

May 16, 2025

Mr. Ritchie Murray
Registrar
Ontario Energy Board
2300 Yonge St, 27th Floor
Toronto, ON M4P 1E4

Dear Mr. Murray

Re: Notice of Proposal to amend the Distribution System Code to establish a Capacity Allocation Model (CAM) (EB-2024-0092)

The Electricity Distributors Association (EDA) represents Ontario's local hydro utilities, the part of our electricity system closest to customers. Publicly and privately owned utilities, otherwise known as local distribution companies (LDCs), deliver electricity to residential, commercial, industrial, and institutional customers, powering every community in the province. The sector owns over \$30 billion in electricity system infrastructure and invests more than \$2.5 billion annually in the grid.

Our members are directly impacted by the Ontario Energy Board's (OEB) proposal (the proposal) to amend the Distribution System Code (DSC) to establish a Capacity Allocation Model (CAM) and support system expansion frameworks that balance the needs of new housing developments as well as the protection of existing ratepayers, our customers, who rely on us to distribute safe, reliable, and affordable energy. However, this specific proposal presents significant downstream financial risk for LDCs planning their distribution systems, while supporting the government's initiatives to meet rapidly growing demand from housing growth and electrification.

We understand that the Capacity Allocation Model Advisory Group (CAMAG) was established by the OEB as directed in the [letter](#) issued by the Minister of Energy and Electrification on Dec. 19, 2024 outlining the expectation for the OEB and the energy sector in the upcoming three-year business planning period. Under the heading, *Last Mile Connections*, the Minister stated that he expected the OEB to:

"Implement its recommendations expeditiously to amend the Distribution System Code (DSC) to extend the connection horizon for new electricity distribution lines for multi-phased housing development projects to a maximum of 15 years and establish a capacity allocation model for these projects by March 2025. This should **include specific guidance** and expectations for LDCs.

Akin to this work, I ask that the OEB work with my ministry to enhance the effectiveness of Ontario's current cost responsibility framework for electricity connections enabled through the Affordable Energy Act, 2024. Furthermore, my ministry will be proposing regulations that would, if approved, reduce the upfront capital cost burden on first-mover connection customers and enhance site readiness and investment attraction at strategically **significant (non-network asset) locations where future load is highly likely to materialize**. This initiative responds to the imperative to expedite electricity system connections to meet the rapidly growing demand from housing growth, electrification, and large industrial investors siting here in Ontario.

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Electricity Distributors Association

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In this work, I expect the OEB will:

Work with the IESO, licenced transmitters, LDCs, municipalities, and other stakeholders to consider how the 'beneficiary' pays principle can best be modified or applied to ensure:

- Transmission / distribution build decisions consider probable future users, the interests of early and later beneficiaries, and other ratepayers.
- **LDCs, transmitters, and their shareholders should be kept whole; and**
- **The potential for wasted costs or under-build are minimized to protect ratepayers."**
(emphasis added)

While we support the task given to the OEB, and are supportive of multi-phased housing developments, we believe that the task issued by the Ministry is much larger and more complex than the time allotted to solve and requires more consultation with stakeholders to review the consideration of the impacts of this proposal. With this in mind, we respectfully submit the following recommendations on the proposed amendments. This submission provides our members' opinions on the matters of significant risk, or lack of refinement arising from the CAM proposal, as well as a list of several concerns and considerations raised by LDC representatives during the CAMAG process that have been recognized but not been fully addressed in the proposal.

We request that the OEB review the following recommendations to refine the proposal further before finalizing amendments to the DSC, as this proposal creates significant financial commitments and risks from ratepayers and shareholders, and the resulting impact to the "beneficiary pays" principle and fairness in favour of the developer group.

(1) Distributor's Discretion to execute CAM:

Within this proposed amendment under section B.2 (pg. 7), the OEB stated clearly that it proposes that "a distributor should have the discretion to determine, in collaboration with developers or other customers, if a CAM should be applied, based on the eligibility criteria for a qualifying development are provided under section 3.2 A.1." We appreciate that the OEB is proposing that LDCs be provided with the discretion and flexibility to determine in collaboration with our customers, and developers, if a CAM should be applied based on eligibility criteria for a qualifying development area provided under Section 3.2 A.1. This is necessary as each project will be different and may require different approach to drive outcomes through a CAM. However, the proposal of amendments to the DSC does not explicitly state/codify this sentiment shared and recommended by the OEB within the proposal.

EDA Recommendation #1: Modified Definitions to Support Distributors' Discretion:

We strongly encourage the OEB to add the following language to explicitly state its recommendation and our shared understanding of the proposal by amending the wording in the following sections of the proposed DSC:

3.2A.1 Definition:

"qualifying development area" means an area **determined by the distributor in collaboration with the developer(s) or other customers** that meets the following criteria:

- a) Significant Residential Load Growth: The distributor forecasts, based on information from a municipality's Official Plan and/or an applicable Official Plan Amendment (or Secondary Plan) and the distributor's distribution system plan for the area, that significant residential load growth will occur in the area;
- b) Planned Capacity: The distributor intentionally plans and constructs more capacity than the capacity required to accommodate the paid committed capacity and agreed committed capacity for the initial customer(s) requesting connection(s) for the purpose of accommodating the significant residential load growth in the area; and
- c) Paid Committed Capacity and Agreed Committed Capacity: A significant portion of the constructed capacity consists of paid committed capacity and/or agreed committed capacity.

3.2A.2 Expansions to Serve Qualifying Development Areas

3.2A.2 Where a distributor determines that an expansion of its distribution system is needed to serve a qualifying development area, the distributor **at its discretion** 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.

Appendix I: Methodology for Implementing a Capacity Allocation Model.

Under the first paragraph of Appendix I: Methodology for Implementing a Capacity Allocation Model, it should explicitly state:

Once the distributor has determined the area meets the qualifying development area criteria, and has, at its discretion determined a Capacity Allocation Model (CAM) is appropriate, a distributor shall follow the methodology and requirements set out in this Appendix to establish the CAM, to ensure a fair allocation of capacity and costs associated with system expansions to accommodate multiple residential subdivisions and other customer connections in a qualifying development area.

It is the distributor's discretion, working with developers, to decide whether to implement a CAM. Incorporating this specific language to support LDCs will mitigate confusion and support the OEB's recommendation and intention of the CAM.

(2) Cashflow Considerations:

Our primary and underlying concern with the proposal of CAM is the uncertainty and risk that LDCs will now have financial liability for large, high-growth projects, where the load is expected to materialize, but cannot be guaranteed. The proposed methodology transfers the upfront expansion costs from the developer to the LDC. There may not be a full appreciation for the cash flow implications on LDCs. There may be a perception that LDCs have unlimited borrowing capacity, and that access to capital is not an issue. However, that is not the case. Access to capital is not automatic. Further, LDCs must adhere to the prescribed debt-equity ratio. The OEB may not have thoroughly considered instances where LDCs' capital budgets may already be constrained, and additional borrowing capacity may not be available.

Examples from the CAMAG materials suppose projects that, in Year 1, cost \$24 million for an initial distribution line expansion. Apart from this simple supposition, there is no clear record about the impact to LDCs or ratepayers as it related to all the required costs, including access to capital. Materials at CAMAG have not quantified a CAM expansion to offer a conceptual perspective of impact over the years to the LDC or ratepayers. For expansions determined to qualify under the CAM criteria, distributors will have to pay a significant portion of cost of the system expansion upfront, while developers may connect and pay contributions over time; however, this is not a fair or equitable approach. This creates a cash flow strain and a 'financing gap'. The CAM may introduce cash flow challenges for LDCs due to the timing mismatch between capital outlay and customer contributions. This could be especially concerning for LDCs experiencing large expansion, where a multi-million-dollar project could fall through, putting the LDC's business at risk. Credit rating agencies see the rate of return business model, the foundation of the regulatory remuneration system, as being based on cost certainty from investments and the rates charged to customers. This new CAM has the potential to introduce significant uncertainty, penalizing existing ratepayers in the short term with no guarantee of recovery of all costs in the long term.

This proposal assumes that access to funding remains viable as long as letters of credit are secured. However, there is still a significant risk that LDCs may need to rely on their financial capacity to fund these investments. More significantly, however, is that doing so will constrain LDCs' ability to finance other critical asset investments. This is an area of the proposal needing more straightforward rules and stronger protections for LDC financial stability and protection to ratepayers. These were fundamental principles as directed in the Minister's Letter of Direction, to **keep transmitters and distributors whole**, while protecting ratepayers and providing specific guidance and expectations for LDCs.

Upfront funding mechanisms were not thoroughly explored at the CAMAG and need to be examined. Distributors cannot rely on deferrals or the existing rate mechanisms (Incremental Capital Model (ICM) or Advance Capital Module (ACM)) to fund projects that can exceed the distributor's borrowing capacity, and risk cash flow dedicated to projects otherwise planned and financed through rates. These are not effective avenues of funding in these circumstances. (We note that the ICM is under review and suggest that it be accorded a significant review to achieve greater effectiveness).

It is apparent that, although distributors expressed this concern at the CAMAG, assumptions were made during the consultation that distributors have unlimited access to funds and borrowing capacity and that LDCs can fund these projects without risking their current business practices. This assumption is incorrect, regardless of utility size. Utilities of all sizes with high growth areas and demand will be required to undertake significant planning for their systems, including but not limited to regional planning with the IESO, transmitters and other distributors every five years with a 10-year outlook; and, complex distribution system plans for cost of service rate applications every five years that forecast demand and identify specific projects as part of their capital plan. The potential impacts to the capital plan approved by the OEB will be disruptive and will delay projects related to grid modernization and reliability in the absence of an upfront funding mechanism for CAM projects.

EDA Recommendation #2: Financing Mechanism for Upfront Costs

We strongly recommend that the OEB develop an approach to assist distributors with financing upfront costs in high-growth areas. Developing a strategy with the Ministry of Energy and Mines to fund large projects will protect distributors from disproportionate burdens in the highest-growth areas without penalizing existing ratepayers. It will also ensure that system access and system renewal projects continue as scheduled, maintaining the reliability and security of the existing grid and its investments.

Upfront provincial funding mechanisms are used in other Canadian jurisdictions that have experienced high customer growth. If the OEB examines these jurisdictions, we believe that CAM funding, through a province-wide socialized mechanism, might provide Ontario with a solution that results in the same favourable result for developers, alleviate cash flow pressures for distributors, and negligible customer impacts, such as the current Rural Rate Protection Rate, or the Renewable Generation Connection Rate Protection.

It would be beneficial for the industry to monitor the following metrics for debt issuers: the debt-equity ratio and the cash flow-to-debt ratio. The longer the debt is carried without corresponding revenue, the worse those metrics will appear, all other things being equal. This increases the risk to ratepayers of increased costs due to less favourable borrowing costs, given the potential 15-year horizon over which costs could be carried while the load materializes.

(3) Financial Impacts: Revenue Recovery Shortfall to Ratepayers

For developers, a CAM offers flexibility in how contributions are made, and they are not required to take on the risk of full payment up front. Developers may choose to pay a capital contribution upfront or in phases as subdivisions connect, with financing charges applied to deferred amounts over a specified time. At the same time, this may result in higher costs for developers that delay connections. Financing charges will be applied to the customers who pay their capital contributions after the first year to recover the distributor's costs, which will equal the connecting customer's allocated share of the cost that the distributor (and ultimately ratepayers) has paid to finance the project until the contribution is made. We are deeply concerned about the risk of financing developer expansion costs without sufficient developer commitment or without regard to any potential consequences. While we appreciate including a financing charge for recovery of costs over time, we do not believe this holds the developer entirely responsible for the uncommitted capacity and the forecasts initially used to connect.

OEB staff believes that the financing charge incentivizes developers and other customers to pay their share of expansion costs sooner, reducing the reliance on distributors for an extended funding period and preventing shifting any shortfall of financial burdens to ratepayers. Still, the OEB doesn't include any mechanism in this proposal for distributor recovery when the customers do not emerge as forecasted, and this effectively passes the burden of financing onto distributors and ratepayers. We don't believe this to be a fair or equitable rate-setting practice, and it creates significant regulatory uncertainty and intergenerational inequities for building substantially large developments with uncommitted capacity. We believe this should have been addressed more thoroughly within the proposed amendments and the consultation review. We are deeply concerned for our customers, and the potential negative financial impact of scenarios that could arise where developers that have had the option to pay their capital contribution go bankrupt or disappear. In this worst-case scenario, the developers benefit from only paying for their capacity under this new model, and the distributor and ratepayers will hold the financial risk of the remaining uncommitted capacity.

We note that there was no thorough evaluation of this policy in the CAMAG materials. By not evaluating this policy thoroughly for all scenarios, an unintended consequence of this proposal is that it incentivizes the delay of connections, and developers/customers can avoid costs and the financing charges altogether. The proposal selectively overlooks an unintended loophole which promotes delayed connections beyond the CAM term of 15 years to avoid paying/sharing capital contributions **or financing**

charges, which could result in potentially significant revenue recovery shortfalls from non-contributing customers and increased long-term financial exposure.

EDA Recommendation #3: OEB-specific accounting guidance and expectations for LDCs, for CAM Scenarios, including revenue recovery shortfall to ratepayers

As directed by the Minister in the December 2024 Letter of Direction to provide specific guidance and expectations for LDCs, we encourage the OEB to include specific guidance and expectations for LDCs to evaluate and address regulatory certainty around the rate base on the uncommitted capacity portion of a CAM developed area. We recommend that this be addressed clearly through **OEB accounting guidance on CAM**, which includes the accounting for all scenarios of committed and uncommitted capacity and provides the industry with a clear financial understanding through illustrative examples of how distributors (and ratepayers) will be kept whole in best-case and worst-case scenarios over these long periods of time. This must include a scenario with a revenue recovery shortfall.

We require language clarifying that the developer is liable for these capital contributions at the end of the CAM term, regardless of whether the connections materialize. This point is implied in the proposal, but we request explicit OEB guidance which addresses the processes that the OEB will put in place to help ensure that LDCs have more certainty about future recovery of such investments in an ICM or at the next rebasing period.

Before the amendments to the DSC are finalized, the industry must consider how CAM developments are tracked and billed to connected customers in a CAM-developed area. We require shared examples of how the financing charges are intended to work and to be accounted for within our financial requirements, including the frequency with which financing charges can be issued. In this guidance, we encourage the OEB to also consider a mechanism that discourages strategic “gaming” delays, such as extending financing charges slightly beyond the CAM term, based on distributor knowledge, or implementing a minimum charge for late-stage connections.

(4) Developer Financial Commitment & Distributor Financial Exposure

We note that the financial risk ultimately lies with the LDC since the commitment language “agreed”, “uncommitted,” and “forecasted” still requires upfront exposure by the LDC. The rules do not protect against financial impacts if developers change their demand or do not fulfill their committed capacity. As the proposal doesn’t address any repercussions for developments that don’t fulfill their committed capacity, we seek application policy support that addresses the need for LDCs to proactively build based on the distributor’s planning documentation before receiving firm commitments. This application policy should also support the uncommitted and unforecasted amount when the CAM is closed and LDCs are then committed to account for the costs of unmaterialized load into rates. If developers miscalculate the committed or uncommitted portions of their claim to capacity, they should still pay the costs of unmaterialized load to ensure that existing ratepayers don’t pay for the built but not used system.

The current framework allows for ‘agreed’ committed capacity based on financial instruments like letters of credit, but there is still insufficient enforcement or default protection. We strongly urge the OEB to require enforceable, standardized agreements, or state the ability to use existing offers to connect in a straightforward procedure to reduce LDC exposure and ensure developer accountability.

The CAM framework should allow distributors to remain whole, **as specified in the Minister’s Letter of Direction**. Instead of introducing additional prescriptive regulations, the framework should reinforce the principle that LDCs be kept whole and protect the ratepayer from cross-subsidization. Both should align with the beneficiary pays principle. A development charge should be implemented to address the inequitable treatment of capacity allocation, as it exists today. The concept of a development charge could have been an evolutionary step which might have aided in a balanced approach.

EDA Recommendation #4: Keeping the Distributor Whole

Any capacity the committed developers may seek to obtain after the project has begun construction should be considered unforecasted (unless they accounted for this as uncommitted upfront) and subject to incremental financing charges.

For greater clarity, and to support the direction given to the OEB by the Minister to keep LDCs and their shareholders “whole”, we recommend that the OEB include an amendment to the DSC as follows:

3.2A.4 Where the customer has not fully paid the capital contribution amount determined under a capacity allocation model, the distributor shall be paid in full, including applicable financing charge by the end of the CAM term, even if the customer(s)’ agreed committed capacity is not utilized by the customer within the CAM term.

A secondary recommendation is to evaluate the proposition for introducing a development charge. We encourage the OEB to explore the notion of a “Development Charge,” frequently brought up during the CAMAG as a proposed shared solution that developers understood.

(5) Scheduled Consultation review of CAM effectiveness

We note that the OEB did not include in its proposal its intention to review the CAM policy on a scheduled basis. However, as mentioned, this proposal impacts many areas of financial risk on distributors and ratepayers. One example is the threshold setting for “uncommitted customer connections” (pg. 15). The OEB considered this suggestion but concluded that setting a threshold would not be practical given the many different scenarios for a customer addition. Therefore, distributors are expected to follow their current practices in determining how to address such individual connections. It could be beneficial once CAMs have been executed, to evaluate generating a threshold.

Similarly, in high-growth areas, LDCs may max out on borrowing capacity to support CAM and would be unable to fund system renewal and other system access projects. It would be beneficial to monitor the CAM after a few LDC rebasing applications to evaluate how LDCs’ expectations to take on financial risk of purchasing material assets to accommodate a CAM project outside of rates has on its debt-equity structure.

The OEB also states on page 18 of the proposal, “the OEB acknowledges the risk that the distributor’s forecast regarding uncommitted load may not materialize, and that the costs of any unassigned capacity after the end of the CAM term will be part of the rate base. The OEB expects that this risk will be monitored and managed by distributors and will be reviewed as part of the distributor’s rate

application.” However, it does not establish a mechanism of review for effectiveness as an industry, thus setting up distributors and ratepayers for potential negative impacts.

EDA Recommendation #5: Commitment to Policy Review- Risk Mitigation

Committing to a policy review in the future could mitigate the unintended significant financial risks to the customer base and protect LDCs from the identified consequences of having this highly impactful consultation compressed. Establishing a review date will provide the opportunity for the evolution of this policy and a review of best practices. We recommend that the OEB commit to an industry-wide review of this policy in 5-10 years. By then, most LDCs would have completed a cost-of-service cycle, which would be a reasonable timeframe to reconvene and review the effectiveness of the amendments. In lieu of acceptance of this recommendation, we also believe that the first one or two applications of the new methodology should be reviewed, without prejudice, by LDCs and OEB staff to understand where the pressure points to LDCs and ratepayers are, document the increased red tape and administrative burden, and to evaluate the incremental risks, if any, that are raised as a result of the CAM project.

Summary

We support the OEB in its first steps toward the CAM framework, specifically by considering distributors’ discretion to generate a CAM, and the flexibility to incorporate unique distribution capacity planning considerations. Our members continue to support the last-mile connections, breaking down barriers, and the objectives set out by the CAM. This includes support for a review of the beneficiary pays model related to expansion pressures, developments and accelerated economic growth.

However, we believe that key concepts embedded in the proposal have been overlooked, particularly from a ratemaking perspective, as well as the right of “fair return” and utility financial viability, which could have unintended impacts. We had hoped for an open stakeholder solution with thorough evaluation of the proposed amendments. In our opinion, this consultation would gain from further refinements, which could benefit from a practical consultation timeline and complete assessment of the change to this policy to protect customers, as well as to mitigate the risk of overbuilding the system. Representatives from the transmitters and IESO could have also helped to provide insight into the larger implications of CAM amendments to the bulk supply system. We have included several more recommendations and considerations which have not been fully addressed through this proposal, attached in the appendix of this submission which represents our members’ concerns. We trust that OEB staff will find these additional recommendations helpful as they continue to evolve an appropriate methodology for the CAM process.

A CAM will only provide greater planning certainty and flexibility if these risks are addressed through our recommendations and the development of proper LDC accounting and rate guidance. With defined contribution pathways in the guidance, including the shortfall scenario, distributors can size, estimate the prospect of materialized load, and stage expansions based on committed and forecasted load, recognizing the risks of under- or over-building. Distributors will incur a few administrative and planning responsibilities in implementing CAM, which also require attention to its unintended consequences to resourcing and the resulting impacts to overall costs, which have not been addressed.


While we support the overarching objectives the OEB is trying to achieve with the CAM, and recognize the tight deadline under which it is operating, we believe that, given the significance of CAM, the OEB would have benefited from a number of larger stakeholder consultation meetings prior to the release of the amendment proposal. We also would have appreciated the establishment of LDC guidelines and a thorough analysis of potential financial impacts to LDCs and their customers.

Further, as we note above, various aspects of this proposal remain unclear. As well, we believe that there are alternative and simpler approaches proposed by the CAMAG that the OEB did not adequately consider, including a proposal **that all parties appeared to prefer**, a development charge approach, but it was not adequately explored through the OEB stakeholder process. As a result, we believe that the proposed amendments will result in costly administration for high growth areas, and financial pressures which might have been avoided with a more thorough stakeholder process.

Lastly, as we noted above, it is critical that the proposal comply with the Minister's explicit direction that LDCs and their shareholders be kept whole through the outcome of this consultation.

Again, we thank you for the opportunity to comment on these proposed amendments for CAM. We look forward to continuing to partner with the OEB and developers on this project and offering valuable LDC feedback. Should you have any questions on this submission or require clarification, please do not hesitate to contact Brittany Ashby, Senior Regulatory Affairs Advisor, at bashby@eda-on.ca or at 416.886.4420.

Sincerely,

A handwritten signature in black ink, appearing to read "Ted Wigdor", is positioned above a faint, light blue circular stamp. The stamp contains some illegible text and a central emblem.

Ted Wigdor
Vice President, Policy, Government & Corporate Affairs

Appendix: EDA Risk Considerations for CAM Proposal

Below is a list of risk considerations and criteria that distributors noted have not been addressed fully in the CAM proposal:

1) Cost Liability:

Risk:

The proposed amendments to the DSC introducing the CAM carrying several financial risks to electricity distributors, despite the OEB's intention to protect both ratepayers and distributors. These risks arise primarily from load uncertainty, timing mismatches, and capacity planning commitments. Distributors must build system expansions based on committed and forecasted demand over a 15-year CAM term and potentially bear the financial burden if the projected development does not proceed as expected. If the forecasted load does not materialize, the distributor may be left with excess capacity and essentially an overbuild of the distribution system.

The financial risk is that the costs of unused capacity will become part of the distributor's rate base, increasing the risk that existing ratepayers may end up covering the cost of infrastructure that does not serve any customer.

Recommendation:

The magnitude of this impact can be significant for large, phased expansions in high-growth areas where future commitments are speculative or when housing projects are delayed or cancelled. We recommend flexibility in managing system investments as needed and working with developers to address the funding needed. We also recommend that policy support LDCs in securing agreed commitments, that LDCs can rely on to achieve certainty.

2) Trigger Criteria:

Risk:

We note that the OEB did not set a strict trigger point for when a CAM must be initiated. It was communicated by the OEB that distributors can decide based on local conditions, such as:

- Developer interest and financial commitment
- Municipal growth forecasts
- Internal capacity and planning timelines

Distributors can also define the scope of a CAM area and determine whether to use a single CAM or multiple CAMs for different sub-areas or phases of development.

In the Minister's letter, it states "highly likely to materialize". We did not explore a threshold for this. In the OEB's proposal materials, page 18 it states "The OEB acknowledges the risk that distributor's forecast regarding uncommitted load may not materialize, and that the costs of any unassigned capacity after the end of the CAM term will be part of rate base." However, we are concerned that without **binding language** within the DSC, which explicitly states that distributors can use their discretion, or addresses "highly likely to materialize," this may increase uncertainty and create unintended inconsistencies.

Recommendation:

We recommend that the OEB explicitly state in the DSC that distributors may use their discretion when determining the use of CAM and determining their own ‘trigger point’. The CAM must be flexible for unique situations. We also suggest more explicit guidance to reduce the risk of varying interpretations of CAM qualifications.

3) Capacity Definitions:**Risk:**

Although the proposal allows for phased CAMs and recognizes the need for forecasted planning, there remains concern that distributors may be pressured to build capacity for uncertain future connections. If load projections fail to materialize within the CAM term, the resulting stranded costs may be added to the rate base, burdening existing ratepayers.

The current proposed definition for constructed capacity is open to misinterpretation and does not align with the discussion during the EDA/OEB CAM meeting.

3.2A Expansions to Serve Qualifying Development Areas

3.2A.1 In this section 3.2A and in Appendix I:

“constructed capacity” means the total capacity that will be built by the distributor under a capacity allocation model, excluding any capacity that is considered an enhancement as described in this Code;

Recommendation:

We recommend that the OEB clarify the definition of constructed capacity, and suggest the following amendments are made to account for upstream considerations:

3.2A Expansions to Serve Qualifying Development Areas

3.2A.1 In this section 3.2A and in Appendix I:

*“constructed capacity” means the total capacity that will be built by the distributor, **and available to be shared by the built asset considering total planned feeder capacity**, under a capacity allocation model, excluding any capacity that is considered an enhancement as described in this Code.*

We also recommend that the OEB consider introducing guidance that supports distributors' discretion in managing our system investments and mitigating this risk, such as minimum forecast accuracy requirements, staging triggers, or alternative cost recovery safeguards for unutilized capacity at the end of the CAM term—whatever makes the most sense for our specific distribution plan.

4) Revenue Consideration:**Risk:**

We acknowledge that revenue treatment is still performed within the economic evaluations, and the CAM is a separate piece of the development process based on the proposed recommendation. Downstream expansions may still follow the economic evaluation model; however, the intersection, or demarcation of the two models remains unclear. LDCs will face the financial burden of carrying costs until future customers connect. Ensuring a fair allocation of financing charges, without unfairly shifting costs to existing ratepayers, will be particularly challenging. LDCs must accurately forecast future

connections to avoid overbuilding or underbuilding capacity. Inaccurate forecasts—especially those outside of LDCs' control—could lead to financial risks and operational inefficiencies.

Several questions arose in the discussion for revenue consideration:

- Should the end of the CAM term be defined by the date of the last capital contribution payment (as currently drafted)? What is the process if all developers choose a lump sum payment, e.g. pay it all up front? Developers would still want to establish a CAM in this scenario as they would benefit from the lower capital contribution.
- Once the CAM term is established, can it be amended (by the LDC or a developer)? We assume this is not the case, but this should be clarified in the language. The implication of the CAM term changing is that distributors would have to recalculate the Total Cost of the CAM Expansion since it includes annual O&M over the term of the CAM.
- Can developers sell their paid committed capacity or agreed committed capacity?
- Is there a strict definition for 2.3.5 of Appendix I that refers to “multi-phased subdivisions”?
- The CAM can only be used for qualifying developments (i.e. residential), but what if there is a mix of customer classes within a specified area? How does a distributor treat commercial/ industrial customers? Do the same guidelines apply to these other customers as the residential developments?

Recommendation:

We encourage the OEB to continue elaborating on the circumstances in which a CAM is used, and an economic evaluation. An LDC guidance document of illustrative examples from simple to complex, and appendices, will be helpful as communication tools to differentiate the two models when working with customers.

5) Alternative Bid Option Implementation in Multi-Customer CAMs

Risk:

The proposal allows developers to use the alternative bid option but does not provide sufficient guidance on how this option will function in a multi-party CAM context. This may create ambiguity around risk sharing, liability, and coordination.

Some distributors frequently have many developers that choose the alternative bid option, and the CAM proposal does not clarify whether LDCs are expected to continue to finance in this model or when the point of purchase from the developer occurs. It is also unclear how to approach the CAM if varying parties choose to do the alternative bid and others do not in the multi-developer CAM.

For the **alternative bid**, CAM expansion would usually be on municipal Right of Way, not green fields. As a result, a developer or developers do not have the right to build anything on the municipal right-of-way. The right to build on municipal property is given to utilities by the Electricity Act, and therefore, the developer may not utilize the alternative bid to build on municipal property, and the utility should not accept the risk of being forced to utilize a contractor on the municipal property.

Recommendation:

We request that the OEB clarify the application of the alternative bid process in multi-developer CAMs, including roles, responsibilities, and dispute resolution mechanisms to ensure fair and efficient implementation.

6) Public Forecasting Data – Typical Demand Values:

Risk:

We are concerned about the issues raised regarding inconsistency and potential risks in publicly posting "typical demand" values for developments. Each demand load is based on the type, size, and usage of various customers, which will only lead to confusion. Furthermore, with overlapping models (existing expansion model and proposed CAM) impacting some developments that are still subject to the last-mile expansions, this creates further ambiguity as the existing revenue model uses forecasted demand to offset the costs, etc.

Recommendation:

We recommend that this requirement be removed from consideration. Each LDC has a different business model and customer mix, and without the proper consultation of all LDCs, establishing this requirement of Typical Demand Values is premature. There isn't a typical commercial load, and customer profiles vary depending on size, readiness for electrification, and type of dwelling. Developers should work with each distributor individually to better understand each scenario.

7) Developer Coordination:

Risk:

It is unclear if LDCs are responsible for coordinating multiple developers in new areas or if the developers must initiate contact. Given the potential for different interpretations of capacity needs, cost calculations and forecasting, a transparent process map is essential to prevent project delays and ensure coordination. LDCs may need differing lead times, to consult publicly for landowners in a CAM area base on location. Generally, there will be many stakeholder engagement and clear communications required to foster collaboration with developers and other customers in planning and implementing CAMs.

Recommendation:

We recommend that the OEB identify each party's roles and responsibilities and issue FAQs on first steps, to establish a consistent CAM approach across the province. The guidance would provide examples and case studies of when a CAM is appropriate, with illustrative thresholds, risk factors, and timing considerations. Key milestones will need to be established, including a "no further changes" to committed or uncommitted capacity timeframes. This will be important should disputes arise.

8) Risk of Overbuilding Infrastructure:

Risk:

LDCs are concerned that the CAM could result in unnecessary or excessive system expansions where future load may not materialize. While it may be clear who has a claim to what capacity, committed, uncommitted, and forecast, it is the forecast that could result in overbuilding. There is no guarantee that developers' requested load will materialize within the timeframe, as it could be delayed; in the meantime, if other customers appear looking to connect within a shorter timeframe, they would be restricted from the infrastructure already built and trigger the need to construct new capacity where it may otherwise not be required. For the other portions, financial commitments of the parties reduce the risk of overbuilding, and there are rate-making risks to LDCs by incorporating this new policy, which is

potentially further scrutinized in the intervenor process, which could risk the successful support for CAM and managing system investments.

Recommendation:

We recommend that the rate-making process be further evaluated for CAM downstream impacts. We anticipate requiring updates to Distribution System Plans (DSPs) to align with CAM implementations. Where significant system expansions used to be developer-funded, the CAM will place pressure on the DSP from a cash flow and project financing perspective.

9) Administrative Burden to LDCs

Risk:

The proposed CAM framework imposes significant administrative and operational burdens on LDCs, especially in managing multiple CAMs. These include complex capacity tracking, financial risk from forecast inaccuracies, coordination challenges among multiple developers, and the need for new systems, processes, and staff training. LDCs face increased liability without corresponding control over developer commitments, and the cumulative burden of managing multiple CAMs—especially in high-growth areas—is not adequately addressed. This complexity strains already limited resources and diverts attention from other critical system planning priorities like EV charging and grid modernization.

We are concerned about the expectation of the added roles for distributors in the CAM proposal, including added coordination among developers (unlike dealing with a landowners' group where you are working with one entity), preparation of development area plans, tracking costs and contributions against paid committed, agreed committed, uncommitted and unforecasted ensuring capacity already committed is not inadvertently given away, cost-sharing enforcement, and publishing capacity estimates, all of which adds operational complexity.

The administrative burden includes maintaining capacity allocation records, coordinating multi-party agreements, managing cost-sharing disputes, and ongoing public communication. These tasks require new tools, staffing, and processes. We request that the OEB publish standardized templates, tracking systems, and reporting frameworks to support consistent implementation across LDCs.

Recommendation:

The OEB acknowledged this concern in the proposal but did not eliminate or address it in the notice of proposal. We recommend that the OEB provide standardized tools, CAM templates that include flexibility, and LDC guidance to support consistent and efficient implementation of CAMs across LDCs. This includes shared tracking systems, reporting frameworks, and clearly defined illustrative processes to reduce administrative overhead, enhance transparency, and mitigate risk for distributors.

10) Forecasting and Planning Risk

Risk:

If load forecasts based on municipal plans don't materialize, LDCs may overbuild or underbuild, incurring financial losses and inefficiencies. There also are several scenarios which are not clear to distributors when customer commitments are qualified, such as:

- **Changes in Developer Needs:** If developers reduce demand or increase demand unexpectedly, LDCs must manage the capacity allocation and cost recovery without clear mechanisms.

- **Capacity Resale and Reallocation:** Lack of clarity on whether developers can transfer committed capacity adds uncertainty.
- **CAM Term Issues:** Ambiguities about defining or amending the CAM term, especially in lump-sum payment scenarios, complicate planning and cost modelling.

It is unclear what a distributor should do if the developer uses more capacity than initially requested. It is possible that the existing ratepayers would then fund the growth of additional supply capacity, which would go against the beneficiary pays principle. We recommend that the process be clear that if the developers require more capacity, then they are required, like the other customer groups for uncommitted and unforecasted customers, to approach the distributor to purchase more.

Recommendation:

LDCs request clear and consistent guidance on eligibility to ensure only qualifying developments benefit from deferred contributions and avoiding long, protracted negotiations from one development area to the next. Without a well-defined eligibility structure, distributors will face challenges from developers questioning all elements of each CAM against each other, resulting in a poor customer experience and risk of inconsistencies. We request OEB guidance on how to evaluate forecast reliability and recommend adding minimum accuracy thresholds or cost recovery options for stranded capacity if the forecasted load does not materialize.

There needs to be a definition of the level of maturity of development plans required to qualify for a CAM, so that planning can begin. Distributors need clarity on where roads and civil infrastructure will be in order to design the electricity infrastructure which isn't always known in early development plans.