



By RESS

December 9, 2024

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
PO Box 2319  
2300 Yonge St., Suite 2700  
Toronto, ON, M4P 1E4

Dear Ms. Marconi:

**Subject:** EB-2024-0092 - Proposed Amendments to the Distribution System Code to Facilitate the Connection of Housing Developments and Residential Customers.

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Hydro Ottawa Limited ("Hydro Ottawa") appreciates the invitation to comment on the Ontario Energy Board's ("OEB") proposed amendments to the Distribution System Code.

Please see Appendix A attached, which provides Hydro Ottawa's comments on the Notice of Proposal to Amend Code, sent by OEB staff on November 18, 2024.

Hydro Ottawa appreciates this opportunity to provide comments and looks forward to continued dialogue with the OEB on this important initiative.

Sincerely,

Signed by:

*April Barrie*

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**April Barrie**

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## Appendix A

### OEB Proposed Amendments

Hydro Ottawa appreciates the opportunity to provide further feedback on changes to DSCP related to facilitating the connection of housing developments and submits its comments below in response to the Ontario Energy Board's (OEB) notice of proposal to amend certain sections of the Distribution System Code (DSC).<sup>1</sup>

The OEB's proposed amendments to the DSC:

- extend the connection horizon from 5 to 15 years for qualifying housing developments,
- define "housing development"; and,
- extend the revenue horizon from 25 to 40 years for residential customers.

As a distributor experiencing significant growth related to new housing development, Hydro Ottawa has concerns specifically associated with the increased upfront costs distributors will be funding to support expansion projects. Although Hydro Ottawa suggests a cautious approach when rebalancing costs between existing and future ratepayers it is understood that the changes are being driven by housing and are not driven by other policy initiatives. Hydro Ottawa submits that the existing mechanisms noted by OEB staff, such as the Incremental or Advanced Capital Modules (ICM/ACM), are not appropriate mechanisms for distributors to manage the lower capital contributions distributors will be retaining. As understood through Ministry communication and new releases and further supported by the letter attached to the proposed changes "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 changes are not intended to shift costs to utilities. As such, Hydro Ottawa recommends that the OEB implement an industry-wide variance account. This mechanism is appropriate for addressing significant policy changes with substantial financial impacts, similar to the approach used for the mandated installation of smart meters.

### Definition of "Housing Development"

Hydro Ottawa has concerns with the ambiguity of the OEB's proposed definition of "housing development" and paragraph (c) of the *Customer Connection Horizon* section in *Appendix B*. Specifically, it is unclear to what extent non-residential property developments are intended to be included. It is important that the industry and developers alike clearly understand what developments qualify for the extended horizons to avoid confusion and inconsistencies in how the rules are applied across distributors. Clarification would also limit the need for the OEB to provide project-level guidance on which housing developments meet the intent of the DSC.

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<sup>1</sup> Ontario Energy Board. "Notice of Proposal to Amend a Code" (November 18, 2024) EB-2024-0092.

Of concern are the two following amendments:

1. *“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** [emphasis added];*
2. *(c) Where an expansion is being constructed to connect a qualifying housing development **and one or more other customers** [emphasis added], the customer connection horizon for all such customers shall be the longest customer connection horizon applicable to any one of them.*

Hydro Ottawa respectfully submits that it is unclear what constitutes a “predominately” residential development and at what density the inclusion of other buildings (public, industrial, and commercial) would disqualify a development from the extended connection horizon.

The use of the word “predominantly” is unclear because it implies that most dwellings will need to be used for residential purposes, but does not state how that conclusion would come about. For instance, commercial, industrial, and public buildings may occupy significantly more square footage of land or consume more electricity than residential parcels, yet by count constitute the least amount of buildings. Typically, a proportionate share of costs would use load data rather than count. It should be clarified if this historical use of cost allocation is intended to determine if a development is predominantly residential.

Hydro Ottawa suggests that the OEB clearly defines “predominantly” to mitigate ambiguities for all stakeholders. The unintended consequences of leaving the definition unchanged could include delays in housing developments as distributors and developers determine what projects qualify for the extended horizon, distributors requesting extended connection horizons for developments that are not primarily residential but include a residential component to receive the favorable economic evaluation, and an inconsistent application of the rules across jurisdictions.

The OEB’s definition of “housing development” includes a provision that the land will be divided into multiple parcels and offered for sale. This is ambiguous, as it is not clear whether this applies to horizontal or vertical developments, or both. Hydro Ottawa suggests that the definition of “housing” should clearly state what housing accommodations and developments are intended to receive the extended connection horizon. For example, single-family homes, duplexes, townhomes, and apartment/condo complexes.

Hydro Ottawa requests clarification as to whether eligibility is affected whether a multi-unit building is individually unit metered or bulk metered.

## Proposed Alternative Solutions

Hydro Ottawa recommends that the OEB defines the term “predominately residential” within the DSC. The wording should be clear and easy for distributors to implement. This could involve setting a threshold based on the proportion of total anticipated electricity demand attributed to commercial, industrial, or public buildings. Subdivisions exceeding this threshold, indicating a significant non-residential load, would be excluded from the extended horizon. This ensures the focus remains on housing developments aligned with the government’s priority of building 1.5 million new homes.<sup>2</sup>

Alternatively, municipal (or other approving authorities) zoning by-laws, specifically land assigned for residential use, could be a condition for qualifying housing developments. In practice, all the conditions of the current housing development definition would apply, but the qualifying dwellings within the subdivision plan must be on land designated by municipalities for residential use. This approach would guarantee that the development is for residential purposes. Additionally, existing municipal by-laws could be utilized to ensure the connection horizon is applied correctly.

## Administrative Complexities

Hydro Ottawa appreciates that the OEB recognizes that distributors will incur administrative costs to implement its proposed amendments.

Hydro Ottawa agrees that updating the economic evaluation models will have manageable administrative impacts, but tracking and “truing up” extended horizons presents administrative complexities. Currently, distributors manage connection horizons of 5 years, ensuring developers pay appropriate costs annually. Extending this to 15 years increases the tracking burden and requires long-term oversight of financial obligations. This change necessitates a more complex and resource-intensive administrative process. Therefore, Hydro Ottawa suggests that the associated administrative costs should be able to be captured in the aforementioned industry-wide variance account until a utility’s next rebasing application.

Additionally, Hydro Ottawa requests that the OEB provide clarity on how distributors should treat developer bankruptcies during the 15 year period.

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<sup>2</sup> Letter of Direction from the Minister of Energy(November 29, 2023):  
[www.oeb.ca/sites/default/files/letter-of-direction-from-the-Minister-of-Energy-20231129.pdf](http://www.oeb.ca/sites/default/files/letter-of-direction-from-the-Minister-of-Energy-20231129.pdf).