



By RESS

June 9, 2025

Ritchie Murray  
Acting Registrar  
Ontario Energy Board  
PO Box 2319  
2300 Yonge St., Suite 2700  
Toronto, ON, M4P 1E4

Dear Ms. Marconi:

**Subject: Notice Of Proposal To Amend A Code Proposed Amendments To The  
Distribution System Code Regarding A Margin On Payment Incentive  
Mechanism For The Use Of Third-Party Distributed Energy Resources As  
Non-Wires Solutions - OEB File No. EB-2025-0083**

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Hydro Ottawa Limited (Hydro Ottawa) appreciates the invitation to comment on the OEB's proposed amendments to the Distribution System Code regarding the Margin on Payment incentive mechanism for the use of third-party Distributed Energy Resources as Non-Wires Solutions.

Please see Appendix A attached, which provides Hydro Ottawa's comments on the Notice of Proposal to Amend Code, sent by OEB staff on May 16, 2025.

Hydro Ottawa looks forward to continued dialogue with the OEB on this important initiative.

Sincerely,

Signed by:

*April Barrie*

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**April Barrie**

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## Appendix A

### 1. INTRODUCTION

Hydro Ottawa appreciates the opportunity to comment on the OEB's Notice of Proposal to Amend Code, Proposed Amendments to the Distribution System Code (DSC) regarding a margin on payment (MoP) incentive mechanism for the use of Third-party distributed energy resources (DER) as non-wires solutions (NWS).

The proposed DSC amendments codify the OEB requirements of MoP incentives for the use of Third-party DER, providing further industry guidance to promote DER adoption.

Hydro Ottawa supports the MoP mechanism and welcomes clarity from the OEB on its application of the framework. The utility has reviewed the amendments and requests that the OEB provide further clarity or refinement, specifically on the following:

- The definition of "Margin on Payment incentive", and
- Clarity on Section 11.4 concerning the term of the MoP.

Details of which are outlined below.

### 2. SECTION 11.1 - DEFINITION: "MARGIN ON PAYMENTS INCENTIVE"

#### Proposed Amendment:

*"Margin on Payments incentive" means a financial incentive for the use of a Third-party DER as a NWS, expressed as a percentage of the payments made to the Third-party DER provider other than payments funded through a source other than rates;*

#### Hydro Ottawa Comments

Hydro Ottawa is concerned that the definition of the "margin on payment incentive" proposed is unclear regarding the intended recipient of the financial incentive. The proposed wording states that MoP is a "financial incentive for the use of Third-party DER as a NWS," which leaves ambiguity as to *who* benefits.

#### Recommended Amendment:

*"Margin on Payments incentive" means a financial incentive to the distributor for the use of a Third-party DER as a NWS, expressed as a percentage of the payments made to the Third-party DER provider other than payments funded through a source other than rates;*

### 3. SECTION 11.4 MoP INCENTIVE WHERE ALL REQUIREMENTS ARE MET

#### Proposed Amendment:

*11.4 The incentive term for the Margin on Payments incentive, being the effective date and duration of the Margin on Payments incentive, shall be determined as follows:*



- a. *Where the Margin on Payments incentive application is part of a distributor's rebasing application, the incentive term is the duration of the ensuing rate term or such shorter period as the distributor may specify; and,*
- b. *In any other case, the incentive term is the remainder of the current rate term or such shorter period as the distributor may specify.*

### Hydro Ottawa Comments

Hydro Ottawa is concerned that the proposed duration of the MoP is tied to the length of the rate term, which may not align with the actual lifecycle of a distributor's reliance on third-party DER assets. Based on the proposed wording, Hydro Ottawa understands that the MoP would expire at the end of the current rate term. It is unclear whether a distributor would need to reapply for the financial incentive if it wishes to continue the relationship with the third-party provider.

A distributor's economic evaluation of a third-party DER typically spans the asset's full lifecycle, exceeding most rate terms of five years. Limiting the incentive to the rate term, as currently proposed in the DSC amendments, creates significant uncertainty. This uncertainty acts as a disincentive for distributors to fully embrace third-party DERs, as the underlying economics or incentives of the project could fundamentally change over its operational life. This uncertainty is also true for third-party DER providers who would seek guarantees from the distributor regarding the utilization of their assets.

Additionally, Hydro Ottawa notes that the proposed additions to the DSC appear to be inconsistent with the *Filing Guidelines for incentives for Electricity Distributors to use Third-Party DERs as Non-Wires Alternatives*, which states in section 2.3.3 that "when an incentive proposal is filed as part of a rebasing application the term of the incentive is generally expected to be the length of the rate-term (5 years), **unless a different term is specifically approved (e.g., an incentive term related to the life of the contract with third-party DER owners to provide services to the distribution system) [emphasis added]**."

The Filing Guidelines provide an exception to the MoP duration to align with the life of the distributor's contract with a third-party DER. Therefore, Hydro Ottawa recommends that the OEB incorporate language into the DSC to clarify that the MoP terms can exceed the rate term when specifically approved per the Filing Guidelines.

### Recommended Amendment:

*11.4 The incentive term for the Margin on Payments incentive, being the effective date and duration of the Margin on Payments incentive, shall be determined as follows:*

- a. *Where the Margin on Payments incentive application is part of a distributor's rebasing application, the incentive term is the duration of the ensuing rate term or **unless a different term is specifically approved (e.g., an incentive term related to the life of the***



- contract with third-party DER owners to provide services to the distributor system)-~~such~~  
~~shorter period as the distributor may specify~~; and,*
- b. *In any other case, the incentive term is the remainder of the current rate term or such  
other ~~shorter~~ period as the distributor may specify.*