



By RESS

May 16, 2025

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

Dear Ms. Marconi:

**Subject: Notice Of Proposal To Amend A Code Proposed Amendments To The
Distribution System Code To Establish A Capacity Allocation Model - OEB File
No. EB-2024-0092**

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 April 17, 2025.

Hydro Ottawa 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

INTRODUCTION

Hydro Ottawa appreciates the opportunity to comment on the OEB's Notice of Proposal to Amend Code, Proposed Amendments to the Distribution System Code (DSC) to Establish a Capacity Allocation Model (CAM).¹

The proposed DSC amendments create a CAM designed to reduce the cost burden from initial developers and remove barriers to new housing. However, the CAM also shifts financial risk and administrative responsibility to distributors and ultimately ratepayers.

While generally supportive of the CAM's goals to reduce barriers to new housing development, Hydro Ottawa offers the below recommendations.

FEEDBACK ON CAM AMENDMENTS

DEFINITION OF SECTION 3.2A1: "CONSTRUCTED CAPACITY"

Proposed Amendment:

"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.

Hydro Ottawa Comments

Hydro Ottawa notes that the definition of "constructed capacity" omits any reference to the alternative bid option, despite its mention in Section 2.3.3 of Appendix I. Hydro Ottawa recommends revising the definition to include the possibility of capacity being built by either the distributor or the alternative bid option.

Additionally, OEB's Notice of Proposal² states that the "constructed capacity" is also known as minimum build capacity for a feeder. Hydro Ottawa notes that "constructed capacity" should be used for capacity allocation, and may exceed a customer's requested capacity to optimize CAM-related expansion. However, Hydro Ottawa suggests that the definition of "constructed capacity" in this respect could be made clearer to more accurately represent the OEB's intentions per its notice of proposal.

Recommended Amendment:

*"Constructed capacity" means the total capacity that will be built by the distributor **and/or the alternative bid option** under a capacity allocation model, excluding any capacity that is*

¹ Ontario Energy Board. "Notice of Proposal to Amend a Code: Proposed Amendments to the Distribution System Code to Establish a Capacity Allocation Model." EB-2024-0092, April 17, 2025.

² Ibid. Page 12-13.

considered an enhancement as described in this code. For clarity, the constructed capacity equates to the minimum standard build capacity at the connection.

TREATMENT OF UNCOMMITTED CAPACITY

Proposed Approach

“The OEB is of the view that the proposal to use a deferral account would not be consistent with its approach to ratemaking given a portion of the expansion serving the initial customers is immediately used in the distribution of electricity and should therefore be considered an asset for the rate base. The OEB does not have a policy to allocate portions of assets to rate base; an asset is either used and useful or it is not.”³

...

“Customers who defer capital contribution payments to later years will be required to pay financing charges. These charges are designed to recover the costs incurred by distributors (and ultimately ratepayers) during the interim, thereby protecting both ratepayers and early contributors from subsidizing future connections. The financing structure also encourages early participation as a cost-avoidance strategy and reduces the load forecasting risk. The OEB acknowledges the risk that the distributor’s forecast regarding uncommitted load may not materialize, and that the cost of any unassigned capacity after the end of the CAM term will be part of rate base.”⁴

Hydro Ottawa Comments

Hydro Ottawa agrees that uncommitted capacity costs, once energized, should be included in the rate base and emphasizes that this feature is important because it is methodologically consistent with OEB practices.

Hydro Ottawa acknowledges that its existing customers will bear the cost of funding uncommitted capacity through rates initially. However, the utility considers the financing charge mechanism sufficient to incentivize developers to purchase uncommitted capacity earlier and avoid additional charges. Financing charges, combined with distributor’s system planning expertise, effectively ensure that customers are appropriately insulated from expense sharing.

Hydro Ottawa recommends that the OEB maintain its proposed treatment of CAM-related uncommitted capacity costs. The CAM provides appropriate safeguards to ensure that connection costs are prudently planned and incorporated into rate base.

³ Ibid. Page 16.

⁴ Ibid. Page 19.

PAYMENT OF AGREED CAPACITY

Proposed Approach

2.2.1. b) Customers with agreed committed capacity. This includes customers who have not fully paid the capital contribution amount under the CAM, but have provided binding financial commitments in respect under the CAM, but have provided binding financial commitments in respect of their future capital contributions. These customers will make any remaining capital contribution payments in later years, prior to connection to the expansion and before the end of the CAM term.

Hydro Ottawa Comments

Hydro Ottawa is concerned that the proposed amendment omits specific direction on whether a distributor will be paid in full if the agreed committed capacity customer(s) fail to connect during the CAM term.

Under the draft CAM, distributors and their ratepayers bear the initial financial risk of funding agreed committed capacity customers. If a connection does not materialize within the CAM term, distributors and ratepayers risk bearing the connection costs without guaranteed compensation. This approach is inconsistent with the user-pays principle of rate-making.

To remedy this concern, Hydro Ottawa suggests that language be added stating the distributor's rights and procedures for instances where a customer with agreed committed capacity does not connect during the CAM term. Specifically, the distributor should be paid in full for the agreed capacity customers' capital contribution at the end of the CAM term using its binding financial commitment if no alternative payment option exists. This would provide clarity and mitigate potential risks to distributors and their ratepayers.

Recommended Amendment

*2.2.1. b) Customers with agreed committed capacity. This includes customers who have not fully paid the capital contribution amount under the CAM, but have provided binding financial commitments in respect under the CAM, but have provided binding financial commitments in respect of their future capital contributions. These customers will make any remaining capital contribution payments in later years, prior to connection to the expansion and before the end of the CAM term. **Where these customers have not fully paid their capital contribution amounts by the end of the CAM term, the customer must pay the distributor in full using its binding financial commitment, or by another payment option.***

POTENTIAL CASH FLOW CONSTRAINTS

The draft CAM imposes a considerable and inequitable financial burden on LDCs by requesting distributors to fund upfront the entire cost of infrastructure expansions necessary for new developments, while allowing developers to pay these capital costs over an extended period. This could create a significant "cash flow gap" that disregards the immediate financial obligations of LDCs, and can severely impact operational liquidity that LDCs must manage.