



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

BY EMAIL AND WEB POSTING

November 18, 2024

NOTICE OF PROPOSAL TO AMEND A CODE
PROPOSED AMENDMENTS TO THE DISTRIBUTION SYSTEM CODE TO
FACILITATE THE CONNECTION OF HOUSING DEVELOPMENTS AND
RESIDENTIAL CUSTOMERS

BOARD FILE NO. EB-2024-0092

To: All Licensed Electricity Distributors
All Participants in Consultation EB-2024-0092
All Other Interested Parties

The Ontario Energy Board (OEB) is giving notice under section 70.2 of the *Ontario Energy Board Act, 1998 (Act)* of proposed amendments to the Distribution System Code (DSC). These proposed amendments are intended to facilitate the connection of housing developments by extending the connection horizon to a maximum of 15 years for qualifying housing developments and extending the revenue horizon to 40 years for all residential customers.

A. Background

A. 1 Connection and Revenue Horizons

Under the DSC, when a modification or addition to the main distribution system – referred to as an “expansion” – is needed in response to one or more requests for additional customer connections, an economic evaluation must be performed by the distributor. The purpose of the economic evaluation is to determine whether the project is economic based on future revenues or if the customer will need to provide a capital contribution or an expansion deposit for the expansion work. The expansion deposit is used to cover the following two risks related to an expansion:

1. The forecast risk associated with whether the projected revenues for the expansion will materialize as forecasted; and
2. The asset risk associated with ensuring that the expansion is constructed, that it is completed to the proper design and technical standards and specifications, and that the facilities operate properly when energized.

Both the connection horizon and the revenue horizon play a part in determining the economics of expansion projects and lead to the calculation of both the capital contribution and expansion deposit amounts:

- The connection horizon is the period during which the infrastructure is built and customers are connected. Currently, the connection horizon is five years for all types of new connections, with distributors having discretion to extend the five-year horizon on a case-by-case basis.
- The revenue horizon is the timeframe over which the expected revenues from the new connections will be realized. Currently, the maximum customer connection horizon is 25 years. Within that maximum, distributors have the discretion to set different revenue horizons for different customer types based on the risk of the customer remaining connected.

Expansion rebates ensure that the initial customers that contribute to the cost of an expansion are compensated by customers that connect to the expansion facility during the connection horizon. Since only those customers connecting during the connection horizon are required to contribute to the cost of the expansion, the duration of the connection horizon is crucial to the rebate.

The guiding principle that underlies the allocation of costs associated with distribution system expansions is “beneficiary pays,” which means that the persons that directly benefit from an infrastructure investment should pay the cost of the investment.

A.2 The OEB’s Review and Recommendations to the Minister

Further to the November 29, 2023 [Letter of Direction](#), the OEB undertook a review of different cost recovery approaches to support the province’s ambitious housing, transportation and economic goals.

Following a consultation process involving consumers, developers and distributors, the OEB submitted its [Report](#) to the Minister of Energy and Electrification (Report to the

Minister). In that Report, the OEB recommended that it move ahead with specific changes to the current cost recovery framework to address challenges related to large developments, including:

- Proposing new provisions for the DSC to clarify for distributors and customers how extended connection horizons beyond the standard five years should be employed.
- Extending the revenue horizon used in the evaluation of expansion projects to 40 years, to recognize the life of assets used in connecting and serving residential customers.
- Developing a capacity allocation model that specifically addresses multi-year, multi-party developments and ensures a fair allocation of costs among connecting parties.

In a [letter](#) to the Chair of the OEB, the Minister of Energy and Electrification endorsed the above recommendations and expressed an expectation that the OEB further consider extending the connection horizon for housing development projects to 15 years.

Through this Notice, the OEB is proposing to move forward with amendments to the DSC to extend the duration of the connection and revenue horizons for certain types of customers, including eligibility criteria. The development of a capacity allocation model, designed to address the issue of excess capacity being built and charged to the initial connecting customers, requires further stakeholder consultation and will be the subject of separate correspondence to be issued in the near term. Although DSC amendments to implement a capacity allocation model may also affect the connection and revenue horizon provisions of the DSC, the OEB sees merit in proceeding with changes to those provisions now to address some of the issues identified during the review leading up to the Report to the Minister.

B. Proposed Amendments to the DSC

This section describes the proposed amendments to the DSC and the OEB's rationale for those changes. Interested parties are encouraged to review the Report to the Minister in conjunction with this Notice, to gain a better understanding of the stakeholder input and the OEB's analysis that have informed the proposed amendments set out in this Notice.

In proposing these amendments, the OEB is guided by its objectives as set out in section 1 of the Act. The OEB believes that the proposed amendments will support the province's priorities for housing development while maintaining the principles underlying the DSC expansion provisions and protecting the interests of existing ratepayers.

Appendix A to this Notice sets out the text of the proposed amendments to the DSC. In addition to the changes described in sections B.1 and B.2 below, the OEB is using this opportunity to make a small number of non-material housekeeping changes to Appendix B of the DSC.

B.1 Extending the Maximum Connection Horizon to 15 Years for Housing Developments

During the OEB's consultation, developers expressed significant concern about the five-year connection horizon, focusing on the constraints it imposes on economic evaluations and the missed opportunities for receiving expansion rebates. The current five-year connection horizon means that homes within a housing development that are constructed beyond the five-year timeframe are excluded from the revenue calculations. This reduces the total projected revenues and creates challenges for subdivisions that require a substantial system expansion into the development area and that take more than five years to complete.

The OEB proposes to amend Appendix B of the DSC to extend the connection horizon from five years to a maximum of 15 years for an expansion to connect a "housing development" (proposed to be defined in Appendix B) that meets certain conditions. It is proposed that, to qualify for the extended connection horizon, the following conditions must be met as set out in the proposed new definition of "qualifying housing development":

- the developer for the housing development requests a connection horizon of more than five years;
- completion of the housing development is expected to take more than five years; and
- the developer for the housing development provides the distributor with an approved plan of subdivision for the housing development, as well as evidence of the developer's ownership of, or authorization to build the housing development on, the relevant land.

These proposed conditions are aimed at ensuring that only lengthy housing development projects that are sufficiently advanced will qualify. This will minimize the impact on existing ratepayers by reducing the risk of projects failing to progress as

planned and avoids the unnecessary administrative burden for distributors in extending connection horizons for projects expected to be completed within five years.

The connection horizon for a qualifying housing development would be determined based on the forecasted connection date of the last residential customer within the development area, to a maximum of 15 years. Where an expansion is being constructed to connect both a qualifying housing development customer and one or more other customers, such as a school or a commercial customer, the connection horizon for all of the connecting customers will be the longest connection horizon applicable to any one of them.

Distributors are expected to adhere to the existing provisions under the DSC for calculating expansion rebates and the return of expansion deposits. The only proposed amendments to the DSC itself are consequential to the proposed changes to Appendix B; namely:

- amendments to sections 3.2.23, 3.2.24 and 3.2.27 to remove references to the connection horizon being five years and to refer instead to Appendix B; and
- amendments to sections 3.2.27B and 3.2.27D for clarity, to reflect that the connection horizon is not “defined” in Appendix B.

The Report to the Minister recommended that the OEB take steps to amend the DSC to provide greater clarity and detailed guidance to distributors on the circumstances under which the connection horizon can be extended beyond five years. The Report noted that distributors will be expected to carefully assess the reasons for not granting an extension when a developer or customer asks for one.

Further to the request in the Minister’s letter to the Chair, the OEB has further considered its approach to the connection horizon. The OEB believes that the approach set out in this Notice of amending the DSC to provide for the extension of the connection horizon to a maximum of 15 years for qualifying housing developments based on specified criteria is a clearer way of achieving much the same result as the approach discussed in the Report to the Minister. The proposed amendments to the DSC will better ensure consistency across the province and reduce the time and effort that may be required of distributors and developers in negotiating an extension to the five-year connection horizon.

The current five-year connection horizon would remain in place for all connections other than connections for qualifying housing developments. While distributors will retain discretion to extend the connection horizon for such customers in appropriate cases, the OEB is proposing to clarify in Appendix B that a discretionary extension cannot exceed 15 years. For connections other than qualifying housing developments, the OEB plans

to provide guidance on the circumstances under which the connection horizon can be extended beyond five years through a forthcoming bulletin or other correspondence.

B.2 Extending the Revenue Horizon from 25 Years to 40 Years

The OEB proposes to amend Appendix B of the DSC to extend the revenue horizon for all residential connections to 40 years from the current maximum of 25 years. This includes not only housing developments (whether “qualifying housing developments” or not) but also multi-unit residential buildings and individual residential customers, for which expansions are comparatively infrequent but which can also be expected to remain connected for a long period of time.

As noted in the Report to the Minister, the OEB is of the view that extending the revenue horizon to 40 years is a reasonable step to ensure a balance between existing and new customers and is reflective of the expected life of assets and the fact that residential homes are expected to stay connected for an extended period. The change to the revenue horizon would reduce the shortfall between costs and revenues in the economic evaluation, lowering the capital contribution amount to be paid for residential connections, including connections for housing developments.

As such, the extended revenue horizon would provide a more balanced cost allocation framework as it aims to reduce the financial burden of expansions on new connecting residential customers while not burdening existing ratepayers.

The revenue horizon for non-residential customers will remain at a maximum of 25 years.

B.3 Transitional Matters

As a transitional matter, the OEB proposes that the new revenue and customer horizons apply where an initial offer to connect has not been accepted by the customer as of the date of this Notice. This approach is intended to avoid the administrative complexities and potential financial challenges associated with applying the extended horizons to projects that are already completed or well into the connection process. At the same time, this approach aims to ensure that developers are not incentivized to delay moving forward with a project to take advantage of the new horizons.

C. Anticipated Costs and Benefits

The OEB believes that the amendments to the DSC proposed in this Notice will maintain an appropriate balance between new and existing ratepayers in keeping with the “beneficiary pays” principle that underlies the DSC. The anticipated reduction in financing and certain other costs for housing developments will ensure that they pay

their appropriate share of the costs of an expansion but in a more manageable way. Any shifting of risk to existing ratepayers is expected to be managed through the application of the proposed new rules.

The proposed extension of the connection horizon for qualifying housing developments is expected to lower the initial capital contribution by factoring in future revenues from homes that are anticipated to connect in later years. In addition, future unforeseen customer connections that occur in the 5 to 15-year period would be required to pay their share through the expansion rebate process.

The proposed extension of the revenue horizon for residential connections is also expected to lower their capital contributions by reducing the shortfall between projected costs and revenues and would do so in a way that appropriately reflects the lifespan of distribution assets used to connect residential customers as well as the lower level of forecast risk associated with residential connections.

The OEB expects that distributors will incur administrative costs to implement the proposed amendments. The OEB anticipates that the magnitude of such costs will differ across distributors, depending on how many qualifying housing developments they have in their service area. However, the costs associated with updating distributors' economic evaluation models are expected to be minimal. As noted above and in the Report to the Minister, the changes to the connection and revenue horizons are expected to lower the capital contribution required for a new connection, thus increasing the upfront costs that distributors will be paying towards funding an expansion project. These increased upfront costs would need to be financed through a distributor's capital budget. This may trigger a need for the OEB to address changes in a distributor's capital needs through existing mechanisms such as the Incremental Capital Module and the Advanced Capital Module, particularly for distributors that are not scheduled to rebase in the near term.

The OEB believes that the benefits of the proposed amendments will outweigh the anticipated incremental administrative and financing costs.

D. Coming Into Force

The OEB recognizes that distributors will need some time to update their economic evaluation models to reflect the new revenue and connection horizons, and some may need to rely on a third party for that purpose. The OEB is therefore proposing that the amendments to the DSC, as set out in Appendix A, will come into force two months after the date that the OEB publishes the final amendments by placing them on the OEB's website.

The OEB does not believe that the change to the connection and revenue horizons will impact the technical requirements for connections. As such, the proposed amendments are not expected to result in any delays in connecting customers. Distributors are expected to continue with the current customer connection process and perform recalculations (where applicable) once their economic evaluation models have been updated.

E. Invitation to Comment

The OEB invites comments from all interested parties on the proposed amendments to the DSC set out in Appendix A. Comments are due on **December 9, 2024**.

Filing Instructions

Persons filing materials with the OEB are responsible for ensuring that any documents they file with the OEB **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number, **EB-2024-0092** for all materials filed and submit them in a searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming convention and documentation submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found on the [Filing Systems page](#) of the OEB's website.
- Stakeholders are encouraged to use RESS. Those who have not yet [setup an account](#) or require assistance using the online filing portal should contact registrar@oeb.ca for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the OEB's website for more information on how to [file documents online](#). All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All filings must be received by **4:45 pm** on the required date.

F. Cost Awards

Cost awards will be available under section 30 of the Act to eligible participants in relation to written comments provided on the proposed DSC amendments set out in Appendix A to this Notice. Any participant previously found eligible for an award of costs in the OEB's April 2, 2024 [Decision on Cost Eligibility](#) is eligible for an award of costs in relation to comments on these proposed DSC amendments and need not reapply. Costs will be recovered from all rate-regulated licensed electricity distributors apportioned based on their respective customer numbers.

Appendix B contains important information regarding cost awards for this Notice and comment process, including in relation to eligibility requests, objections and the maximum number of hours for which cost awards can be claimed. The deadlines for filing cost eligibility requests and objections will be strictly enforced to facilitate a timely decision on cost eligibility.

This Notice and all other project materials, including all written comments and filings relating to cost awards received by the OEB, will be available for public viewing on the [System Expansion For Housing Developments page on the Engage with Us](#) website.

If you have any questions regarding the proposed amendments to the DSC described in this Notice and set out in Appendix A, please contact Mansi Modi, Senior Advisor, Distribution Policy & Compliance at Mansi.Modi@oeb.ca. The OEB's toll-free number is 1-888-632-6273.

DATED at Toronto, November 18, 2024

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar

Attachments:

Appendix A – Proposed Amendments to the Distribution System Code

Appendix B – Cost Awards

Appendix A
to
Notice of Proposed Amendments to the Distribution System Code
November 18, 2024
EB-2024-0092
Proposed Amendments to the Distribution System Code

1. Section 3.2.23 and 3.2.24(b) of the Distribution System Code are amended by replacing the phrase “five-year customer connection horizon” with the phrase “customer connection horizon determined in accordance with Appendix B”.
2. Section 3.2.27 of the Distribution System Code is amended by:
 - i. replacing the phrase “five-year customer connection horizon” with the phrase “customer connection horizon determined in accordance with Appendix B”; and
 - ii. replacing the phrase “for a period of up to five years” in paragraph (a) with the phrase “for the period of the customer connection horizon determined in accordance with Appendix B”.
3. Sections 3.2.27B and 3.2.27D of the Distribution System Code are amended by replacing the phrase “as defined in” with the phrase “determined in accordance with”.
4. Paragraph (a) under the heading “Specific Parameters/Assumptions” in Part B.1 of Appendix B to the Distribution System Code is deleted and replaced with the following:
 - (a) A customer connection horizon determined in accordance with the rules set out under “Customer Connection Horizon” below.
5. Paragraph (b) under the heading “Specific Parameters/Assumptions” in Part B.1 of Appendix B to the Distribution System Code is deleted and replaced with the following:
 - (b) A customer revenue horizon determined in accordance with the rules set out under “Customer Revenue Horizon” below.

6. The text of the footnote associated with paragraph (d) under the heading “Specific Parameters/Assumptions” in Part B.1 of Appendix B to the Distribution System Code is amended by deleting the words “five year”.
7. Part B.1 of Appendix B to the Distribution System Code is amended by adding the following immediately after paragraph (d) under the heading “Specific Parameters/Assumptions”:

Rules for Determining the Customer Connection Horizon and the Customer Revenue Horizon

In this section:

“housing development” means a project to construct multiple residential accommodations on a piece of land that will be divided into multiple parcels and offered for sale, and that will be comprised predominantly of residential accommodations but may also include public buildings, industrial and commercial buildings or space appropriate for such buildings;

“qualifying housing development” means a housing development that meets the following criteria:

- (a) the developer for the housing development has requested a customer connection horizon that exceeds five (5) years;
- (b) the connection of the last residential customer in the housing development is forecast to occur more than five (5) years from the date of the request to connect;
- (c) the developer has provided the distributor with:
 - i. an approved plan of subdivision for the housing development; and
 - ii. evidence that the developer owns the land on which the housing development will be built or has written authorization to build the housing development on that land from the landowner; and
- (d) an initial offer to connect the housing development had not been accepted by the developer on or before November 18, 2024.

Customer Connection Horizon

- (a) The customer connection horizon begins on the energization date of the facilities.
- (b) Subject to paragraph (c), the customer connection horizon for a qualifying housing development shall be based on the date on which the last residential customer is forecasted to connect to the expansion, provided that the customer connection horizon shall not exceed fifteen (15) years.

- (c) Where an expansion is being constructed to connect a qualifying housing development and one or more other customers, the customer connection horizon for all such customers shall be the longest customer connection horizon applicable to any one of them.
- (d) In all other cases, the customer connection horizon is five (5) years. A distributor may extend the customer connection horizon in appropriate cases for up to 15 years, in which case the distributor will provide the Board with an explanation for the extension.

Customer Revenue Horizon¹

- (a) The maximum customer revenue horizon for a non-residential connection is twenty-five (25) years, calculated from the forecast in-service date of the first new customer connection.
- (b) Subject to paragraph (c), the customer revenue horizon is forty (40) years for the connection of any of the following:
 - i. A residential customer, calculated from the forecast in-service date of the new customer connection;
 - ii. A property as defined in the *Condominium Act*, a residential complex as defined in the *Residential Tenancies Act, 2006* or a property that includes one or more dwellings and that is owned or leased by a co-operative as defined in the *Co-operative Corporations Act*, whether bulk metered or suite metered (as defined in the *Energy Consumer Protection Act, 2010*), calculated from the forecast in-service date of the new building connection; and
 - iii. A housing development, calculated from the forecast in-service date of the first residential customer connection.
- (c) Where an initial offer to connect was accepted by the developer or other customer on or before November 18, 2024, the customer revenue horizon set out in paragraph (b) does not apply and the maximum customer revenue horizon is twenty-five (25) years, calculated from the forecast in-service date of the first new customer connection.

¹ For the economic evaluation of a specific project, revenues should be calculated based on the forecasted customer or load additions within the customer connection horizon. For example, if customer additions are forecasted in year 3, the economic evaluation model should account for incremental revenues from year 3 through year 25. This approach applies to paragraphs (a) through (c).

8. Appendix B of the Distribution System Code is amended as follows:

- The phrase “Customer Connection Horizon” wherever it appears is replaced with the phrase “customer connection horizon”;
- The phrase “Customer Revenue Horizon” wherever it appears is replaced with the phrase “customer revenue horizon”;
- The letter “d” is deleted from the end of the word “overheadsd” in item (b) under the heading “Net Present Value (“NPV”) in Part B.2; and
- The phrase “Annual Municipal Tax B” in item (b) under the heading “Net Present Value (“NPV”) in Part B.2 is replaced with the phrase “Annual Municipal Tax - ”.

Appendix B
to
Notice of Proposed Amendments to the Distribution System Code
November 18, 2024
EB-2024-0092
Cost Awards

Cost Award Eligibility

The OEB will determine eligibility for cost awards in accordance with its Practice Direction on Cost Awards. Any participant in this process intending to request cost awards (and has not already been determined eligible for cost awards in the OEB's April 2, 2024 [Decision on Cost Eligibility](#)) must file a written submission with the OEB by **November 25, 2024**, identifying the nature of their interest in this process and the grounds on which they are eligible for cost awards (addressing the OEB's cost eligibility criteria in Section 3 of the OEB's Practice Direction on Cost Awards). An explanation of any other funding to which the participant has access must also be provided, as should include the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known. All requests for cost eligibility will be posted on the OEB website.

Rate-regulated electricity distributors will be provided with an opportunity to object to any of the requests for cost award eligibility. If an electricity distributor has objections to any of the cost eligibility requests, those objections must be filed with the OEB by **November 28, 2024**. Any objections will be posted on the OEB website. The OEB will then make a final determination on the cost eligibility of the requesting participants.

Eligible Activities

Cost awards will be available in relation to providing comments on the proposed DSC amendments in Appendix A to a maximum of 4 hours.

Cost Awards

The OEB will apply the principles in Section 5 of its Practice Direction on Cost Awards, when determining the amount of the cost awards. The maximum hourly rates in the OEB's Cost Awards Tariff will also be applied. The OEB expects that groups representing the same interests or same type of participant will make every effort to

communicate and co-ordinate their participation in this process. Cost awards are made available on a per eligible participant basis, regardless of the number of professional advisors that an eligible participant may wish to retain.

The OEB will use the process in Section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards; i.e., the OEB will act as a clearing house for all cost award payments in this process. For more information on this process, please see the [OEB's Practice Direction on Cost Awards](#) and the [October 27, 2005 letter](#) regarding the rationale for the OEB acting as a clearing house for the cost award payments. These documents can be found on the OEB website at www.oeb.ca.