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December 9, 2024

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

Re: Proposed Amendments to the Distribution System Code to Facilitate the Connection of Housing Developments and Residential Customers (EB-2024-0092)

Toronto Hydro-Electric System Limited ("Toronto Hydro") is the local electricity distribution company for the City of Toronto. It serves over 790,000 customers and delivers about 18% of the electricity used in Ontario.

On November 18, 2024, the OEB issued proposed amendments to the Distribution System Code ("DSC"), which reflect earlier consultations related to residential housing connections, including the OEB's June 28, 2024 Report on System Expansion for Housing Developments, as well as the Minister of Energy's October 21, 2024 request to the OEB to implement its findings. Specifically, the 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.

The population of Toronto is continuously expected to grow by approximately 23.8 percent between 2021 and 2031, a marked increase from the 6.8 percent growth over the prior decade (from 2011 to 2021). This has resulted in a need for new housing, transit solutions and infrastructure, all of which must be serviced by Toronto Hydro in the years to come.¹ In addition to high-rise buildings, this growth is also driving the development of sustainable new housing communities through the redevelopment of areas such as Downsview, the Golden Mile and the Port Lands, some of which are planned as net zero communities.²

¹ Toronto Hydro 2025-2029 Rate Application, Exhibit 1B, pg. 9-10.
<https://www.torontohydro.com/documents/d/guest/exhibit-1b-application-overview>

² Toronto Hydro 2025-2029 Rate Application, Exhibit 2B, Section A3.3
<https://www.torontohydro.com/documents/d/guest/exhibit-2b-distribution-system-plan>

Toronto Hydro is largely supportive of the amendments proposed by the OEB, and believes that they both effectively address the priorities outlined in the Minister's Letter of Direction to the OEB and are reflective of the stakeholder consensus attained within the OEB's consultation session earlier this year. Toronto Hydro remains aligned and supportive of these measures to advance housing connections and expansions, and offers the following additional comments for the OEB's further consideration.

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 November 18, 2024, but also proposes that these amendments to the DSC come into force two months after the date that the OEB publishes the final amendments. This creates a transitional period, during which utilities would be connecting customers under existing rules, but only on an interim basis and subject to revision under the new rules once they come into force. Toronto Hydro acknowledges the difficulty in introducing changes to the connection requirements without delaying any currently planned or pending housing connections. To minimize the amount of retroactive administration that would be required, Toronto Hydro suggests allowing utilities to operationalize the new rules as soon as they are finalized and posted by the OEB (i.e. have the DSC amendments come into force immediately, but to be implemented on a go-forward basis by utilities "no later than" two months afterwards). Toronto Hydro also requests that the OEB publish finalized rules following stakeholder comment as quickly as possible, so as to further minimize the duration of the transitional period and the number of retroactive calculations and connection agreement revisions that utilities may be required to perform.

The OEB notes that the changes to the connection and revenue horizons are expected to lower the capital contribution required for a new connection, increasing the upfront costs that distributors will be paying towards funding an expansion project. The OEB further suggests that these increased upfront costs would need to be financed through a distributor's capital budget, and 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. Toronto Hydro suggests that a simpler and more administratively efficient mechanism to address the capital shortfall would be to authorize a standard Deferral and Variance Account ("DVA"), which would track the variance in revenue requirement associated with capital contributions under the existing connection rules as compared to the new proposed rules. As this will be a predictable systemic issue driven by the introduction of province-wide regulatory rule changes, Toronto Hydro recommends that the OEB consider the formation of such a DVA on a generic basis, to be available to all utilities with material variances

resulting from the connection rule changes. This would allow for a standard approach across the province, and avoid the need for multiple reviews on an individual utility basis to be undertaken outside of the rate setting cycle.

Toronto Hydro understands the amendments extending the connection horizon for “qualifying housing developments” as intended primarily to address issues affecting large “greenfield” developments, where expansion may be particularly costly for ‘first mover’ customers. While Toronto Hydro would expect such areas to mostly be outside of urban centres and Toronto Hydro’s own service territory, it submits that care should be taken with the qualifying criteria so as to limit any ambiguity as to qualifying projects and avoid uncertainty as to the appropriate connection horizon term to be applied. To the extent possible, the industry may benefit from the OEB’s supporting guidance as to, for example, the manner by which “predominantly residential” should be construed and “residential accommodations” should be interpreted in determining the eligibility of projects as “qualifying housing developments”.

Toronto Hydro appreciates the opportunity to provide comment on this issue, and looks forward to further engagement on all outstanding matters and further phases under this consultation.

Sincerely,

A handwritten signature in blue ink, reading "Andrew J. Sasso".

Andrew J. Sasso
Director, Regulatory Affairs & Government Relations
Toronto Hydro-Electric System Limited

AJS/jl