

May 15, 2025

Mr. Brian Hewson, VP Consumer Protection & Industry Performance
Ontario Energy Board
2300 Yonge Street, 27th Floor
P.O. Box 2319
Toronto, Ontario
M4P 1E4

RE: ***Consultation EB-2024-0092***
Ontario Energy Board's Notice of Proposal to Amend the Distribution System Code to Establish a Capacity Allocation Model

We are in receipt of your April 17th '***Notice of Proposal to Amend the Distribution System Code to Establish a Capacity Allocation Model***', and submit the following comments as part of our formal stakeholder response. For ease of reference, and to enhance their related importance, we also include in this package our December 8, 2024 submission as part of the consultation related to the ***Proposed Amendments to the Distribution System Code (DSC) to Facilitate the Connection of Housing Developments and Residential Customers***.' We have also included all previous submissions as part of the provincial consultation on recent housing electrification initiatives, as well as related correspondence sent to the OEB in response to your Spring consultation.

Our association members are land developers and builders, both residential and non-residential, who are community building partners that support the provincial housing plan to reduce the cost of building new housing and providing certainty for families. It is our objective to continue working with the province to enhance employment opportunities, and to help build the 1.5 million new homes needed over the next decade. BILD and its' members have been keenly interested in recent OEB activities and have been intently following many of the recent initiatives as related to the Ministry's direction letter of November 2023. We were therefore very pleased to see that the OEB is looking to amend the DSC, and appreciate the opportunity for many BILD members to participate on the formal Capacity Allocation Model Technical Advisory Group (CAMTAG). The comments provided below have also been provided to BILD from the member representatives that participated on the CAMTAG.

BILD is also pleased to note that it's members who participated on the CAMTAG expressed that they felt the discussions and output of the group were a significant success. We must express our strong support for the proposed CAM approach, which allows communities to commence development without overly burdening first movers.

This is one aspect of updating the regulatory framework around electrification of new communities that is essential for the Province to build homes faster and smarter. While we have comments and request for additional consultation on the CAM implementation and other areas of discussion, we believe the OEB should implement a CAM model as soon as possible, noting that additional information and guidance for implementation will follow.

In addition, we present the following comments for your consideration:

It is important to recognize that the CAMAG consultation only addresses one element of concern to BILD, and that additional consultation and discussion must occur on the timely and cost-effective delivery of electricity infrastructure in new communities areas that balances the coequal objectives of insulating existing customers from rate increases and reducing the cost of new homes in an affordability crisis.

In particular, many possibilities related to the costs, financing, and partnership in the effective delivery of electricity were, understandably, not discussed during the CAMAG consultation as they went beyond the necessarily narrow scope of this work and would also require legislative or regulatory changes.

We request that the government undertake additional consideration and consultation for solutions to these challenges, particularly those that do not require rate increases to existing customers to deliver new infrastructure, but also do not burden new homebuyers with additional costs.

Some topics could include:

- alternative options for financing infrastructure not currently used by, nor permitted for local distribution companies (LDCs), such as reinvesting dividends into capital investments by LDCs and their shareholders, or financing vehicles such as a Deferral or Variance Account;
- revisiting the definitions of expansion versus enhancement to better define the cost between existing customers and new ones;
- the ability for developers to recover the full cost of expansions over time, or the potential for developer partnership and ownership in LDC system assets that they construct for new communities;
- the potential for the Province to de-risk investments in new infrastructure by guaranteeing the required returns for LDCs in advance of sufficient user rate collection in growth areas;
- different rules/requirements for large versus small LDCs to account for different abilities to undertake capital expenditures; and,
- directing different LDCs to more fluidly share their system assets and capacity to accommodate growth (for instance, backing up the system of one LDC with a

system of another), and potentially allowing LDCs to compete for new business in each other's territories to provide the most timely and cost-effective service.

The following are our comments on the proposed CAM:

1. Long-term system planning must be first undertaken to determine the area of the CAM.

LDCs must undertake long-term system (requirements for the next 30 years) planning to determine the overall electricity system design to service growth areas. This is particularly important in large and fast-growing municipalities identified in the Provincial Planning Statement. This must occur to determine geographic areas that require new electricity infrastructure prior to development to ensure that CAM areas can be properly identified, and to determine if infrastructure for growth in new development areas can be phased. This also ensures that transmission system requirements are known and planned in a timely manner, and are not, as the case increasingly is, that these requirements are only identified during distribution system planning.

We strongly encourage the OEB to require that the Rate Base Applications provided by LDCs identify growth and system requirements for 30 years, and identify 5 and 10 year capital plans as a basis for setting new rates which include the system requirements for new communities/CAM areas.

2. CAM Scope

There is no guidance on how the CAM area is to be identified. The CAM area must include all lands that may connect to the infrastructure being built. This is essential to ensure that principal of beneficiary pays which is inherent in any developer cost sharing: all users who benefit from the infrastructure will pay a share of the costs. This could mean that CAM areas extend beyond the intended community/neighbourhood where first-movers are triggering the request.

Related to this point, the required infrastructure should be limited to that required to allow development of first movers and related growth areas to minimize costs and risks to the LDC and developers, particularly where the full electrification of a larger community can occur in a phased delivery of electricity infrastructure.

The CAM is noted as having a maximum lifespan of 15 years. We strongly believe that this should be between 20 to 30 years, which is a timeframe municipalities are required to plan for growth under the Provincial Planning Statement, and the typical timeframe for building new communities that would apply to a CAM.

3. Need for More Clarity Regarding CAM Governance and Dispute Resolution

The Notice of Proposal, on page 5, states that the LDC should engage in "collaboration" and "consultation" with the developers, but also says that the LDCs are in the best position to make decisions about the application of the framework. It is important to

note that a CAM process might involve multiple parties (LDCs, developers, municipalities) with different interests and perspectives, all with sometimes different interests and perspectives, very large expenditures for new infrastructure, and a term of up to 15 years.

4. Cost Sharing Mechanics and Contribution Methodology

The details of the cost-sharing mechanics and contribution methodology require further consideration and effort. We recommend and request that further consultation and guidance materials be created to address the numerous considerations in this regard. We believe that the CAM model should be implemented as soon as possible. However, the OEB needs to immediately proceed with preparing guidance material on a number of technical issues.

As some examples, the following should be better understood and direction provided by the OEB to LDCs to ensure the CAM will be an effective model with regard to:

- 1) Whether energy associated with the CAM is reserved for the CAM area over the duration of the CAM to ensure that growth can occur with certainty in those areas;
- 2) Whether the CAM arrangement will be a modified form of Offer to Connect, or whether this will be a separate agreement altogether;
- 3) Whether the requested capacity from individual customers will be reserved for the current 5-year connection horizon, or to 15 years as contemplated in the DSC or more if a longer period for the CAM is determined;
- 4) The need to true-up the requested capacity against utilized capacity to fully utilize available energy in the system, in particular for higher-density residential lands that may vary in actual need versus requested;
- 5) Adjustments to contributions and rebates over time if the actual costs of infrastructure are adjusted from initial estimates, or design and therefore the system changes;
- 6) The basis and assumptions for estimating energy requirements in a CAM area (e.g. residential Kw/unit, the number of schools and commercial areas, and modifying assumptions for EV charging, DER in homes, and net-zero homes etc.)
- 7) Determining and excluding requirements for lands designated for growth that may not be developed in the CAM timeframe;
- 8) How and when an alternative-bid proposal can work where a developer can construct some or all of the infrastructure required beyond their own needs, and the sharing of costs with the LDC;
- 9) Determining how financing charges are dispensed with at the end of the CAM period and whether new customers after the CAM period must still pay their share of historic costs; and,
- 10) Whether the capacity in the CAM can be obtained through an agreement with a landowners group, as opposed to individual first movers, and whether such a group could distribute such capacity within itself to relieve the LDC from needing to keep track of allocation and cost true-ups within the timeframe of the CAM.

5. Consider Fairer Allocation of Risk:

Although referenced in the section above, it is important to reinforce the need for greater transparency regarding the LDCs costs under the CAM and the potential for cost overruns. The Notice of Proposal contemplates that the standard agreement between the LDC and those participating in the CAM would provide for an initial estimate of costs by the LDC with a true-up at the end to reflect the actual costs, which may be below or above the initial estimate. Without a proper system of checks and balances, this approach could expose proponents to significant cost overruns. We therefore recommend that the CAM process commit the LDC to providing developers with regular project schedule and cost updates, and that this reporting commitment be included in any CAM governance guiding documents.

Related, we must also consider a mechanism to address potential unused capacity. Under the draft CAM proposal, if a committed developer does not use its full capacity (a situation where there are fewer customer or lower demand), the developer is not reimbursed for the value of that unused capacity, even if it can be allocated to uncommitted customers who would then pay the LDC the appropriate connection charge. The proposal suggest that the rationale for this approach is that it would provide an incentive for developers to accurately forecast demand at the outset of the CAM. We therefore recommend that a mechanism be established where the proponent can adjust its committed capacity downwards and receive a credit or refund from the LDC.

BILD and its members are incredibly encouraged with the CAM framework, and trust that the OEB will ensure that LDCs are properly equipped to carry out their responsibilities under the CAM framework. The effective management of the CAM framework will require coordination across many different parts of the LDC and with many external interested parties and stakeholders. It will be important for the LDCs to have the resources and internal coordination needed to carryout their responsibilities under the CAM, and the OEB should take proactive steps in this regard. Our members are significantly interested and affected stakeholders who are eager to work with the Ontario Energy Board, the Ministry and all interested parties. We are committed to being a part of both short and long term solutions, and applaud the OEB for establishing the CAMTAG. We trust that the significant work of this group will continue, and are encouraged by the progress made thus far.

Sincerely,



Paula J. Tenuta
Senior Vice President, Policy & Advocacy

December 8, 2024

Mr. Mark White, Chair
Mr. Harneet Panesar, Chief Operating Officer
Mr. Brian Hewson, VP Consumer Protection & Industry Performance

Ontario Energy Board

2300 Yonge Street, 27th Floor
P.O Box 2319
Toronto, Ontario
M4P 1E4

RE: ***Ontario Energy Board's Notice of Proposal to Amend the Distribution System Code to Facilitate the Connection of Housing Developments & Residential Customers***

Thank you very much for your recent presentation to members of the Building Industry and Land Development Association regarding various consultations that the Ontario Energy Board is undertaking, as well as steps and initiatives being taken to respond to the Minister of Energy and Electrification's direction letter of November 2023, and the Ministry's latest visionary directions and announcements made in October.

We are in receipt of your November 18th '***Notice of Proposal to Amend a Code: Proposed Amendments to the Distribution System Code (DSC) to Facilitate the Connection of Housing Developments and Residential Customers***', and submit the following comments as part of our formal stakeholder response. For ease of reference, and to enhance their related importance, we also include in this package our November and December Environmental Registry of Ontario submissions as part of the provincial consultation on recent housing electrification initiatives, as well as related correspondence sent to the OEB in response to your Spring consultation.

Our association members are land developers and builders, both residential and non-residential, who are community building partners that support the provincial housing plan to reduce the cost of building new housing and providing certainty for families. It is our objective to continue working with the province to enhance employment opportunities, and to help build the 1.5 million new homes needed over the next decade.

BILD and its' members have been keenly interested in recent OEB activities and have been intently following many of the recent initiatives as related to the Ministry's direction letter of November 2023. We were therefore very pleased to see that the OEB is looking to amend the DSC.

We would like to take this opportunity to reinforce that we welcome the Ministry's commitment to establishing a Housing Electricity Growth Forum to bring together designated municipalities with housing targets, impacted local utilities, industry and construction leaders, and the OEB to discuss ways to accelerate connections while reducing costs. We look forward to continuing our discussions with the province and the OEB, having the opportunity to engage our industry counterparts, municipalities, LDCs, and representatives from the Ministry of Energy and Electrification and the Ministry of Municipal Affairs and Housing at the proposed Forum to discuss new solutions to address these, and all of our recommendations in further detail.

Below are BILD's specific recommendations related to the notice of proposal to amend the Distribution System Code:

1. We recommend that the Ontario Energy Board work with industry representatives, prior to finalizing the proposed amendments to the Distribution Code, to ensure that the proposed wording is not restrictive, and that the resulting document will be a workable Code for all stakeholders.
2. The Ontario Energy Board's notice of proposal and proposed amendments to the Distribution System Code have a specific focus on residential housing development. Given the importance of the employment sector and direct integration of industrial and commercial developments to the growing communities of the province, it is imperative that the same terms and conditions being offered to housing developments are extended to the non-residential sector when contemplating any amendments to the Distribution System Code and any other related initiatives.
3. The OEB is proposing to amend the Distribution System Code (DSC) to extend the Connection Horizon to fifteen years and the Revenue Horizon to forty years as recommended and supposed by many BILD members. We are therefore very supportive of these proposed amendments as they will assist in a more equitable distribution of costs, lowering the burden on the new homeowner, and we recommend the expeditious execution of these reforms.
4. As part of the work related to the proposed amendments to the DSC, we recommend that the OEB also address and clarify the financial responsibilities to build transformer stations and related works. As is in the majority of current situations, residential and non-residential land developers or home builders are being required to bear the burden of these costs. They should instead be the responsibility of the local distribution companies.
5. In addition, as related to other recommendations in this submission, we would also encourage the OEB to address the external expansions to developments in order to protect the investments made by developers to provide hydro capacity

at the frontage of their sites. Currently, the first Developer or Developers Group requiring external capacity expansion to a community has to pay in full for that expansion. We believe that a formal cost sharing formula through the LDC would ensure that the Developers are only responsible for their proportionate share of the expansion and that any future connections to that external expansion would be paid for by whomever is connecting to the expansion.

To help meet the province's mandate of building 1.5 million homes by 2031 and the associated commercial and employment lands to provide Ontarians jobs, we must collectively tackle the challenges to electrifying new communities that we outline and elaborate upon in the attached submission. We trust that all of these comments will be read in tandem as they collectively represent our forward-looking solution oriented approach.

Ontario's housing supply crisis means too many people are unable to find a home that meets their needs and budget. Our members agree with the government's goal of significantly increasing the supply of all housing types in the province and reducing the regulatory burden that increases costs and delays for future residents. A solution in addressing this crisis and improving affordability is to ensure more supply is created and readily available and looking for alternative solutions to electrify new communities for Ontario's residents must be a part of that conversation.

Our members are significantly interested and affected stakeholders who are eager to work with the Ontario Energy Board, the Ministry and all interested parties. We are committed to being a part of both short and long term solutions, recognizing that this is the start of what we hope are effective and productive conversations, and we look forward to our future discussions.

Sincerely,



Paula J. Tenuta
Senior Vice President, Policy & Advocacy

CC. Minister of Energy & Electrification, Minister's Office Staff



Ontario
Home Builders'
Association

December 6, 2024

Kirby Calvert
Manager (Acting), Transmission Policy, Energy & Electrification
Ministry of Energy and Electrification
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RE: ERO 019-9300 - - Proposal to create a regulation under the Ontario Energy Board Act, 1998 to change cost responsibility rules for certain electricity system connection infrastructure for high-growth areas where load growth materializing in the future is very likely

The Ontario Home Builders' Association

The Ontario Home Builders' Association (OHBA) is the voice of the residential construction industry in Ontario, representing 4,000 member companies organized into 28 local associations across the province, from Niagara to Thunder Bay and Windsor to Ottawa. Members include builders, developers, professional renovators, trade contractors, suppliers, and manufacturers serving the residential construction industry. The residential construction industry employed over 550,000 people, paying \$38.8 billion in wages, and contributed over \$83.8 billion in investment value across Ontario in 2023.

Please accept the below as our submission to the government's request for feedback on ERO Posting #019-9300, a *'proposal to create a regulation under the Ontario Energy Board Act, 1998 to change cost responsibility rules for certain electricity system connection infrastructure for high-growth areas where load growth materializing in the future is very likely.'*

This is being submitted on behalf of OHBA and its 28 local associations including, but not limited to, the Building and Land Development Association (BILD), West End Home Builders' Association (WE HBA), Greater Ottawa Home Builders' Association (GO HBA), and London Home Builders' Association (LHBA). For ease of reference, and to enhance their importance, we also include in this package our November ERO submission, as well as related correspondence sent to the Ontario Energy Board in response to their Spring consultation.

Environmental Registry Background & Proposal Summary specific to OHBA Response

The provincial government is consulting on potential changes to cost responsibility for certain electricity system connection infrastructure for high growth areas. The changes could reduce the cost to 'first mover' customers and enable more timely development of infrastructure to enhance system readiness for industrial and housing development and electrification.

The Ministry of Energy and Electrification (Ministry) is consulting on potential regulatory changes that would, if approved, change the cost responsibility framework for certain electricity system infrastructure, including how costs are allocated to customers and how those costs are recovered by the utility companies that build the infrastructure. These changes may be made at the transmission and / or the distribution level, and where the prospect of load materializing in the future is very likely.

For clarity, the proposed regulatory treatment would apply only to customer connection infrastructure (i.e., in the case of distribution infrastructure, assets required to expand the distribution system to connect a specific customer or group of customers to the electricity system and in the case of transmission infrastructure, line or transformer connection assets). It would not apply to what are referred to as network assets at the transmission level or distribution system network assets (or “enhancements”) at the distribution level (i.e., infrastructure that benefits the whole system and which is paid for by all ratepayers).

Proposal:

The Ministry is considering developing a regulation or regulations that could:

- **Reduce the cost and financial burden on 'first mover' customers (i.e., the first customer(s) that want(s) to connect in an area where electricity infrastructure capacity from the distribution or transmission networks is not sufficient to service that new demand).** Existing rules require first-mover customers to bear the full costs and financial risk of building new connection infrastructure, even if that new infrastructure results in capacity that exceeds the customer's requirements due to the engineering or optimal sizing of the assets to meet the customer's requirements. The proposed changes could re-allocate the costs and financial risk associated with this excess capacity.
- **Provide the transmitter or distributor with the assurances they need to build certain connection infrastructure to support anticipated growth without a confirmed customer for all of the capacity.** This proposed change, applied at strategically significant locations, would enable more timely development of connection infrastructure to enhance system readiness for economic development, housing expansion, and electrification.

The Ministry is not proposing to deviate from the fundamental ‘beneficiary pays’ principle that underlies the province's current cost responsibility framework. In accordance with the Ontario Energy Board's Transmission System Code and Distribution System Code, the costs of electricity infrastructure are generally borne by those who benefit. This approach is designed to protect ratepayers from paying for infrastructure that benefits only one or a small number of customers. Beneficiaries / specific customers will continue to pay a share of infrastructure costs, and financial risk will be allocated appropriately to achieve objectives.

Consultation Questions:

The Ministry is undertaking consultation on a potential regulation(s) with a particular focus on the following questions:

1. What criteria should be considered when determining which projects would be subject to new allocation of costs or financial risk? What types of projects should be subject? (see details below for examples of the types of projects that could be considered)
2. What approach should the regulation or regulations take to fairly allocate costs and financial risks between specific connecting customers and ratepayers?

3. What controls should be put in place to ensure that the proposed amendments do not lead to over-building, and to minimize risk to ratepayers, i.e. the risk of stranded assets?

The Ministry is also interested in hearing and addressing any other feedback around the proposal.

Depending on the outcomes of consultation, the Ministry intends to post a draft regulation or draft regulations for further stakeholder consultation.

Proposal Rationale and Background:

The proposal reflects Ontario's commitment to supporting growth and affordability. The Independent Electricity System Operator has projected electricity demand to grow by 75% by 2050. Given the expected increase in electricity system demand, driven by economic growth, housing development, electrification and the energy transition, there is a need for timely and cost-effective expansion of the electricity grid. A proposed regulation(s) could help to reduce connection costs for first-mover customers, enable faster implementation of grid connection infrastructure upgrades, and enhance system readiness for industrial and housing development and electrification in certain circumstances, while driving affordability for Ontarians.

There are two primary issues that could be addressed through regulations (and the Ministry welcomes feedback on whether there are other issues that could be addressed):

- **First-mover customers currently bear a disproportionate cost and financial risk associated with the construction of new connection infrastructure.** The first mover may be reimbursed if other customers use the excess capacity within the appropriate connection horizon, but are not reimbursed by customers that materialize after that period. As a result, first mover customers seeking to connect to the transmission or distribution systems argue that they bear a disproportionate cost and financial risk associated with the infrastructure they need to connect to the grid.
- **Transmitters and distributors are not incented to build new connection infrastructure in anticipation of future growth and therefore generally build incrementally only after customers commit to new capacity.** In other words, even when a transmitter may be confident that future customers will materialize in an area, they cannot deliberately build excess capacity unless a specific customer is willing to make a financial commitment in advance of when they might need it or the IESO is able to identify the future need, and they are not willing to accept the risk of building without such assurance. Distributors are expected to build infrastructure as an enhancement to their systems if it is to meet forecasts of general load growth, however such investments may not address a future specific connection expansion need. This can result in higher total connection costs relative to building connection capacity proactively, as connection infrastructure may become quickly over-subscribed in high-growth areas by the time new customers are ready to commit, and subsequent work is required to retrofit or upgrade infrastructure to meet the new demand.

In both of these scenarios, the existing cost allocation and recovery framework can be a prudent way to balance attributing costs to benefitting customers and avoiding risk of ratepayers paying for excess capacity. However, this may unnecessarily limit investment and expansion and places excess burden and risk on the aforementioned first-movers, especially in areas where the government expects or is promoting high growth.

SUMMARY OF RECOMMENDATIONS

- *OHBA and its local associations support the OEB's recommendation to establish a new capacity allocation model that specifically addresses multi-year, multi-party developments and ensures a fair allocation of costs between connecting parties. We recommend that the model be developed in consultation with all stakeholders so that the first mover's expansion investments can be recovered in a fair and equitable way, without burdening existing and new ratepayers.*
- *We strongly recommend that the Province consider regulatory and legislative amendments to require the Ontario Energy Board (OEB) and Local Distribution Companies (LDCs) to prepare integrated energy plans that:*
 - *Must be updated at least every 5 years to reflect and implement provincial and municipal planning forecasts;*
 - *Establish transmission and supply requirements to ensure that overall system planning anticipates and provides inputs into regional planning for generation and transmission requirements; and that,*
 - *Require LDCs to complete local distribution design planning to accommodate growth in large and fast growing municipalities and any other municipalities that have signed a housing pledge with the Province.*
- *OHBA recommends that the Province expedite integrated energy resource planning in housing pledge municipalities by expediting the approval and funding of critical transmission infrastructure that is required to achieve the 2031 housing targets.*
- *OHBA and its local associations ask that the province consider changes to the legislative and regulatory system and take actions to expedite energy delivery in a fair way to new community areas by:*
 - *Requiring and enabling LDCs to deliver infrastructure to the doorsteps of new community areas in time to support the initial growth with Provincial financial guarantees to mitigate the financial risks to existing ratepayers should growth take longer than expected.*
 - *Providing financial incentives and solutions for first movers that are required to fund capital works to bring energy to the doorstep of their developments, such as:*
 - a. Allowing such funding to be a financial partnership with LDCs, including the potential for an equity position in the LDCs commensurate with the investment in building a portion of their system;*
 - b. Consider allowing developers to become shareholders for their investment toward the large and multi-year development projects;*
 - c. Allowing developers/groups to reserve the capacity created from such investments and require new users to pay a fair share of indexed costs so that the cost of such infrastructure is shared proportionately and recovered by first movers;*
 - d. Ensuring that first-movers can recover the full capital costs with indexing from LDCs through modifications to the distribution system code and economic analysis calculations. We welcome the idea of extending the connection horizon, but it is crucial to establish a new recovery model and properly assess the associated calculations related to cost recovery.*
 - *Providing for a process for the Province to back stop risk for LDCs and first movers in Strategically Significant Locations (SSLs) through provincial funding or the participation of the Building Ontario Fund to reduce the risk of stranded assets. Such funding could be available having regard to a number of criteria, such as, by way of example:*
 - a. Rely on the SSL model/approach only when alternate funding models are insufficient to support the build out of the system*

- b. Be consistent with municipal and provincial plans, having regard especially to availability of other infrastructure and services (water, sewers, transit, etc.)*
 - c. Build out to the SSL would support the efficient development of distribution network capacity going forward*
- We recommend that the Ontario Energy Board work with industry representatives, prior to finalizing the proposed amendments to the Distribution Code, to ensure that the proposed wording is not restrictive, and that the resulting document will be a workable Code for all stakeholders.*
- The Ontario Energy Board's notice of proposal and proposed amendments to the Distribution System Code have a specific focus on residential housing development. Given the importance of the employment sector and direct integration of industrial and commercial developments to the growing communities of the province, it is imperative that the same terms and conditions being offered to housing developments are extended to the non-residential sector when contemplating any amendments to the Distribution System Code and any other related initiatives.*
- The OEB is proposing to amend the Distribution System Code (DSC) to extend the Connection Horizon to fifteen years and the Revenue Horizon to forty years as recommended and supported by many BILD members. We are therefore very supportive of these proposed amendments as they will assist in a more equitable distribution of costs, lowering the burden on the new homeowner, and we recommend the expeditious execution of these reforms.*
- As part of the work related to the proposed amendments to the DSC, we recommend that the OEB also address and clarify the financial responsibilities to build transformer stations and related works. As is in the majority of current situations, residential and non-residential land developers or home builders are being required to bear the burden of these costs. They should instead be the responsibility of the local distribution companies.*
- In addition, as related to other recommendations in this submission, we would also encourage the OEB to address the external expansions to developments in order to protect the investments made by developers to provide hydro capacity at the frontage of their sites. Currently, the first Developer or Developers Group requiring external capacity expansion to a community has to pay in full for that expansion. We believe that a formal cost sharing formula through the LDC would ensure that the Developers are only responsible for their proportionate share of the expansion and that any future connections to that external expansion would be paid for by whomever is connecting to the expansion.*

OHBA Response

Thank you to the Ministry of Energy and Electrification and the Ontario Energy Board (OEB) for considering and adopting many of the recommendations provided by BILD in their previous submission to the Ontario Energy Board's Consultation on Distribution System Expansion for Housing Development Cost Recovery Options. That has been attached for reference and inclusions as part of this ERO submission, as well as our submission to the ERO on a related topic sent in November. OHBA and BILD also had the recent opportunity to appear before the Standing Committee of the Interior on *Bill 214, the Affordable Energy Act*. We also attach that presentation which reinforces and supports comments as part of this ERO submission.

Our association members are land developers and builders, both residential and non-residential, who are community building partners that support the provincial housing plan to reduce the cost of building new housing and providing certainty for families. It is our objective to continue working with the province to enhance employment opportunities, and to help build the 1.5 million new homes needed over the next decade.

OHBA members welcome the opportunity to participate in the Ministry's consultation on potential regulatory changes that would, if approved, change the cost responsibility framework for certain electricity system infrastructure, including how costs are allocated to customers and how those costs are recovered by the utility companies that build the infrastructure.

We support the Ministry's work to consider developing a regulation or regulations that could reduce the cost and financial burden on 'first mover' customers and provide the transmitter or distributor with the assurances they need to build certain connection infrastructure to support anticipated growth without a confirmed customer for all of the capacity.

We also welcome the Ministry's commitment to establishing a Housing Electricity Growth Forum to bring together designated municipalities with housing targets, impacted local utilities, industry and construction leaders, and the OEB to discuss ways to accelerate connections while reducing costs. We look forward to continuing our discussions with the province, the OEB, having the opportunity to engage our industry counterparts, municipalities, LDCs, and representatives from the Ministry of Energy and Electrification and the Ministry of Municipal Affairs and Housing at the proposed Forum to discuss new solutions to address our recommendations in further detail.

OHBA and its local associations support the OEB's recommendation to establish a new capacity allocation model that specifically addresses multi-year, multi-party developments and ensures a fair allocation of costs between connecting parties. We recommend that the model be developed in consultation with all stakeholders so that the first mover's expansion investments can be recovered in a fair and equitable way, without burdening existing and new ratepayers.

This will make it easier and more affordable to make "last mile" connections, protecting ratepayers, current and future homeowners and reducing upfront capital costs of new lines. The proposed changes will bring greater fairness and predictability to this approach, reducing the financial burden on new homebuyers and industry and enabling more timely development of energy infrastructure.

We are aware that BILD member companies have requested to participate in the OEB's proposed Capacity Allocation Model Advisory Group (CAMAG) to inform the development of a fair, transparent and sustainable model for allocating infrastructure costs amongst different parties. We look forward to participating in these discussions to address financial considerations for future homeowners, ratepayers and businesses while ensuring the process minimizes administrative burden.

Prioritize Master Planning to Meet Municipal Housing Pledges

OHBA and its local associations supports creating a predictable planning cycle for investors, stakeholders and Indigenous communities by requiring integrated planning consultations to begin at

least once every five years from the issuance of the last plan. This is a step in the right direction to ensuring sufficient infrastructure and capacity is available for new communities and future development. This would further help align energy infrastructure planning with provincial and municipal growth planning. We remain concerned, however that this does not go far enough to ensure that LDCs construct and reserve sufficient capacity for future growth.

Therefore, we strongly recommend that the Province consider regulatory and legislative amendments to require the OEB and LDCs to prepare integrated energy plans that:

- **Must be updated at least every 5 years to reflect and implement provincial and municipal planning forecasts;**
- **Establish transmission and supply requirements to ensure that overall system planning anticipates and provides inputs into regional planning for generation and transmission requirements; and that,**
- **Require LDCs to complete local distribution design planning to accommodate growth in large and fast growing municipalities and any other municipalities that have signed a housing pledge with the Province.**

Expedite and Fund Critical Transmission Infrastructure to achieve the Province's 2031 Housing Targets

While it is imperative to fix the overall coordination of planning energy, aligned with provincial and municipal growth forecasting, it is also urgently needed to triage and immediately fund critical transmission infrastructure that is currently a constraint to delivering housing in faster-growing municipalities. Failure to do so will predictably result in the Province failing to meet its housing targets, solely from the lack of electricity supply required to energize these homes.

We ask that the Province expedite integrated energy resource planning in housing pledge municipalities by expediting the approval and funding of critical transmission infrastructure that is required to achieve the 2031 housing targets.

Current Practice Places an Unfair Burden on First Movers

In new growth areas, first movers play a critical role in establishing the necessary services and infrastructure to support development in new community areas, often shouldering substantial upfront costs to do so.

Under current practice in a user-pay energy system, first movers are obligated to fund new infrastructure that is required for entire new communities. This is well beyond individual developer or subdivision needs, meaning that first movers are put in an unfair and often economically unviable position to deliver the first homes or jobs in new communities. The risk and reward structure does not make financial sense. In any functioning system, the party taking the risk has a position to reap any potential rewards.

Given that electricity capacity cannot be reserved, nor can first movers collect back the capital costs from either the LDCs or other future users, the current system is also unfair as it would provide a

financial benefit to LDCs and other developers on the backs of the first movers in a community. A 15-year connection horizon further pushes out this timeline, leaving first movers with pennies on the dollar. This financial burden on first movers is also disproportionate to their individual energy needs as it places a responsibility on them to pay for the construction of services, such as hydroelectric infrastructure that will serve the wider community.

This practice fails to recognize the principle of fairness, where those who benefit from such infrastructure should be expected to contribute their fair share of these costs.

We ask that the province consider changes to the legislative and regulatory system and take actions to expedite energy delivery in a fair way to new community areas by:

- **Requiring and enabling LDCs to deliver infrastructure to the doorsteps of new community areas in time to support the initial growth with Provincial financial guarantees to mitigate the financial risks to existing ratepayers should growth take longer than expected.**
- **Providing financial incentives and solutions for first movers that are required to fund capital works to bring energy to the doorstep of their developments, such as:**
 - a. **Allowing such funding to be a financial partnership with LDCs, including the potential for an equity position in the LDCs commensurate with the investment in building a portion of their system;**
 - b. **Consider allowing developers to become shareholders for their investment toward the large and multi-year development projects;**
 - c. **Allowing developers/groups to reserve the capacity created from such investments and require new users to pay a fair share of indexed costs so that the cost of such infrastructure is shared proportionately and recovered by first movers;**
 - d. **Ensuring that first-movers can recover the full capital costs with indexing from LDCs through modifications to the distribution system code and economic analysis calculations. We welcome the idea of extending the connection horizon, but it is crucial to establish a new recovery model and properly assess the associated calculations related to cost recovery.**
- **Providing for a process for the Province to back stop risk for LDCs and first movers in Strategically Significant Locations (SSLs) through provincial funding or the participation of the Building Ontario Fund to reduce the risk of stranded assets. Such funding could be available having regard to a number of criteria, such as, by way of example:**
 - a. **Rely on the SSL model/approach only when alternate funding models are insufficient to support the build out of the system**
 - b. **Be consistent with municipal and provincial plans, having regard especially to availability of other infrastructure and services (water, sewers, transit, etc.)**
 - c. **Build out to the SSL would support the efficient development of distribution network capacity going forward**

The expansion of energy infrastructure is essential to accommodate the increasing demands of a growing population and to meet the province's housing targets. However, the high upfront costs for first movers and lack of transparency from municipalities and LDCs are becoming prohibitive, are impacting

timelines, discouraging investment, and deterring land developers from undertaking crucial projects that would enhance infrastructure and housing supply.

The province should also take steps to clarify how SSLs are to be specified. The regulation should describe a process to include LDCs, municipal and provincial planners and outline selection criteria, as suggested above.

BILD Recommendations to the Ontario Energy Board on Proposed Amendments to DSC

The Ontario Energy Board is in the process of a consultation regarding proposed amendments to the Distribution System Code to facilitate connection of housing development. BILD and its' members have been keenly interested in recent OEB activities and have been intently following many of their recent initiatives as related to the Ministry's direction letter of November 2023. We were therefore very pleased to see that the OEB is looking to amend the DSC, and the following represents BILD and its members' recommendations that we are also forwarding as part of this related ERO proposal.

It is important for the Ministry of Energy and Electrification to be aware of BILD's recommendations and we encourage you to enhance these directions as progress on electrifying new communities continues.

Below are BILD's recommendations to the OEB on their notice of proposal to amend the DSC:

- 1. We recommend that the Ontario Energy Board work with industry representatives, prior to finalizing the proposed amendments to the Distribution Code, to ensure that the proposed wording is not restrictive, and that the resulting document will be a workable Code for all stakeholders.**
- 2. The Ontario Energy Board's notice of proposal and proposed amendments to the Distribution System Code have a specific focus on residential housing development. Given the importance of the employment sector and direct integration of industrial and commercial developments to the growing communities of the province, it is imperative that the same terms and conditions being offered to housing developments are extended to the non-residential sector when contemplating any amendments to the Distribution System Code and any other related initiatives.**
- 3. The OEB is proposing to amend the Distribution System Code (DSC) to extend the Connection Horizon to fifteen years and the Revenue Horizon to forty years as recommended and supposed by many BILD members. We are therefore very supportive of these proposed amendments as they will assist in a more equitable distribution of costs, lowering the burden on the new homeowner, and we recommend the expeditious execution of these reforms.**
- 4. As part of the work related to the proposed amendments to the DSC, we recommend that the OEB also address and clarify the financial responsibilities to build transformer stations and related works. As is in the majority of current situations, residential and**

non-residential land developers or home builders are being required to bear the burden of these costs. They should instead be the responsibility of the local distribution companies.

- 5. In addition, as related to other recommendations in this submission, we would also encourage the OEB to address the external expansions to developments in order to protect the investments made by developers to provide hydro capacity at the frontage of their sites. Currently, the first Developer or Developers Group requiring external capacity expansion to a community has to pay in full for that expansion. We believe that a formal cost sharing formula through the LDC would ensure that the Developers are only responsible for their proportionate share of the expansion and that any future connections to that external expansion would be paid for by whomever is connecting to the expansion.**

CONCLUSION

To help meet the province's mandate of building 1.5 million homes by 2031 and the associated commercial and employment lands to provide Ontarians jobs, we must collectively tackle the above noted challenges to electrifying new communities.

Ontario's housing supply crisis means too many people are unable to find a home that meets their needs and budget. OHBA members agree with the government's goal of significantly increasing the supply of all housing types in the province and reducing the regulatory burden that increases costs and delays for future residents. A solution in addressing this crisis and improving affordability is to ensure more supply is created and readily available and looking for alternative solutions to electrify new communities for Ontario's residents must be a part of that conversation.

The Ministry's consultation as related to the first mover issue in high-growth areas is a welcome one.

Our members are significantly interested and affected stakeholders who are eager to work with the Ministry and all interested parties. We are committed to being a part of both short and long term solutions, recognizing that this is the start of what we hope are effective and productive conversations.



November 22, 2024

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Re: *ERO #019-9284 – Proposed Amendments to the Electricity Act, 1998, Ontario Energy Board Act, 1998 and the Energy Consumer Protection Act, 2010 to enable an affordable energy future*

The Ontario Home Builders' Association

The Ontario Home Builders' Association (OHBA) is the voice of the residential construction industry in Ontario, representing 4,000 member companies organized into 28 local associations across the province, from Niagara to Thunder Bay and Windsor to Ottawa. Members include builders, developers, professional renovators, trade contractors, suppliers, and manufacturers serving the residential construction industry. The residential construction industry employed over 550,000 people, paying \$38.8 billion in wages, and contributed over \$83.8 billion in investment value across Ontario in 2023.

Please accept the below as our submission to the government's request for feedback on a proposed amendments to *the Electricity Act, 1998*, the *Ontario Energy Board Act, 1998* and the *Energy Consumer Protection Act, 2010* to enable an affordable energy future, and for the creation of an Integrated Energy Resource Plan. This is being submitted on behalf of OHBA and its 28 local associations including, but not limited to, the Building and Land Development Association (BILD), West End Home Builders' Association (WE HBA), Greater Ottawa Home Builders' Association (GO HBA), and London Home Builders' Association (LHBA).

Environmental Registry Background & Proposal Summary specific to OHBA Response

The Ministry of Energy and Electrification is proposing legislative amendments that would enable the development of Ontario's first Integrated Energy Resource Plan, make it more cost-effective to connect to the electricity grid, help reduce energy use to save families and businesses money, and support the growth of EV adoption in Ontario. The Ministry is also seeking feedback on legislative amendments that would enable integrated energy resource planning and kick start early actions to ensure Ontario's energy system remains affordable, reliable and clean while supporting intensifying electrification and economic growth. These proposed changes align with and support progress on Ontario's policy vision, "Ontario's Affordable Energy Future: The Pressing Case for More Power".

1. Integrated Energy Resource Planning Amendments

The ministry is seeking feedback on proposed amendments to the Electricity Act, 1998, which would enable an integrated energy resource planning process by:

- Ensuring energy planning is integrated and considers all forms of energy including electricity, natural gas, hydrogen and other energy resources, as well as energy efficiency, storage and demand management.
- Changing the name of the plan from "Long-Term Energy Plan" to an "Integrated Energy Resource Plan" to reflect a planning process that is more integrated.
- Updating the goals and objectives of the Integrated Energy Resource Planning process to align with the priorities of an evolving energy sector in the province.
- Creating a predictable planning cycle for investors, stakeholders and Indigenous communities by requiring integrated planning consultations to begin at least once every five years from the issuance of the last plan.
- Establishing regulation-making authority to define the specific technical information, documents or reports that would need to be considered in the development of future Integrated Energy Resource Plans.
- Enhancing agency implementation processes by removing the requirement for the Independent Electricity System Operator (IESO) and Ontario Energy Board (OEB) to submit implementation plans to the Minister if they receive an implementation directive. While directives could still require implementation plans or other agency reports, this amendment would provide flexibility to enable government to move quickly on issues that would not benefit from additional planning and report-back steps.

2. Electricity Connections to Support Growth

The ministry is seeking feedback on proposed amendments to the Ontario Energy Board Act, 1998 to enable more timely and cost-effective electricity grid expansions to support high growth areas. The proposed amendments would give Government regulation-making authority to change how costs are allocated and recovered for transmission and distribution connection infrastructure where the prospect of load materializing in the future is very likely.

If this legislation is passed, the ministry would propose regulations that could allow for allocating costs for certain electricity system connection infrastructure, particularly in high-growth areas. Regulation(s)

could include provisions that reduce the cost and financial burden on 'first mover' customers and enable more timely development of connection infrastructure to enhance system readiness for industrial and housing development and electrification. The design and implementation of the regulation(s), including the types of projects that would be subject to new cost-allocation and the controls to ensure that costs are allocated fairly, will be determined through a separate consultation process.

OHBA Response

Thank you to the Ministry of Energy and Electrification, the Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) for considering and adopting many of the recommendations provided by Building Industry and Land Development's (BILD's) in their previous submission to the Ontario Energy Board's Consultation on Distribution System Expansion for Housing Development Cost Recovery Options. That has been attached for reference and inclusions as part of this ERO submission. OHBA and BILD also had the recent opportunity to appear before the Standing Committee of the Interior on *Bill 214, the Affordable Energy Act*. We also attach that presentation which reinforces and supports comments as part of this ERO submission.

Our association members are land developers and builders, both residential and non-residential, who are community building partners that support the provincial housing plan to reduce the cost of building new housing and providing certainty for families. It is our objective to continue working with the province to enhance employment opportunities, and to help build the 1.5 million new homes needed over the next decade.

Ontario, like other jurisdictions, is facing two major social and public policy challenges: meeting the urgent need of a growing population for new homes and employment areas, and enhancing Ontario's economic growth and prosperity through electrification and an energy transition.

When contemplating these provincial objectives, which are strongly supported by OHBA and its members, weighed against the provincial directions, it is important to note that the current approach to funding distribution network investments to connect new residential and non-residential developments is no longer fit for purpose. We therefore welcome the opportunity to participate in the Ministry's consultation on proposed legislative amendments that would enable integrated energy resource planning and kick start early actions to ensure Ontario's energy system remains affordable, reliable and clean while supporting intensifying electrification and economic growth.

In addition, not specifically related to this ERO but most worthy of emphasis, OHBA welcomes the Ministry's commitment to establishing a Housing Electricity Growth Forum to bring together designated municipalities with housing targets, impacted local utilities, industry and construction leaders, and the OEB to discuss ways to accelerate connections while reducing costs. We look forward to continuing our discussions with the province, the OEB, having the opportunity to engage our industry counterparts, municipalities, LDCs, and representatives from the Ministry of Energy and Electrification and the Ministry of Municipal Affairs and Housing at the proposed Forum. We believe this forum should be established imminently, without sunset, to allow for continued

conversation regarding solutions to accelerate the provision of electricity to growing communities across the GTA and province.

OHBA Specific Comments related to ERO 019-9284 Proposed Content

Integrated Energy Resource Planning Amendments:

OHBA supports creating a predictable planning cycle for investors, stakeholders and Indigenous communities by requiring integrated planning consultations to begin at least once every five years from the issuance of the last plan. This would further help align energy infrastructure planning with provincial and municipal growth planning.

There are on-going concerns pertaining to requests to developers from LDCs to contribute towards the expansion cost of the electrical infrastructure for various projects, which is elaborated on further in this submission. As related to an Integrated Energy Resource Plan, it must be noted that these requests are unreasonably coupled with the lack of readiness and planning from the LDC to provide supply within the expected timelines of the project. There does not appear to be a direct link between development planning and long term planning by LDCs.

The LDC needs to be more than a stakeholder and must be engaged in the detailed long-term planning of these communities. Local distribution companies must be part of the municipal planning process and incorporate long-term housing plans into their long-term system planning.

Also, the length of time that it takes for local distribution companies to plan, design and construct their infrastructure to support proposed residential, commercial and employment developments make it extremely challenging to meet occupancy timeframes. In one recent example, a planned and approved site in Richmond Hill which includes 2500 new housing units has been delayed by 5 to 6 years due to the lack of hydro capacity. This is only one of example of many challenges BILD's members are faced with when it comes to the challenges of energy connectivity for new housing and commercial developments. A new and improved, and upfront consultation and planning process should be contemplated to address this within the current municipal development application approvals process.

We are hopeful that a move to integrated planning will assist with these challenges.

Electricity Connections to Support Growth:

OHBA supports the governments' proposed regulation-making authority to change how costs are allocated and recovered for transmission and distribution connection infrastructure where the prospect of load materializing in the future is very likely, especially in high-growth areas. Our members have expressed concerns with the lack of financial transparency, the lack of short and long term planning,

and misinterpretations with the current Distribution System Code as related to the electrification of new communities in the GTA.

OHBA and its' local associations recommend that Regulations should address the "first payer" issue for the first phase of a development project, or the first builder in a site plan. We also support the OEB's recommendation to establish a new capacity allocation model that specifically addresses multi-year, multi-party developments and ensures a fair allocation of costs between connecting parties. This will make it easier and more affordable to make "last mile" connections, protecting ratepayers, current and future homeowners and reducing upfront capital costs of new lines. Under current Distribution System Code, developers have been asked to pay up to \$80 million to service the first subdivision – resulting in a cost to new homebuyers of \$20,000 per unit. The proposed changes will bring more fairness and predictability to this approach, reducing the financial burden on new homebuyers and industry and enable more timely development of energy infrastructure. OHBA supports proposed change to enable regulation making authority to protect existing ratepayers while reducing upfront capital costs of new lines that would otherwise increase the costs to new homes and businesses.

In addition, the implementation and interpretation of the OEB rules and regulations vary throughout the GTA by the local distribution companies. The Ontario Energy Board's Distribution System Code sets the minimum conditions that a local distribution company must meet in carrying out its obligations to distribute electricity, however, there is no unified interpretation by them.

Also, there is little to no transparency from the local distribution companies, or public information made available, regarding the available or existing capacity of the electrical system for both the existing rate payers and new developments. The local distribution company's formulas for what triggers an addition of assets and the charges for these assets do not appear transparent. In addition, there is also uncertainty regarding who is responsible for regulating and confirming the existing electrical system capacity when a conflict arises. OHBA looks forward to participating in the standalone consultation on the design and implementation of these regulations in further detail.

Our members have expressed concerns with the lack of financial transparency, the lack of short and long term planning, and misinterpretations with the current Distribution System Code as related to the electrification of new communities in the GTA. We therefore support changes to amend the DSC to extend the revenue horizon for connecting residential developments from 25 years up to 40 years, as well as consider further amendments to the DSC to extend the connection horizon for new electricity lines to housing development projects to 15 years. OHBA also supports proposed amendments to the DSC to provide clarity regarding the conditions under which a local distribution company (LDC) should extend the connection horizon for new developments.

We are hopeful these changes will introduce more flexibility for LDCs and stimulate new investment in energy supply to deliver critical electricity to unlock new housing and employment opportunities.

Conclusion

The Ontario Home Builders' Association and our local associations respectfully submits the feedback and recommendations contained within this submission regarding the proposed amendments to *the*

Electricity Act, 1998, the Ontario Energy Board Act, 1998 and the Energy Consumer Protection Act, 2010 to enable an affordable energy future, and for the creation of an Integrated Energy Resource Plan. We encourage the Ministry of Energy and Electrification to take into consideration all content contained within as the government deliberates the intricacies and complexities of this significant topic and the development of proposed changes to the regulation. Our members are experts in execution, and we respectfully request that the Ministry look to them as a valuable resource to help implement your vision for greater efficiency and effectiveness related to the electrification of new communities.

The expansion of energy infrastructure is essential to accommodate the increasing demands of a growing population and to meet the province's housing targets. However, the stringent regulations and inconsistent implementation by the LDCs are becoming cost prohibitive, are impacting timelines, discouraging investment, and deterring land developers from undertaking crucial projects that would enhance infrastructure and housing supply. To help meet the province's mandate of building 1.5 million homes by 2031 and the associated commercial and employment lands to provide Ontarians jobs, we must collectively tackle the above noted challenges to electrifying new communities.

Ontario's housing supply crisis means too many people are unable to find a home that meets their needs and budget. Our members agree with the government's goal of significantly increasing the supply of all housing types in the province and reducing the regulatory burden that increases costs and delays for future residents. A solution in addressing this crisis and improving affordability is to ensure more supply is created and readily available and looking for alternative solutions to electrify new communities for Ontario's residents must be a part of that conversation.

The Ministry's consultation as related to the development of the Integrated Energy Resource Plan is a welcome one. OHBA and its members are significantly interested and affected stakeholders who are eager to work with the Ministry and all interested parties. We are committed to being a part of both short and long term solutions, recognizing that this is the start of what we hope are effective and productive conversations.



May 1, 2024

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RE: EB – 2024 - 0092

BILD Submission on the Ontario Energy Board's Distribution System Expansion for Housing Development Cost Recovery Options Discussion

Thank you for the opportunity to participate in the Ontario Energy Board's consultation on "Distribution System Expansion for Housing Developments: Exploring Connection and Revenue Horizon Options." We are in receipt of the OEB presentation made at the stakeholder meeting of April 3rd, as well as the November 29, 2023 renewed Letter of Direction from the Minister of Energy which this consultation is in response to. BILD has consulted with its' members, and as the Ontario Energy Board prepares its' response to the Minister's Letter of Direction, we trust that you will take these preliminary BILD comments in to consideration.

The Building Industry and Land Development's members are land developers and builders, both residential and non-residential, who are community building partners that support the provincial Housing Supply Action Plan objectives to reduce the cost of building new housing and providing certainty for families. It is their objective to continue to working with the province to enhance employment opportunities, and to help build the 1.5 million new homes needed over the next decade.

Unfortunately, there exists a significant impediment to assist in this objective. BILD members have expressed concern and challenges relating to the delivery of energy infrastructure required to service residential, commercial and employment developments within the Greater Toronto Area and beyond. These are projects that have been planned or approved for development, to which we elaborate on later in this submission.

Although this current OEB stakeholder consultation will not solve for these immediate and pressing needs experienced by many BILD members to provide electricity to their projects, we are hopeful that this will present an opportunity to continue the much needed dialogue on the lack of financial transparency, the lack of short and long term planning, and misinterpretations with the Distribution System Code as related to the electrification of new communities in the GTA.

We recognize the complexity of this conversation, and request that BILD, its members, the appropriate Ministries such as Energy and Municipal Affairs and Housing, as well as local energy distribution companies and municipalities where appropriate, and the OEB engage in regular dialogue through the creation of a formal Industry Roundtable.

This **“Energizing New Communities Industry Roundtable”** must be a significant, efficient and effective forum as we collectively work towards the identification and implementation of solutions to accelerate the provision of electricity to growing communities across the GTA and province.

This is a forum that should be established imminently, without sunset, to allow for continued conversation. There are, however, items in the short term that require priority attention. It is noted that quick action and priority is required to find a solution for all stakeholders, as request by the Minister, to not further delay and exacerbate the housing crisis.

EXECUTIVE SUMMARY OF RECOMMENDATIONS

- BILD recommends that member representatives, the appropriate Ministries such as Energy and Municipal Affairs and Housing, as well as local energy distribution companies and municipalities where appropriate, and the OEB engage in regular dialogue through the creation of a formal “Energizing New Communities Industry Roundtable.”
- There are items in the short term that require priority attention. It is recommended that these be identified and acknowledged, and that quick action be taken to find a solution for all stakeholders, as request by the Minister, to not further delay and exacerbate the housing crisis.
- BILD also recommends that the provincial government contemplates its own role and responsibility to support electrifying new communities and considers delivering on the need for provincial investment.
- As part of arriving at alternative solutions to electrify new communities, BILD recommends that the province conduct an economic and infrastructure delivery review based on, and in alignment with, the current provincial Growth Plan.
- We believe that solutions to the challenges of electrifying new communities can be achieved that strikes a balance between consumer protection and the long-term growth and sustainability of the energy sector. BILD, therefore, recommends that the Ontario Energy Board continue its discussion with the industry to examine the probability of identifying which solutions are appropriate in various scenarios, which

may include the establishment and implementation of various options at the same time.

- BILD also recommends that these continued discussions on a development of a new approach to electrify new communities are guided by a transparent, accountable, predictable and timely process with outcomes that are fair, affordable and commercially manageable. All of these principles will help to ensure that energy infrastructure is delivered on time to meet demand.

INTRODUCTION: CONTEXT & BACKGROUND

Of significant interest to BILD and its members is the following paragraph from the Minister's Letter of Direction in reference to "priorities to advance in the near-term":

'Housing, Transportation and Job Creation: Our government has ambitious goals to build at least 1.5 million new homes, new highways, subways and improved rail transportation, and has also been successful in attracting new jobs to the province, particularly in critical minerals, electric vehicles and battery manufacturing. With this in mind, **it is critical that the OEB ensures that Ontario's electricity and gas transmission and distribution systems are built to support these goals in a timely manner**, while protecting ratepayers. Achieving this goal requires timely decision-making, well scrutinized costs and a regulatory environment with certainty for proponents. **I encourage the OEB to review electricity infrastructure unit costs in the electricity sector and potential models for cost recovery** that could help to ensure infrastructure costs are kept low and are not a barrier to growth in our province. I also ask that the OEB review its electricity distribution system expansion connection horizon and revenue horizon direction to ensure that the balance of growth and ratepayer costs remain appropriate."

This section of the Minister's letter reinforces the following significant themes or directions:

Provincial Objectives:

- The provincial goals of accelerating housing and employment supply
- The importance of the OEB's energy transmission and distribution system to support these goals in a timely matter, while protecting ratepayers
- Achieving these goals through timely decision making, well scrutinized costs, certainty for proponents

Provincial Direction to:

- review electricity infrastructure unit costs and potential models for cost recovery while keeping infrastructure costs low and not a barrier to growth
- review electricity distribution system expansion connection horizon and revenue horizon to ensure that the balance of growth and ratepayer costs remain appropriate.

Ontario, like other jurisdictions, is facing two major social and public policy challenges: meeting the urgent need of a growing population for new homes and employment areas, and enhancing Ontario's economic growth and prosperity through electrification and an energy transition.

When contemplating these provincial objectives, which are strongly supported by BILD and its members, weighed against the provincial directions, it is important to note that the current approach to funding distribution network investments to connect new residential and non-residential developments is no longer fit for purpose.

The current regulatory framework adheres to an uncompromising application of the “beneficiary pays” principle and constrains timely investment in distribution infrastructure. The Minister’s Letter of Direction is right to call for a re-examination of the “balance” between the costs borne by existing ratepayers and the costs allocated to new growth on electricity distribution systems.

However, that re-examination must include and extend beyond a narrow focus on the Customer Connection Horizon and Customer Revenue Horizon employed in the Discounted Cash Flow model used in the Economic Evaluation Methodology set out in Appendix B to the Distribution System Code (DSC). Instead, the OEB, stakeholders and, ultimately, the government need to look more broadly at the full set of rules governing costs and timing of distribution infrastructure investment. And this includes the rules about Expansions, Expansion Deposits, Enhancements, and the treatment of First Contributors.

Accordingly, the following BILD comments will:

- provide an illustration on how the expansion and connection rules adversely impact new developments;
- considers the principles that should guide the creation of a new approach in association to the related choices that will need to be made;
- remarks on the several “solution” options presented by the OEB; and,
- set out our recommendations regarding next steps and the best way forward.

IMPACT OF CURRENT APPROACH ON NEW DEVELOPMENT & NEW HOMEBUYERS

As indicated in the onset, BILD members have expressed frustration with the lack of financial transparency, the lack of short and long term planning, and misinterpretations with the Distribution System Code as related to the electrification of new communities in the GTA.

Information gathered from ongoing hydro infrastructure plan discussions between BILD members and local distribution companies in the GTA have resulted in varying interpretations, servicing solutions and most importantly, cost to new homebuyers. In one instance, the servicing solution requires a significant length of new overhead residential hydro infrastructure at an estimated staggering cost of \$80 million to service the first subdivision. Based on the interpretation of the current OEB governance model and anticipated new home absorption rate of 750-1,000 units per year, this would result in a cost to new homebuyers of \$20,700 per unit. This includes an alarming capital cost of \$16,000 and interest charges of \$4,700 per new home at current interest rates.

In another scenario, the servicing solution includes a combination of new expansion costs that include overhead expansion infrastructure and new sub-stations at an estimated aggregated cost to new homebuyers of \$15 million to service the overall growth covered by approved secondary plans. Based on the interpretation of the current OEB governance model and same absorption rate used above, this would result in a cost to new homebuyers of \$4,100 per unit. This includes a capital cost of \$3,000 and interest charges of \$1,100 per new home at current interest rates. For clarity, both scenarios are required to service large new community/development areas and should be considered differently than the typical subdivision expansion process.

It must be emphasized that BILD members are community building partners who support the provincial Housing Supply Action Plan, the government's goal of significantly increasing the supply of all housing types in the Province and reducing the regulatory burden that increases costs and delays for future residents. It is evident based on just these two examples of many that the financial impact of this current approach does not serve to meet any objectives of accelerating housing/ employment supply or reducing the cost burden on the new homebuyer or business.

URGENT NEED FOR NEW APPROACH

There are significant industry concerns with the delivery of energy infrastructure for many sites in the GTA and beyond that have been planned or approved for development. These concerns have culminated and often go beyond the purview of the Ontario Energy Board.

Cost Implications

There are on-going concerns pertaining to requests to developers from local distribution companies to contribute towards the expansion cost of the electrical infrastructure for various projects. This is unreasonably coupled with the lack of readiness and planning from the local distribution companies to provide supply within the expected timelines of

the project. There does not appear to be a direct link between development planning and long term planning by local distribution companies.

As an example, we are now seeing that local distribution companies are requesting large infrastructure requirements to meet the needs of large Secondary Plan areas, at the time of the initial individual applications. BILD members are also faced with the situation of having all of their approvals in place, only to receive late notifications from the local distribution company that there are challenges associated to the availability of electricity for their projects or developments, which were not communicated during the due diligence or approvals process.

These financial impacts, as illustrated in the previous section, are becoming too onerous, particularly recognizing that such costs benefit lands beyond the applicants' lands and for which there is not a timeline for recovery or adequate compensation. Furthermore, this will impact new homebuyers, while existing ratepayers will benefit from energy system improvements.

When contemplating the need for a new approach to electrifying new communities:

- It must be paired with a complete evaluation of who should pay for what, and how.
- Local distribution companies must be part of the municipal planning process and incorporate long-term housing plans into their long-term system planning,
- It must also be coupled with an examination of responsibilities, accountability, transparency and fairness. Existing local distribution companies, existing residents, new local distribution companies, new resident, system-wide ratepayers and taxpayers should all be part of the equation.
- The question remains as to how a proponent pays and if it is upfront, in the form of rates, or in the form of taxes.
- Payment issues for “first payer” (i.e. the first phase of a development project, the first builder in a subdivision, the first building of a larger site plan, etc.) versus the entire future development must be contemplated and solved for.
- It must be determined what is being paid for. For example, is it the enhancement of the distribution system reinforcement of assets versus the expansion of assets; or trunk lines to a new community versus a connection to a subdivision for that community.
- It should be noted that local distribution companies are for-profit organizations that only stand to benefit financially from the current approach on the backs on new homebuyers and businesses.

Transparency: Implementation and Interpretation

BILD members have also indicated that significant challenges are apparent regarding transparency in different OEB practices:

- The implementation and interpretation of the OEB rules and regulations vary throughout the GTA by the local distribution companies. The Ontario Energy Board's Distribution System Code sets the minimum conditions that a local distribution company must meet in carrying out its obligations to distribute electricity, however, there is no unified interpretation by them.
- There is little to no transparency from the local distribution companies, or public information made available, regarding the available or existing capacity of the electrical system for both the existing rate payers and new developments.
- The local distribution company's formulas for what triggers an addition of assets and the charges for these assets do not appear transparent.
- There is also uncertainty regarding who is responsible for regulating and confirming the existing electrical system capacity when a conflict arises.

Disconnect with Municipal Planning: Impact on Development Timelines

Through the traditional planning process of Secondary Plans and/or Official Plan Amendments at the Regional and municipal level, the local distribution companies are included as an impacted stakeholder. For profit local distribution companies are often owned by the very municipalities that are conducting the municipal development approval process. However, compared to the delivery of other infrastructure for new developments, the local distribution companies claim to be surprised by and unprepared for the size and scope of new developments which leads to unplanned energy infrastructure and delays with occupancies. There is a fundamental disconnect which must be examined and solved for prior to and/or with an examination of alternative solutions to electrify new communities. The local distribution company needs to be more than a stakeholder and must be engaged in the detailed long-term planning of these communities.

Also, the length of time that it takes for local distribution companies to plan, design and construct their infrastructure to support proposed residential, commercial and employment developments make it extremely challenging to meet occupancy timeframes.

A new and improved, and upfront consultation and planning process should be contemplated to address this within the current municipal development application approvals process.

Relation to Provincial Objectives

The provincial Housing Supply Action Plan identifies "(a)... confusing and broken housing development system that's impossible for people and home builders to navigate and this has led to a housing shortage and skyrocketing housing prices and rents. The people of Ontario deserve better. We cannot fix the housing shortage on our own, but we can cut red tape to make it easier to build new housing for people to rent or own. We will give the

people of Ontario more choice and make housing more affordable. We believe people right across Ontario and in every stage of life should be able to find a home that meets their needs and their budget.”

All of the above identified challenges will have a negative impact on these provincial objectives. We are in housing crisis, in a landscape where it takes too long and costs too much to build communities, in an environment of red tape, unexpected changes and government fees that add time to deliver and tens of thousands of dollars to the cost of an average home and employment space.

The expansion of energy infrastructure is essential to accommodate the increasing demands of a growing population and to meet the Province’s housing targets. However, the stringent regulations and inconsistent implementation by the local distribution companies are becoming cost prohibitive, are impacting timelines, discouraging investment, and deterring land developers from undertaking crucial projects that would enhance infrastructure and housing supply.

To help meet the province’s mandate of building 1.5 million homes by 2031 and the associated commercial and employment lands to provide Ontarians jobs, we must collectively tackle the above noted challenges to electrifying new communities.

Ontario’s housing supply crisis is a problem which has been decades in the making. It will take both short-term strategies and long-term commitments from all levels of government, agencies and the private sector, to drive change. This now also includes the Ontario Energy Board and local distribution companies. All of these entities will have to do their part to be part of the solution to this crisis.

ASSESSMENT OF OPTIONS PRESENTED BY THE ONTARIO ENERGY BOARD & RECOMMENDATIONS FOR NEXT STEPS

BILD believes that we all have a collective part to accelerate supply of all housing and employment types in Ontario as we prepare for current and future residents. This includes other agencies and stakeholders such as Regions and municipalities (often the owners of the local distribution companies), the Ontario Energy Board, local energy distribution companies, as well as the provincial and federal government. There must also be an understanding of the various roles, responsibilities, functions and realities of all of these parties involved.

At its stakeholder session of April 3rd, the Ontario Energy Board identified a range of potential options related to distribution system expansion for housing development and cost recovery options. These related to the extension of customer connection and revenue horizons and OEB proposed alternative cost recovery approaches such as a development

charge model, stand-alone rates for new developments, and a revised system enhancement model to facilitate large new planned communities.

Prior to the removal of the 'Upstream (development) Charge' in 2012, developers paid a charge for every kilowatt of existing capacity consumer through a new connection made to the electrical distribution system. This upstream revenue allowed the local distribution company to contribute toward new infrastructure (i.e., enhancement of the bulk distribution system and transformer stations). This allowed the local distribution company to fund new enhancements ahead of the request for connections by developers. The planning for any enhancement work by the local distribution company was not tied to any one particular 'Offer-To-Connect (OTC)' application, but rather forecasted through the local distribution company's capital planning based on early, often and effective communication with the municipalities and regions.

However, times and systems have changed, have become much more complex, and more financially onerous. To suggest the reintroduction of a development charge model alone would not be workable or be sustainable without the examination of a full cost recovery model, including a solution associated to compensating front-end infrastructure costs. Not to mention that development charge models are used by not for profit agencies, such as municipalities. This also means that new electricity supply used for "uses" other than new residential also have a role to play in contributing to an upgrade system.

Related to extending the connection and revenue horizons, a discussion on this would be welcome by BILD and its members, and there is merit to extending both. However, it must be noted that it alone is not sufficient to solve the challenges already described. What is also required is more appropriate delineation between enhancements/expansions, system reliability and true connections to sites and subdivisions. Both local distribution companies and the development industry have a shared interest to increase supply, but it must be noted that the longer the horizon is, demand will grow so the local distribution company will also need to provide and plan for the long term supply.

Regarding expansion costs, this requires a complete discussion on who should bear the enhancement and expansions costs, but also associated to this should be an examination of other tools for funding. Local distribution companies require more flexibility to plan for, and fund new investment to electrify new housing and employment developments.

Another tangent to be explored is the nexus between electricity infrastructure planning and provincial planning documents such as the current Provincial Policy (Planning) Statement, the Growth Plan, and Federal Carbon Tax targets. All provide comprehensive, integrated, and 'whole-of-government' policy direction on land use planning matters including:

- Growth management, housing and economic development;

- Infrastructure planning and investment, such as sewage, water and storm-water management services, transportation, transit, corridor protection and **energy supply**; and,
- The reduction of the overall carbon use within a new company.

Energy infrastructure must be delivered on time to meet demand. Ontario is behind on infrastructure planning and building, and in theory, must ‘catch up’ to the plans for growth in the provincial Growth Plan. We must align with provincial goals as outlined in overarching policies. Therefore, as part of arriving at alternative solutions to electrify new communities, **BILD recommends that the province conduct an economic and infrastructure delivery review based on, and in alignment with, the current provincial Growth Plan.**

BILD also recommends that the provincial government contemplates its own role and responsibility to support electrifying new communities and considers delivering on the need for provincial investment.

It is challenging to arrive at one clear solution when recognizing the degree of challenges associated to electrifying new communities. It is also difficult to assess options when understanding that many have significant cost implications for the new homeowner, and/or potentially unfair and unequitable cost burdens on the first entity required to provide power to the initial phase of a development or project. Costs for existing and new ratepayers must be balanced. Fairness and affordability for ratepayers and homebuyers must be contemplated. Any alternative to the current connection approach must recognize, and move to eliminate the above noted burdens.

BILD believes there is merit to discuss a financial mechanism where a developer can invest and is assured of the return of their investment towards the expansion work required by local distribution companies. However, this is not to suggest that the developer is leading long-term planning with the local distribution companies. The goal should be that municipalities and the local distribution companies lead the planning of its infrastructure, in consultation with the industry to ensure alignment of these long term growth plans.

To reiterate, we suggest an Industry Roundtable for meaningful dialogue and for quick action in partnership with the province and all stakeholders. This forum could begin to examine a collective solution that (but is not limited to):

- allows the local distribution companies to plan regarding the expansion of their infrastructure to accommodate growth in a timely fashion and meet provincial housing mandate
- begins to examine a financial mechanism where a developer can invest and is assured of the return of their investment towards the expansion work required by local distribution companies

- could provide a forum to discuss concerns within the Distribution System Code that includes: enhancement, expansion, general load growth, and connection horizon definitions
- could be a forum for discussions around a transparent funding model that includes initial and long-term financial impacts for all stakeholders through the assessment of new infrastructure costs

We believe that a solution can be achieved that strikes a balance between consumer protection and the long-term growth and sustainability of the energy sector.

BILD, therefore, recommends that the Ontario Energy Board continue its discussion with the industry to examine the probability of identifying which solutions are appropriate in various scenarios, which may include the establishment and implementation of various options at the same time.

BILD also recommends that these continued discussions on a development of a new approach to electrify new communities are guided by a transparent, accountable, predictable and timely process with outcomes that are fair, affordable and commercially manageable. All of these principles will help to ensure that energy infrastructure is delivered on time to meet demand.

We recognize the complexity of this conversation, and recommend that BILD, its members, the appropriate Ministries such as Energy and Municipal Affairs and Housing, as well as local energy distribution companies and municipalities where appropriate, and the OEB engage in regular dialogue through the creation of a formal Industry Roundtable.

Closing Sentiments

Ontario's housing supply crisis means too many people are unable to find a home that meets their needs and budget. BILD members agree with the government's goal of significantly increasing the supply of all housing types in the province and reducing the regulatory burden that increases costs and delays for future residents. A solution in addressing this crisis and improving affordability is to ensure more supply is created and readily available, and looking for alternative solutions to electrify new communities for Ontario's residents must be a part of that conversation.

The Ontario Energy Board's consultation as related to the new provincial Letter of Direction is a welcome one. BILD and its members are significantly interested and effected stakeholders who are eager to work with the Ontario Energy Board and all interested parties. We are committed to being a part of both short and long term solutions, recognizing that this is the start of what we hope are effective and productive conversations.

Thank you again for the opportunity to submit these preliminary comments. We trust that you will take them into careful consideration and we look forward to additional conversations and additional stakeholder input as we collectively move forward to finding sustainable alternative solutions to electrifying new communities for future residents of Ontario.

Sincerely,



Paula J. Tenuta
Senior Vice President, Policy & Advocacy

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With more than 1,100 member companies, BILD is the voice of the home building, land development and professional renovation industry in the Greater Toronto Area. The building and renovation industry provides more than 231,000 jobs in the region and \$26.9 billion in investment value. BILD is proudly affiliated with the Ontario and Canadian Home Builders' Associations.