

December 9, 2024

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

Re: EB-2024-0092 Proposed Amendments to the Distribution System Code (DSC) to facilitate the connection of housing developments and residential customers

Thank you for the opportunity to comment on the Ontario Energy Board's (OEB) proposed amendments to its Distribution System Code (DSC) that intend 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. The Electricity Distributors Association (EDA) is very pleased by the degree of alignment between the three proposed amendments and our comments originally submitted to the Ontario Energy Board (OEB) through consultation on [System Expansion for Housing Development Consultation](#). Our specific comments below focus on areas where we seek greater clarity or where there are opportunities for greater alignment with our recommendations, which were extensively reviewed by our members.

The OEB's November 18, 2024, Notice of Proposal to amend the DSC identifies the following Connections and Revenue Horizons priorities for housing development issues:

1. Extending the Maximum Connection Horizon (the period that infrastructure is built and customers connected) from 5 years to 15 years for housing developments for all types of new connections with LDCs having discretion to extend on a case-by-case basis.
2. Extending the Revenue Horizon (timeframe over the expected revenues from new connections will be realized) from 25 years to 40 years. Within that maximum, distributors have the discretion to set different revenue horizons for differing customer types based on the risk of the customer remaining connected.

The OEB also described that it was guided by its legislative objectives for electricity, as set out in the first section of the OEB Act, specifically the provision and **protection of the interests of existing ratepayers**.

These objectives are reproduced below:

1. To inform consumers and **protect their interests** with respect to prices and the adequacy, reliability and quality of electricity service.

2. To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.
3. To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances.
4. To facilitate innovation in the electricity sector.

Whether our members are connecting housing, or other infrastructure, they are managing in real time the transformation of their respective distribution grids, and balancing the risk to their businesses by using the guiding principle that underlies the allocation of costs associated with distribution expansions as “beneficiary pays”. In this principle, the customers that directly benefit from an infrastructure investment should pay the cost of the investment and share the cost among all beneficiaries. This principle is also driven by the OEB's 2nd objective, to promote economic efficiency and cost effectiveness of distribution to facilitate the maintenance of a financially viable electricity industry. LDCs will require financial support, in lieu of capital contributions, in the form of expanded capital budgets. Otherwise, they will be forced to divert capital funding away from existing approved budgets to accommodate the expanded requirements.

When there is a modification or additions to the distribution system “expansion” needed to accommodate one or more requests for customer connections, an economic evaluation (“EE”) is performed by the distributor. The EE determines if the project is economically viable based on future revenues and if the customer will need to provide a capital contribution or an expansion deposit for the expansion required. The expansion deposit is used to cover the forecasted risk associated with the projected revenues for the expansion that will materialize as forecasts and the asset risk associated with ensuring the expansion is completed to standards. The connection and revenue horizons are factors in the calculation of both capital contribution and expansion deposit amounts.

We look forward to the OEB providing a coordinated overarching regulatory policy framework for connecting housing to high growth areas, as well as cost allocation with consideration for greenfield development. “High growth”, and “greenfield developments” are considered to be subjective terms across the industry, and the development of regulations related to this proposal would benefit from a shared clear foundational definition.

Our comments are organized as follows:

1. Extending Connection Horizon
2. Extending Revenue Horizon
3. Transitional Issues
4. Other issues

1. Extending Connection Horizon:

As stated in our [submission](#) to the OEB on May 1, 2024, we believe the connection horizon is not as large of an issue for subdivisions and developments where nearby infrastructure exists. This is because connections can occur more quickly and are completed well before the five-year horizon expires where existing attachments exist. Conversely, there is an identified need for extended connection horizons when infrastructure extensions/build outs are required to the distribution system, due to the added complexity.

We are pleased that the OEBs proposal 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”**, also maintains support of distributors retaining discretion for extending the connection horizon for such customers in appropriate classes. This amendment recognizes our recommendation to clearly define that criterion and apply consistency across the sector and reduce the administrative burden for LDCs by expanding connection horizons.

The OEB proposes 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 that a connection horizon of more than five years;
- completion of the housing development is expected to take more than five years; and
- the developer of 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.

Distributors acknowledge that they will be expected to carefully assess each application for connections and provide reasons for not granting an extension of a connection horizon when a developer or customer requests the maximum horizon time. Therefore, we would like to include an additional bullet to the conditions which must be met for the proposed new definition of “qualifying housing development”. Including this consideration will balance the approach for extending a connection horizon to a maximum of 15 years and add clarity and consistency for distributors in determining an appropriate extension beyond a five-year connection horizon.

We propose that the following item be included:

- *The distributor agrees with the proposed development plans, and confirms the plans are located outside of a distributor’s current and existing nearby infrastructure, which will warrant approval of a longer connection timeframe.*

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

The OEB states that it plans to provide guidance on the circumstances in which the connection horizon can be extended in a forthcoming bulletin, or correspondence. We recommend that the OEB consult with stakeholders prior to releasing any bulletin to the industry, to ensure that appropriate clarity and worked examples are provided. We also would like the review to consider projects that do not meet the criteria for qualified housing developments (i.e., non-residential, or non-qualified housing developments), and any scenario where there exists a mixed profile of both and how that could be accounted for.

2. Extending Revenue Horizon:

As stated in our [submission](#) to the OEB on May 1, 2024, we believe that longer revenue horizons up to 40 years are a feasible option of amendment for electricity distributors which could decrease the upfront capital contributions needed from housing developers, and is generally reflective of the asset life and the relative stability of residential load. It should be noted that the costs overall do not change, the developers bear less of the costs, whereas existing ratepayer costs increases. We appreciate the clarity that the revenue for non-residential customers will remain at a maximum of 25 years.

3. Transitional Matters:

While we support the intent of the OEB proposing new revenue and customer horizons apply to the initial offer to connect, this has not been accepted by the customer as of the date of the November 18th notice. We suggest that the OEB acknowledge that during the consultation of the proposed amendment materials there have been delays, and the more appropriate date should be the actual effective date of the new code amendments. We greatly appreciate the OEB not requiring LDCs to retroactively apply new time horizons, and to perform the update to estimates and record keeping on regularly scheduled intervals.

4. Other Matters:

Electricity distributors are at the forefront of helping to achieve the government's [goal of building 1.5 million new homes by 2031](#), and seeking to promote economic development through reducing connections costs and incenting proactive grid expansion more broadly. These growth rates have significant impacts for the distribution grid, and investments that are required where the prospect of load materializing in the future is very likely. Distributors also need to be supported by the government to right size investment and target investments – avoiding overbuilding the grid, while continuing to fairly allocate costs.

Through our consultations with members, it has been noted on numerous occasions, across varying distributors in the province, that developers frequently overestimate their costs and connections, and this can impact the timelines which have been established, and resources allocated. While distributors take on more risk through the extension of connection and revenue horizons, we suggest that the OEB seek to balance the risk of distributors and their current ratepayers, by establishing a common template which holds developers reasonably accountable for their estimates to protect the customer rate base. Primarily we would like assurance that developer forecasts are reasonable, that they have accountability for their forecasts and are also subject to consequences if the load and forecasts don't transpire.

Administrative Costs:

We agree that the magnitude of such costs will differ across distributors, depending on qualifying housing developments in their service area. As electricity distributors support the connection of an estimated 1.5 million new homes and tracking of those connections is increased over the period of 15 years, there may be significant costs which are required to support the new provisions. We ask that the OEB properly consider the administrative increase which this goal can have on LDCs to supporting the government's economic strategies, in areas of "high growth".

Increased Capital Needs:

The increased upfront costs need to be financed through a distributor's capital budget. This may trigger the need for the OEB to address changes in a distributor's capital needs. Therefore, we suggest that, as well as reviewing existing mechanisms such as the ICM and ACM, LDCs are granted a separate category for housing developments which could effectively be removed from monitoring and scorecard efficiency calculations.

Conclusion

Ontario signalled its commitment to building new energy infrastructure quickly to meet housing, population, economic and electrification goals. The proposed actions are targeted towards ensuring upfront connection costs and grid capacity is not a barrier to achieving these goals. The regulatory proposal states: "Action is required to ensure that Ontario can continue to harness its clean energy advantage. The proposal could help to reduce connection costs for first mover connection customers, enhance site readiness and investment attraction at strategically significant locations, and accelerate economic growth, housing development, and electrification." We have commented through a submission to the Ministry of Energy and Electrification on its proposal to create a regulation under the OEB Act to change cost responsibility rules for certain electricity system connection infrastructure for high-growth areas where load growth materializing in the future is very likely. In this [submission](#) there are a

number of related items for the consideration of the OEB on this topic, and we look forward to expanding on these items through the Capacity Allocation Model Advisory Group (CAMAG) and the Housing Growth Forum.

Our members look forward to contributing to the development of a capacity allocation model that specifically addresses multi-year, multi-party developments and ensures a fair allocation of costs among connecting parties. Through our original submission we believe that the scope of the consultation unfortunately was limited to the Minister's letter for connection and revenue horizons and did not explore further the concern expressed by multiple stakeholders during the virtual meeting, that first mover developers, in multiphase/multi-developer projects where there is no distribution infrastructure nearby (greenfield developments) must incur a disproportionate share of the costs to bring that infrastructure to the greenfield development location (trunk line) with no guarantee of future recovery of costs from follow-on developers. In some instances, this has created upfront barriers to growth. Costs to current customers are a critical consideration that should not be overlooked by narrowing the focus to these two items. While we are supportive and pleased with our accepted recommendations through the proposed amendments and regulatory guidance, we look forward to the OEB's continuing work on this file and its periodic review and refresh of its guidance.

Thank you again for the opportunity to comment on these proposed amendments. If you have any questions on these comments or require any clarification, please do not hesitate to contact Brittany Ashby, the EDA's Senior Regulatory Affairs Advisor at bashby@eda-on.ca or at 416.886.4420.

Sincerely,

A handwritten signature in black ink, appearing to read 'Teresa Sarkesian', with a stylized, flowing script.

Teresa Sarkesian
President and Chief Executive Officer