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BY EMAIL AND WEB POSTING

May 16, 2024

To: **Registered Consultation Participants**

Re: **Stakeholder Feedback and Webinar Invitation - Final Phase One Benefit-Cost Analysis Framework for Addressing Electricity System Needs (OEB File No. EB-2023-0125)**

Further to its *Framework for Energy Innovation: Setting a Path Forward for DER Integration* report (FEI Report),¹ the Ontario Energy Board (OEB) is now issuing the final **Phase One Benefit-Cost Analysis Framework for Addressing Electricity System Needs** (BCA Framework). This BCA Framework is to be used by electricity distributors to assess the economic feasibility of using distributed energy resources (DERs) as non-wires solutions (NWSs) when addressing defined electricity system needs.

This concludes the development of the first phase of the BCA Framework and is now OEB policy. With phase one now complete, work will soon commence on phase two and its focus on broader energy system impacts. This phased approach to developing the BCA Framework was noted in the OEB's FEI report.

The OEB received, reviewed, and considered the feedback of seventeen submissions from registered participants, through its consultation process. With thanks to those who provided valuable input, the commentary below is provided in response to select participant views:

- For the purpose of rate applications to the OEB, distributors are to use the BCA Framework for all new project planning activities going forward, this includes new projects and projects in early stages. Recognizing that distribution system planning may be at a relatively advanced stage for applications scheduled to be filed in 2024 or 2025, the OEB's expectation is that all rate applications filed in 2026 should be fully consistent with the BCA Framework. Distributors filing rate applications in 2024 or 2025 are strongly encouraged to use the BCA Framework, particularly for applications requesting funding for NWSs.

¹ [Framework for Energy Innovation: Setting a Path Forward for DER Integration, January 2023](#)

- Electricity distributors are required to use the BCA Framework for all investments with projected capital costs greater than \$2 million. This is in lieu of an electricity distributor's materiality threshold, as indicated in the draft phase one BCA Framework. The OEB may re-assess this cost threshold later.
- Some stakeholders requested that additional investment categories (e.g., system renewal, system access) not be subject to the BCA Framework. The BCA Framework includes a pre-assessment step that allows electricity distributors to identify whether there is a reasonable expectation that a NWS may be a viable approach to meeting an identified need. The OEB is therefore not excluding additional categories.
- Some stakeholders expressed that alternative cost-effectiveness tests should be employed as the primary test. The BCA Framework utilizes a multi-test approach to assess distribution costs and benefits and broader energy system impacts. This is consistent with the outcome of the OEB's Framework Energy Innovation (FEI) report. The OEB may consider the relative weight of the energy system and distribution service tests and potentially an integrated energy system test as part of a future update.
- The OEB may consider the incorporation of additional impacts requested by some stakeholders as part of refinements to the energy system test during a future phase of development.
- Some stakeholders provided feedback on the discount rates (i.e., inflation rate, social discount rate, weighted average cost of capital) specified for use when conducting BCAs. The values of the inflation rate and discount rate were specified to maintain a consistent approach to the valuation of NWSs with the Independent Electricity System Operator's (IESO) Integrated Regional Resource planning guidance.²

As part of the OEB's Reliability and Power Quality Review (RPQR) or related work, future quantitative values for reliability, resilience and the value of lost load may be developed. Any quantitative values or methodologies from RPQR or other OEB activities may be incorporated into the BCA Framework as part of the development of phase two or subsequent updates.

The Framework does not change the requirements of the OEB's Distribution System Code, including economic evaluations of customer connections.³ It is intended to provide direction on the use of BCA in system planning and in support of rate applications.

² Integrated Regional Resource Plans: Guide to Assessing Non-Wires Alternatives, May 26, 2023

³ Ontario Energy Board Distribution System Code, Appendix B, Methodology and Assumptions for an Offer to Connect Economic Evaluation, October 21, 2009

Webinar Details

Registered stakeholder participants are invited to attend a webinar on **June 20, 2024**, from **2 to 3 pm**. During the session, we will provide a walkthrough of the finalized Framework and answer any questions you may have. The focus of the webinar will be on the practical application of the Framework by electricity distributors. An invitation to this webinar will be sent to [all parties](#) registered to take part in this consultation.

Any questions relating to this letter should be directed to Alexander Di Ilio at alexander.diilio@oeb.ca, 416-440-7718, or toll-free 1-888-632-6273.

Yours truly,

Nancy Marconi
Registrar

Attachments:

- (i) Final phase one BCA Framework
- (ii) Final phase one BCA Framework Reporting Template