfront and reduce monthly costs is much better for Ontario consumers.

Greater flexibility will be required to enable system costs to be applied to the full system where there is a greater benefit at a larger scale or time period. Piecemeal, short-term planning and infrastructure development will not result in the flexibility demanded by the energy transition. There is less risk for stranded assets in the electricity sector than in the gas sector as a result of technological advancement, consumer choice and alignment with Net Zero options. Tools like the OEB Benefit Cost Assessment

Framework could provide additional tools to validate the right investments, as long as the Framework is adjusted to support a long-term societal perspective as previously recommended to the OEB. The narrow approach included in the draft BCA Framework version could further compound a short-term myopic focus, instead of the future focused, distributed and integrated system approach required for the future. Enabling a broader range of solutions in alignment with municipal energy and emission plans will provide integrated solutions at a lower cost than 'pipes and wires' solutions done in silos. If a utility is planning for infrastructure after the municipal planning and approvals is complete for new subdivision, it is too late to take an integrated approach. Toronto Hydro has proposed to integrate its planning with City of Toronto processes and Net Zero by 2040 targets. This type of integrated approach can lead to more modern, integrated solutions.

Finally, if the OEB or Province put in place changes to the current approach, a transition plan will be important. Some changes can be made immediately but if a change impacts rate approvals for a utility that is already in an five year rate term, options will need to be considered to make adjustments or phase in certain changes.

Thank you for the ability to provide comments and please reach out should you have questions on anything included above.

Respectfully submitted on behalf of Pollution Probe.



Michael Brophy, P.Eng., M.Eng., MBA
Michael Brophy Consulting Inc.
Consultant to Pollution Probe
Phone: 647-330-1217
Email: Michael.brophy@rogers.com

Cc: Richard Carlson, Pollution Probe (via email)