June 9, 2025

VIA RESS

Ritchie Murray
Acting Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto, ON M4P 1E4

Dear Mr. Murray,

Re: GrandBridge Energy Inc. Response to Notice of Proposal to Amend the Distribution System Code Regarding A Margin on Payment Incentive Mechanism
OEB File No.: EB-2025-0083

On May 16, 2025, the Ontario Energy Board (OEB) issued a *Notice of Proposal to Amend the Distribution System Code* (DSC), introducing a methodology for setting rates that includes a margin on payments (MoP) incentive. This incentive would apply when Local Distribution Companies (LDCs) procure services from third-party distributed energy resources (DERs) as non-wires solutions (NWSs) to meet distribution system needs (the Notice).

GrandBridge Energy Inc. ("GrandBridge Energy" or "GBE") appreciates the opportunity to provide comments on the OEB's proposal. GBE supports the OEB's initiative to formalize a MoP framework and broadly endorses the proposed 25% default MoP cap. This proposal is aligned with the December 2024 *Letter of Direction* from the then Ministry of Energy and Electrification, which directed the OEB to:

"Provide incentives to utilities to implement non-wire solutions that benefit customers (e.g., DER/NWAs)."

However, GrandBridge Energy respectfully submits that two critical modifications to the Notice are necessary to further align the proposed approach with both the Ministry's guidance and the OEB's own direction as articulated in its March 20, 2025, *Letter on Innovation-related Proposals in Rate Applications*. As described below, the first proposal is to allow the inclusion of non-rate funding for DER payments, and the second is to exclude the MoP incentive from the calculation of the LDC's Earning Sharing Mechanism.

1. Treatment of Non-Rate Funding in the MoP Calculation

The Notice proposal excludes non-rate funding (e.g., government grants, private contributions) from the base amount used to calculate the MoP incentive, lowering the incentive amount that the utility would earn. For the reasons below, this approach creates a misalignment between the incentive structure for

LDCs and the goal of the Ministry and the OEB to encourage the adoption of NWS in the marketplace.

- **Encourages Innovation and Partnerships**: Including non-rate funding in the calculation of the MoP incentive supports the LDCs' pursuit of creative and cost-effective approaches for executing NWS in the marketplace- leading to increased implementation of innovative NWS projects.
- **Alignment with OEB Innovation Guidance**: The OEB's March 20, 2025, letter expressly encourages distributors to:

  "… explore funding from other sources (e.g., government grants, private entities) to reduce reliance on ratepayer funding."

  Excluding such funding from the MoP calculation undermines this direction and creates an internal policy inconsistency that could cause uncertainty in investment and planning decisions across the sector.
- **Cost-Effective NWS Projects**: Including all funding options, supports and rewards utilities for developing cost-effective NWS projects that result in lower customer rates and advances the development of NWS in the marketplace.

GBE recommends that the OEB revise the MoP calculation methodology and sections of the proposed DSC (as outlined in Appendix A) to include all funding in the calculation of the DER payments. This approach supports holistic cost recovery and rewards LDCs for leveraging non-ratepayer funding for the benefit of all customers.

2. Earning Sharing Mechanism

On page 6 of the OEB's Notice (section d), the OEB describes the interaction between the MoP incentive and the LDC's Earning Sharing Mechanism stating that "… any net earnings by a distributor for its use of a third-party DER would likely be included as "earnings" for the purpose of calculating any Earning Sharing Mechanism (ESM)."

The ESM is traditionally used to share surplus earnings above a regulated threshold with ratepayers (i.e., 300 basis points above earnings). This is intended to ensure that utilities don't significantly over earn during a rate term. However, the MoP incentive is not surplus earnings under the ESM but a deliberate, structured incentive proposed by the OEB to encourage DER procurement over traditional capital investment. Including the MoP incentive in the ESM introduces uncertainty and less transparency into the value of the MoP incentive as it is combined with the utility's total earnings. Hence, GBE recommends excluding the MoP incentive from the calculation of the ESM to create a clear link between the MoP incentive and the utilities' implementation of NWS projects.

Please contact me if you have any questions about this submission. Thank you.

Yours Truly,

/s/ Gaetana Girardi

Gaetana Girardi
Director, Regulatory Affairs & Revenue Assurance
Email: ggirardi@grandbridgeenergy.ca

Appendix A

GrandBridge Energy Proposed DCS Changes on MoP Incentives

Section 1.1 Definitions:

"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~~;

Section 11.6.

c. the forecast of annual payments to the Third-party DER provider over the incentive term as well as the net present value of total payments to the Third-party DER provider over the incentive term, ~~broken down where applicable by costs proposed to be funded through rates and costs proposed to be recovered from any sources of funding other than rates;~~

Section 11.6.

e. the forecast of the net present value of the total Margin on Payments incentive, calculated as the percentage set out in paragraph (d) multiplied by the forecast net present value of the payments to the Third-party DER provider ~~other than any payments funded through a source other than rates~~;

39 Glebe Street, P.O. Box 1060
Cambridge, ON N1R 5X6

150 Savannah Oaks Drive, P.O. Box 308
Brantford, ON N3T 5N8

grandbridgeenergy.com