

Elson Advocacy

May 16, 2025

BY RESS

Ms. Nancy Marconi

Registrar

Ontario Energy Board

2300 Yonge Street, Suite 2700, P.O. Box 2319

Toronto, Ontario M4P 1E4

Dear Ms. Marconi:

**Re: Proposed Amendments to the Distribution System Code
EB-2024-0092**

We are writing on behalf of Environmental Defence to provide comments on the proposed amendments to the Distribution System Code (DSC), which would establish a Capacity Allocation Model (CAM) for qualifying development projects. Environmental Defence supports the OEB's work to increase fairness and decrease electricity system connection costs and barriers through amendments to the DSC.

Environmental Defence respectfully submits that the amendments as currently drafted appear to confer outsized discretion over critical aspects of implementation on distributors by making the establishment of a CAM voluntary. We ask that the OEB consider revised amendments that would ensure the CAM is employed consistently and fairly across all eligible developments.

Following the completion of these DSC amendments, Environmental Defence also requests that the OEB further explore opportunities to reduce costs for all-electric developments. As outlined below, this is an area where significant progress can be made in furthering the OEB's mandate and the provincial government's desire to encourage more home building.

Overly broad discretion

Environmental Defence is concerned that the permissive structure reflected in the current proposed wording of section 3.2.A.2 could result in service gaps and inconsistent implementation. Currently, the section reads:

3.2.A.2 Where a distributor determines that an expansion of its distribution system is needed to serve a qualifying development area, the distributor **may** establish a capacity allocation model in accordance with the methodology and requirements of Appendix I to allocate capacity and costs associated with that expansion [emphasis added].

This wording provides distributors with the sole discretion to establish a CAM in qualifying development areas. In our view, this approach could reduce the effectiveness of the proposed amendments. Without an explicit requirement to adopt CAMs in specific circumstances, distributors will be able to decide whether it is in their interest to offer this payment structure. In many circumstances, it may not be in the distributor's short-term financial interest, particularly given the administrative effort involved and the requirement for distributors to cover unpaid expansion costs under section 2.2.2 of the proposed Methodology for Implementing a Capacity Allocation Model. There is seemingly no recourse for developers who believe that they meet the criteria set out in the proposed Appendix I but are refused a CAM by the distributor.

A permissive structure is inconsistent with the goal of the amendments and is not necessary to achieve balance between the interests of developers and distributors. Should the OEB take the view that a CAM is not required for expansion in every qualifying development area, there are a variety of alternative regulatory frameworks that could be used. For example, section 3.2.A.2 could establish a presumptive expectation that CAMs will be offered where the criteria in section 2.2.2 of the Methodology are met, while identifying those circumstances in which a CAM would not be required. This would provide developers with some confidence that they can undertake planning on the assumption that a CAM will be put in place. We submit that this would more effectively and consistently achieve the goals of decreasing development costs and increasing housing development.

Focus on all-electric developments

Environmental Defence continues to encourage the OEB to expand its efforts to reduce electricity system connection costs and barriers to include a special focus on reducing the cost of all-electric developments. For ease of reference, we reproduce relevant excerpts from our previous letter dated December 10, 2024.

A focus on all-electric development costs is also important for immediate purposes. As noted in the OEB's report to the Ministry, the electrical infrastructure costs for all-electric developments are considerably higher. This is a problem for (a) developers that are not located near gas pipelines and (b) developers seeking to build all-electric developments as a selling point for buyers based on environmental, cost, indoor air-quality, and comfort benefits. If there are ways to appropriately reduce electric infrastructure costs for these developers, they should be pursued.

Opportunities to lower costs for all-electric developments

There are several opportunities to lower costs for all-electric developments. This includes consideration of surcharges, deferred charges, and additional efforts to encourage efficiencies in construction and design.

Surcharges

Although we understand that the OEB has declined to pursue electric connection cost surcharges for all developers, there are reasons to consider them in more detail for all-electric developments. In particular, it would benefit customers to allow connection costs in all-electric developments to be recouped through surcharges.

The all-in costs of connecting a home in an all-electric development is only higher if one ignores the additional gas infrastructure costs that are incurred for gas-heated developments. The average gas infrastructure cost is approximately \$4,500 per lot, which is roughly equal to additional electricity infrastructure costs for all-electric developments.¹ In short, it is a wash. Furthermore, the PwC report prepared for the OEB notes that the cost of connecting all-electric developments is likely to decline due to economies of scale and improved design standards.² Over time, the combined connection costs for all-electric development should be lower than the costs of gas-heated developments.

Customers would benefit if they were to pay for the cost of electric infrastructure in all-electric development via surcharges up to the amount that they would be saving in avoided gas distribution costs. A typical residential gas customer pays approximately \$500 in gas distribution costs annually. Instead of paying gas distribution costs, customers in all-electric developments could pay that amount towards the electrical infrastructure. They would benefit because this would encourage developers to move forward with all-electric developments, which results in lower heating bills for customers today and avoids the cost to transition away from gas in the future.³ This would also result in fewer costs for Ontario's energy systems as a whole because it would be consistent with electrification as the most cost-effective decarbonization pathway.⁴

Although surcharges require additional work to administer, this can be done effectively and efficiently. For instance, Enbridge Gas does this in the context of its \$0.23/m³ surcharge for certain new connections. If Enbridge Gas can do it, so can electric utilities. Although we agree with the OEB that surcharges should not be allowed for all types of developments, it is worth exploring them in more detail for all-electric developments for the reasons outlined above.

Deferred costs

As an alternative to surcharges, the OEB could consider allowing deferred payment of connection costs, which would accrue upon sale of a certain portion of the homes in a new development. This would eliminate the burden on developers of carrying the electricity connection infrastructure costs for the duration of construction. It would also

¹ EB-2022-0200, Decision and Order, December 21, 2023, p. 34.

² PwC, *Ontario Energy Board: Unit Cost Benchmarking – Communities, Subdivisions and Electrification*, June 13, 2024, p. 15.

³ EB-2022-0200, Decision and Order, December 21, 2023, p. 38.

⁴ Canadian Climate Institute, *Heat Exchange*, June 2024, p. 10 ([link](#)).

decrease the financing they require, which would be a major benefit. For the customer, the electric infrastructure costs would be repaid through their mortgage and therefore at a lower interest rate. This may have some benefits over a surcharge to the extent that it is more efficient for utilities to administer.

Explore efficiencies

Environmental Defence asks that the OEB explore mechanisms to encourage utilities to be more efficient and reduce costs for all-electric developments. The PwC report outlines several reasons to believe that the actual cost of all-electric development vary from the survey results and can be decreased further. For instance, the report noted as follows:

It is important to note that nearly two thirds of the LDCs consulted as part of this study cited a lack of extensive experience with fully electrified subdivisions, leading to a scarcity of estimates for these scenarios. This gap necessitates a cautious approach when interpreting the data.

PwC also found that costs could be lowered through economies of scale and design standards:

Economies of scale: *Feedback and observations from interviewing electricity distributors suggested that those with a broader scope and deeper electrification experience tend to exhibit lower cost disparities between fully electrified and gas-heated loads, where larger entities may benefit from reduced costs due to their size and operational efficiencies. Additionally, the accumulated expertise from extensive electrification projects is a likely contributor toward greater cost-effectiveness due to process efficiencies and design standardizations.*

Design Standards: *An electricity distributor's current design and standards, especially around materials affect how much they would be impacted by a full electrification. For example, electricity distributors that do not already use larger cables needed for greater electrification see a greater variance in their electrification costs between 'all electric' and conventional, gas-heated loads, relative to electricity distributors which are already building with this transition in mind.*

Conclusion

In light of the above, we ask that the OEB revise the proposed amendments to make implementation of the CAM framework mandatory and take additional steps to reduce the cost of electricity system connections for all-electric developments in a future phase of this initiative.

Please do not hesitate to contact me if anything further is required.

Yours truly,

A handwritten signature in blue ink, appearing to read 'K. Elson', with a stylized, cursive script.

Kent Elson