Ontario Energy Board | Commission de l'énergie de l'Ontario

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June 16, 2025

NOTICE OF AMENDMENTS TO THE DISTRIBUTION SYSTEM CODE

AMENDMENTS TO ESTABLISH A CAPACITY ALLOCATION MODEL

BOARD FILE NO. EB-2024-0092

To: All Licensed Electricity Distributors
All Participants in Consultation EB-2024-0092
All Other Interested Parties

The Ontario Energy Board (OEB) is giving notice under section 70.2 of the *Ontario Energy Board Act, 1998* (Act)*,* of final amendments to the Distribution System Code (DSC). These amendments, **which come into force on September 16, 2025**, introduce a Capacity Allocation Model (CAM) to facilitate housing development connections by allocating capacity and costs for system expansions to supply qualifying development areas.

The OEB is also giving notice of a supplemental proposed amendment to Appendix B of the DSC, pursuant to section 70.2 of the Act, as described in section D.

A. Background

On April 17, 2025, the OEB issued a Notice of Proposal to Amend the Distribution System Code (April Notice), outlining when the CAM may be used and introducing a new Appendix detailing its application. Developed with input from the CAM Advisory Group (CAMAG), the CAM responds to an October 2024 letter from the Minister of Energy and Electrification (now Minister of Energy and Mines) endorsing the OEB's recommendations in its Report to the Minister on System Expansion for Housing Developments. The Minister's December 2024 Letter of Direction further emphasized the need for timely implementation, requesting that the OEB establish the CAM by March 2025.

The April Notice proposed amendments aimed at establishing a CAM that addresses the concerns of developers as they relate to the significant system expansions needed when connecting new large residential developments, along with non-residential customers, over multiple years. Specifically, the April Notice proposed the following CAM rules:

- Allocate CAM-related expansion costs based on each developer/customer’s requested capacity needs.
- Set a maximum period of 15 years for customers to contribute to the CAM-related expansion.
- Require distributors to consider the capacity needs of customers that have committed to connections. and a forecast of future connections based on plans for the defined development area, such as municipal official plans and secondary plans, and the timing of those connections.
- Require all connecting customers to contribute to the CAM-related expansions based on their allocated share of capacity, while customers making contributions after the first year will also need to pay a financing charge to compensate distributors (and ultimately ratepayers) for the carrying costs of the expansions.

The OEB received 18 written comments in response to the April Proposed Amendments. All comments are posted on the OEB’s website and, while all have been considered, not all are discussed in detail within this Notice.

Most stakeholders expressed general support for the proposal in principle as a means of responding to the government’s priority for housing development and to address the issues identified in the consultation related to first movers. Representatives of the development industry were very supportive in their comments and strongly urged that the CAM be put in place as soon as possible as a mechanism to remove a significant barrier to housing development and meeting the government’s priority to build homes.

Several stakeholders raised questions about the broad discretion provided to distributors under the proposal. Ratepayer representatives and some distributors raised concerns about the potential financial impacts on ratepayers. Distributors also raised concerns regarding the administrative complexity of implementing and managing the CAM, as well as the financial impact on distributors of funding new capital investments for CAM-related expansions. They requested guidance on the practical application of the model. Some distributors, their associations, and ratepayer representatives recommended that the OEB undertake further consultation to address these issues. At the same time, the OEB has remained mindful that the Minister has asked the OEB to implement the CAM expeditiously, and many stakeholders agreed that the proposed amendments do address a key barrier to housing development.

As explained in the April Notice, the OEB is establishing the CAM to address the growing need for a more coordinated, affordable, and forward-looking approach to electricity system expansions that support large, multi-developer residential developments. These developments often require significant system expansions to meet the electrical demand, span several years, and involve multiple stakeholders, making the current connection approach insufficient to meet the scale and timing of electrical demand.

The CAM enables proactive and optimized system planning by distributors for defined development areas. By relying on reliable and reasonable forecasts, drawn from municipal official plans, secondary plans, and developer input, the CAM provides a mechanism for meeting expected future growth. The model ensures that all customers connecting to CAM-related expansions contribute to the cost of their allocated capacity, including financing costs. This approach upholds the “beneficiary pays” principle while maintaining regulatory oversight of distributor planning. The OEB believes the CAM strikes a balanced solution – removing barriers to development while protecting existing customers.

The OEB recognizes that the CAM is a new mechanism. As such, it will closely monitor its implementation and be prepared to provide further guidance or make adjustments to the CAM, if warranted, to ensure its effectiveness.

Having considered all written submissions, the OEB is now making final the proposed amendments to the DSC set out in the April Notice, with three non-material revisions as discussed in Section B of this Notice. These amendments are set out in Appendix A (DSC revision relative to the April Notice) and Appendix B (DSC Appendix I revision relative to the April Notice).

The OEB is also taking the opportunity in this Notice to provide clarifications regarding some aspects of the CAM to address certain issues raised by stakeholders but that have not given rise to any changes to the proposed amendments. These issues and the OEB’s responses are detailed in Section C.

B. Adoption of Proposed Amendments with Minor Revisions

Stakeholders provided comments and recommendations on several aspects of the proposed amendments, including the definition of constructed capacity, the requirement for distributors to provide typical demand values, cost responsibility for customers connecting to CAM-related expansions, and how surplus revenues should be applied to these customers. Some of these comments resulted in minor, non-material revisions to the April Proposed Amendments.

a) Minor revision to the definition of “constructed capacity”

The proposed Section 3.2A.1 of the DSC defines the “constructed capacity” as “the total capacity that will be built by the distributor under a CAM, excluding any capacity that is considered an enhancement as described in this Code”.

One distributor observed that the proposed definition of “constructed capacity” omits any reference to the alternative bid option, despite its inclusion in Section 2.3.3 of Appendix I. The distributor recommended revising the definition to reflect that capacity may be constructed either by the distributor or through the alternative bid option. As noted in the April Notice, Appendix I requires that customers be allowed to choose the alternative bid option.

The OEB agrees with this recommendation and has made a non-material revision to the definition of “constructed capacity, removing the phrase “by the distributor” to eliminate any potential confusion regarding the maintenance of the alternative bid option under the CAM. This change will confirm that the intention is to consider all the capacity constructed to meet the forecasted capacity of new developments within the defined CAM area, both committed and uncommitted, excluding any capacity planned for enhancement to the system.

b) Remove commercial buildings from Section 2.2.4 of the Appendix I

In response to developers’ requests for greater transparency of CAM inputs, the April Notice had proposed that distributors shall make available on their website information on the typical demand values for different building types, including but not limited to detached homes, other housing types, and commercial buildings, for the purpose of ensuring consistent forecasting for each requested capacity. The intent was to promote consistent forecasting of requested capacity across customers and developers within a CAM.

A number of developers supported this requirement in their comments, specifically the need for transparency on the data to be used in forecasting.

One distributor noted that while historical demand values for residential homes can be reasonably estimated, future demand, particularly considering electrification trends, is still evolving in Ontario. Additionally, the distributor highlighted that estimating demand for commercial buildings is significantly more complex, as the loading for these buildings is driven by the individual nature of the business' operations, associated facilities and equipment. Other distributors and one of their associations also noted that commercial buildings vary widely in their energy use, making it difficult to estimate a "typical" commercial load. They recommended either removing this requirement or revising it to place the responsibility on developers to provide their own demand estimates.

The OEB believes that customers and developers should provide their own forecasted capacity requirements. They have the best knowledge of the number, type and use of new buildings. As stated in the April Notice, the purpose of requiring distributors to publish typical demand values is to support consistent assumptions across all parties under a CAM. However, the OEB understands the challenges in estimating typical demand for commercial buildings due to the degree of variability in uses and types of those buildings. As such, the OEB has made a minor revision to Section 3.2.4 of Appendix I to remove the requirement for providing typical commercial building demand values.

While it acknowledges the evolving nature of demand due to electrification, the OEB is maintaining the requirement for distributors to provide examples of typical residential demand. This is information distributors should maintain as part of their system planning and design processes. Further, while the requirement to provide commercial building demand values is being removed, the OEB expects distributors to continue assisting developers in their demand estimation wherever possible.

c) <u>Minor revision to Section 2.3.8 of the Appendix I regarding surplus revenues</u>

As outlined in the April Notice, the purpose of the proposed Section 2.3.8 of Appendix I is to allow surplus revenues calculated from the economic evaluation in Appendix B to be credited toward the customer's capital contribution paid under the CAM. The proposed amendments also allow customers to request that the distributor combine the expansion constructed under a CAM with subsequent expansions to determine the total capital contribution, provided that the costs of both expansions can be determined concurrently.

A ratepayer representative noted that the April Notice lacks clarity on how unforecasted upstream connections should be charged for their impact on downstream capacity. In addition, a distributor recommended clarifying that all unforecasted customer connections allocated CAM costs, including subsequent connections of "lie along" customers, should be treated as expansions. As such, these customers would be subject to an economic evaluation, even if no additional expansion work is required for their specific connection.

All customers connecting to a CAM-related expansion within the CAM term must contribute to the associated costs. This includes customers connecting outside the defined development area – whether upstream or downstream – who nonetheless benefit from the CAM-related expansion. This is to recognize their use of the asset that was built and paid for by others, similar to the current requirement for unforecasted customers to pay a capital contribution that is used to rebate the initial contributor. Additionally, all customers, including “lie along” customers who do not trigger or require further expansion, should be able to apply the surplus portion of their forecasted revenues toward their capital contribution for the CAM-related expansion. To reflect this, the OEB is making a minor revision to Section 2.3.8 of the Appendix I to clarify that customers not requiring additional expansion may still use surplus revenues to offset their CAM-related capital contribution.

A distributor also recommended that distributors be given discretion to either combine CAM-related expansions with subsequent connections or perform separate calculations, to avoid multiple processes. The OEB does not see a need to grant such discretion. Instead, it expects distributors to develop processes that accommodate both options, recognizing that each approach has advantages depending on the specific connection scenario. For example, a developer may wish to contribute to the CAM in year 1 for connections planned in year 10, at which point limited information may be available about future expansions. In contrast, an unforecasted customer connecting in year 10 may have the information for the costs of both the CAM-related expansion and the subsequent connection, enabling a single capital contribution rather than making a CAM-related payment followed by a credit adjustment.

Accordingly, the OEB maintains that both options should remain available to customers to ensure flexibility and fairness across varying connection circumstances.

C. Comments not requiring revisions to DSC amendments

Stakeholders have raised several questions, concerns and different perspectives on the CAM framework that have not given rise to any changes to the proposed amendments. The OEB is providing responses to these comments and confirming the intention behind the proposed amendments.

a) <u>Ratepayer impacts under the CAM</u>

The OEB's proposed CAM allocates the costs of large system expansions based on a customer's capacity needs. This acknowledges that connections in qualifying development areas will occur gradually over the CAM term. Distributors will initially finance the unpaid portion of the expansion and recover these costs from future customers over time.

Ratepayer groups, a distributor, and two distributor associations raised concerns about the potential impacts on ratepayers, both during and after the CAM term. These stakeholders noted that, under the proposed CAM, ratepayers could be exposed to financial risk if the distributor's forecasted connections do not materialize as expected. In such cases, the costs of unused or underutilized infrastructure could be passed on to ratepayers, raising concerns about fairness and cost recovery. One ratepayer representative cautioned that the CAM could result in permanent rate increases for existing customers due to overlapping expansions and long contribution recovery timelines. Ratepayer groups emphasized that the unpaid costs of the expansion should not be financed through distribution rates, even temporarily, and believed that the current CAM approach does not align with the "beneficiary pays" principle. Ratepayer representatives recommended the use of a deferral account or a variance account (DVA) to ensure that no costs are added to the rate base, even on an interim basis.

In contrast, most distributors supported the use of rate-base funding mechanisms. One distributor noted that the financing charges, combined with the distributor's system planning expertise, effectively ensure customers are appropriately insulated from expense sharing. Another distributor also noted the prudent planning of any CAM-related expansion would protect ratepayers. A utility stakeholder submitted that any cost recovery model must align with government policy objectives, particularly the goal of providing affordable housing for Ontarians, while also allowing utilities to earn a fair return on invested capital. Developers, their association and the Association of Municipalities of Ontario considered the approach as reasonable and a fair sharing of risk, particularly since any customers connecting after year one of the CAM would pay financing costs through their contributions.

Under the current DSC requirements, distributors (and ultimately ratepayers) fund the cost of any expansion that is underpinned by future rate revenues as determined in the economic evaluation. The OEB acknowledges the potential ratepayer impacts as a result of implementing a CAM, especially in the early years of a particular CAM where there is a large amount of uncommitted or committed but not fully paid capacity being built. It is these two types of capacity for which contributions will be collected in the future and that the distributor (ultimately ratepayers) will have to fund until the contributions are received. To protect distributors and ultimately ratepayers, the CAM includes a requirement for committed capacity customers to provide a financial commitment and any customer connecting after year one to pay financing costs, meaning that the distributor and ultimately ratepayers are reimbursed for the cost of building the expansion, subject to any unused capacity by the end of the CAM term. Since expansion costs must be paid at the time of construction and distributors often cannot build to exact demand, expansions typically include excess capacity beyond what is required to connect committed customers and forecasted future load. Under current rules, initial developers are responsible for funding this excess and are reimbursed as more customers connect. This model poses challenges for developers in large development areas and is a key reason for introducing the CAM.

As a mechanism to reduce impact on ratepayers, ratepayer representatives recommended the use of DVAs to collect the costs and revenues for future consideration and disposition by the OEB. This would shift the responsibility for funding any capacity for uncommitted or committed but unpaid customers to distributors, without affecting rates. However, distributors pointed out that this would create significant cash flow challenges, as they may need to fund large investments without receiving revenue for up to 15 years. This delay could negatively impact financial metrics such as debt-to-equity and cash flow-to-debt ratios, increasing borrowing costs for distributors and ultimately ratepayers. Distributors pointed out that a DVA for 15 years would also create a significant regulatory risk and financing costs that would need to be considered in setting distributors' cost of capital. Distributors and one of their associations also pointed to the Minister's expectation in his 2024 Letter of Direction that the implementation of the capacity allocation methodology would keep distributors and shareholders whole. As noted in the OEB's April Notice, use of a DVA would not align with the OEB's ratemaking principles, since the infrastructure is immediately used to deliver electricity and should be considered part of the rate base. It is also inconsistent with the current approach to system expansion where the distributor (and ultimately ratepayers) fund the portion of the expansion that will be paid for through future rate revenues.

The OEB believes that funding excess capacity through distribution rates is the most effective way to address the barriers to development identified through the consultations and support the government's housing goals. This approach is consistent with the "beneficiary pays" principle, as any capacity constructed is paid for by the connecting customers over time along with an amount equivalent to the financing cost that ratepayers have shouldered during the interim. Further, through careful forecasting, investment planning, and ongoing regulatory oversight, any impact to existing customers should be temporary and manageable.

Distributors also retain significant discretion over the eligibility for, and scope of a CAM, which allows them to carefully assess the potential impact on ratepayers and the financial risks associated with each potential CAM-related expansion. This discretion is a key feature of the CAM framework, enabling distributors to tailor their approach based on the specific characteristics of a development area, such as the level of customer commitment, the pace of anticipated growth, and the certainty of future connections. This built-in flexibility helps prevent overbuilding and ensures that system expansions are both prudent and responsive to development needs. It also supports more effective planning and regulatory oversight, as CAM-related expansions will be reviewed through the OEB’s rate application process. As one distributor noted, financing charges, combined with distributor’s system planning expertise, effectively ensure that customers are appropriately insulated from expense sharing.

The OEB acknowledges that the risks associated with a distributor’s forecast for uncommitted connections could have adverse impacts on ratepayers. If the capacity built through a CAM-related expansion is not fully used by the end of the CAM term, any remaining costs would be recovered from ratepayers. Some distributors have suggested that unused and unpaid capacity should instead be recovered from future connecting customers and developers within the development area. However, the OEB considers this approach impractical, given that the CAM term can be up to 15 years, and some initial customers or developers may no longer be present after their connections are completed. The OEB maintains that, provided distributors forecast and plan their expansions appropriately and with appropriate regulatory oversight, the risk of significant unrecovered costs being passed on to ratepayers should remain minimal.

The OEB also emphasizes that the CAM is intended to support optimized and forward-looking system planning, grounded in reliable and reasonable forecasts. These forecasts will be informed by municipal official plans, developer input, and other relevant data sources. Recognizing the inherent uncertainties in long-term infrastructure planning, the CAM incorporates safeguards such as committed capacity, agreements and financing charges. These mechanisms help ensure that the costs of system expansions are appropriately allocated to those who request or ultimately benefit from the infrastructure investments.

b) Distributor discretion on CAM eligibility and scope

The proposed CAM rules provide distributors the discretion to determine, in collaboration with developers or other customers, if a CAM should be applied based on the criteria for a qualifying development area provided under Section 3.2A.1 of the DSC. In addition, the proposed amendments also provide distributor discretion to determine the scope of a CAM.

Several stakeholders, including some distributors and their associations, developers and their association, suggested that the eligibility criteria for a qualifying development area are overly broad. They cautioned that this could result in inconsistent application of the CAM and potentially lead to disputes between distributors and customers.

Conversely, most distributors and their associations emphasized the importance of retaining discretion and requested further assurance that they may exercise flexibility in applying the CAM. One distributor noted that discretion is critical to the CAM's successful implementation and operation, as distributors would have a deep understanding of their system development and are best positioned to manage and expand system capacity. A distributor association recommended that the DSC be further amended to explicitly affirm distributor discretion in several sections of the proposed amendments. One distributor noted that while supporting the discretion for the distributor, the eligibility criteria for defining a "qualifying development area," particularly the requirement for committed capacity, may be unnecessarily restrictive and could constrain the timing at which a utility can establish a CAM because of the need for a "significant portion" of connecting customers committing to capacity requests.

While distributors supported maintaining their discretion, they also called for additional clarity and guidance from the OEB regarding the application and administration of the CAM. Suggestions included providing illustrative examples, establishing thresholds, setting minimum forecast accuracy requirements, defining staging triggers, providing accounting guidance, and offering standardized templates.

Developers in particular emphasized the need for greater clarity on the CAM application and process, and the need for a dispute resolution process. All developers and several other stakeholders emphasized the importance of transparency in the CAM. This included providing clear assumptions and calculations for costs, detailed scope of work, justifications for any additions or removals in scope or costs, and regular updates on the evolving project schedule and budget. A ratepayer representative noted that the DSC does not explicitly reflect this transparency requirement.

In the April Notice, the OEB noted that, although the establishment and management of a CAM should be a collaborative effort between the distributor and customers, the distributor is ultimately in the best position to make the final decision on the model. Distributor discretion enables tailored decisions based on the specific characteristics of a development area plan. It also allows consideration of the distributor's operational and financial conditions, such as their capacity to fund investments. The OEB believes that introducing rigid thresholds or prescriptive criteria could unintentionally hinder project development or disqualify areas where a CAM would otherwise be appropriate. Distributors are, as in all cases where they have discretion, expected to act in a reasonable, consistent and fair manner. Therefore, no change to the definition is required.

The OEB acknowledges that disputes may arise between distributors and customers regarding CAM eligibility and implementation. The OEB has processes in place to provide guidance to the sector and to address disputes between distributors and customers over the implementation of any regulatory requirements such as the CAM. This process ensures a timely and impartial mechanism for investigating any actions that may not be seen to be reasonable or fair, and to address them through appropriate action.

The OEB believes that transparency is critical and expects distributors to provide customers with all necessary information to support informed decision-making and facilitate the effective implementation of the CAM. While the DSC does not explicitly list all information requirements, the DSC's requirements for connections and expansions include requirements for open communication and accountability to customers. Distributors are expected to uphold these requirements throughout the CAM process.

c) <u>Risks related to committed capacity</u>

Distributors, and some ratepayer representatives, raised concern about the potential for costs incurred for infrastructure that may not be recovered – if a developer or customer defaults or becomes insolvent. Distributors have recommended that the CAM include provisions allowing them to recover contribution payments even if developers or customers who initially committed to a connection later choose not to proceed. They noted that this is required to protect the financial stability of distributors and to prevent the inappropriate transfer of costs to ratepayers and the integrity of the CAM for that development area. One distributor noted that CAM should include provisions for distributors to collect expansion deposits from all customers who are part of a CAM, in accordance with Section 3.2 of the DSC.

In setting out the rules for the CAM, the OEB has provided for binding financial commitments, such as letters of credit or surety bonds, for any agreed committed capacity. These instruments are widely recognized as effective risk mitigation tools and are already included in the DSC for other purposes, such as expansion deposits. One of the distributors pointed to these instruments in their comments as a key tool for protecting the ratepayers from any additional costs due to a failure to connect. The OEB believes that these mechanisms provide sufficient protection against the risk of committed customers or developers not proceeding with their connections. Furthermore, the OEB clarifies that the proposed amendments do not prevent distributors from collecting payments from developers or customers who have made financial commitments but later decide not to proceed after the expansion infrastructure has been constructed. This is consistent with the definition of “agreed committed capacity” in the amendments to the DSC, which implies a binding financial obligation. Distributors may also include additional terms and conditions in their agreements with customers to reinforce these commitments and ensure enforceability.

While the April Notice proposed a deposit mechanism under the CAM, that proposal specifically related to the difference between estimated and actual expansion costs. Under the CAM framework, distributors are not required to perform true up calculations based on actual connections or demand. As a result, the OEB considers the binding financial commitments required from customers under the CAM to be sufficient to mitigate the risks associated with actual connections or demand.

One distributor noted that any transfer or sale of committed capacity – whether paid or agreed – must receive prior approval from the distributor. A distributor association also sought clarification on whether developers are allowed to sell their committed capacity. The CAM already includes provisions for establishing offers and/or agreements, which may contain provisions related to transfers and assignments, and any terms or conditions related to the transfer or sale of committed capacity could be addressed in those agreements.

Given the safeguards noted above and the lack of any identified risks associated with the transfer or sale of committed capacity, the OEB does not believe that additional provisions related to committed capacity are necessary at this time.

d) Distributor financing issues and the current rate-funding mechanism

Several distributors and their associations raised concerns regarding the mechanism for funding the costs of excess capacity that has yet to be paid by developers or customers in the subsequent years under the CAM. Distributors indicated that current rate-funding mechanisms, such as the Advanced Capital Module (ACM) and Incremental Capital Module (ICM), may not be practical because, for instance they require each project to be individually material, which would not support cost recovery for CAM projects that are significant in aggregate but not individually. One distributor supported establishing a DVA to track CAM-related expansion costs associated with any unallocated capacity. This approach would allow distributors to seek approval for these costs and the revenue requirement at a later, more appropriate time, as it can be difficult to predict or forecast when a CAM will be implemented.

Distributors also expressed concern that the OEB has not accounted for situations where distributors face constrained capital budgets and limited borrowing capacity. With existing pressures to fund system expansions amid lower customer contributions, the proposed CAM could further strain capital plans, potentially delaying other critical investments and impacting overall system performance. To address these challenges, distributors recommended that the OEB provide accounting guidance on the treatment of CAM-related costs.

A ratepayer representative, a developer association and AMO as well as some distributors also recommended exploring a province-wide, socialized funding model for CAM to ease distributor cash flow pressures and minimize ratepayer impact.

The OEB acknowledges the concerns raised regarding potential funding constraints, particularly for distributors operating in high-growth areas. As previously noted, distributors retain significant discretion over the eligibility and scope of a CAM, enabling them to carefully evaluate the financial risks and potential ratepayer impacts associated with each proposed expansion. The OEB considers a province-wide, socialized funding model outside the scope of the CAM and is of the view that such an approach could lead to significant overbuilding of distribution capacity. The OEB appreciates stakeholder concerns around current rate-funding mechanisms and is assessing the use of existing tools (e.g., ACM/ICM, and DVAs), including modifications to those existing tools or any new tools to ensure there will be mechanisms in place to alleviate concerns with financing and will provide further guidance to the sector before the amendments come into force.

e) <u>Financing charge</u>

The proposed CAM requires that a customer, whether committed or uncommitted, paying a capital contribution after the first year of the CAM, be required to pay a financing charge along with the contribution to recover the costs to the distributor (and ultimately ratepayers) of financing the construction of the CAM. The financing charge is to be calculated using the distributor's Weighted Average Cost of Capital plus applicable taxes. As noted in the April Notice, developer members of the CAMAG generally expressed the view that most developers will be willing to pay upfront to ensure the expansion project moves forward and secure their capacity needs.

Many stakeholders supported the financing charge provisions. Developers indicated that it was fair to require later connecting customers to pay for the financing costs. Ratepayer representatives and distributors also supported the mechanism as a means of ensuring ratepayers are compensated for the cost of the expansion and maintaining fairness between connecting customers and existing customers.

A distributor expressed opposition to the proposal requiring customers – who did not initially contribute to a CAM expansion or who connect afterward – to pay financing charges. They believed this approach was unfair to unforecasted customers, who have no control over whether they connect to a CAM-related expansion. They raised concerns that this could lead to escalating costs over time and suggested alternative approaches, such as funding uncommitted capacity through ratepayers. Another distributor noted that while the proposed financing charge is intended to keep distributors, shareholders, and ratepayers financially whole and encourage early developer commitments, it may discourage long-term developers who could delay connecting to avoid the charge. On the other hand, several stakeholders expressed strong support on the use of financing charge, as it incentivizes developers to make contributions earlier. There was also an acceptance by developers that the financing charge to later contributions would maintain fairness between the connecting customers and existing ratepayers.

As noted in the April Notice, financing charges are designed to recover the interim carrying costs incurred by distributors (and ultimately ratepayers), thereby protecting both ratepayers and early contributors from subsidizing future connections. As reinforced in the comments by developers and other stakeholders, the financing charge also encourages early contribution by developers or customers as a means of avoiding additional costs, which mitigates load forecasting and overbuilding risks.

f) Administrative complexity

Distributors have raised concerns about administrative complexity they believe will be involved in managing a CAM, particularly when overseeing multiple CAMs over extended periods. Distributors noted that this complexity includes preparing detailed development area plans; coordinating with multiple developers as opposed to a single landowner group; and managing the balance among paid, committed, and uncommitted or unforecasted customers. A distributor association noted that the proposed amendments would significantly increase administrative burden in high-growth areas. These changes would require new tools, additional staffing, and enhanced processes. Consequently, the association has requested that the OEB provide standardized templates, tracking systems, and reporting frameworks to support consistent implementation across all distributors.

Some stakeholders also recommended exploring alternative approaches to simplify administration and reduce effort, such as a standardized dollar-per-kilowatt ($/kW) charge or a development charge approach.

Several stakeholders mentioned the concept of using a development charge. As explained by one ratepayer representative, the development charge model would involve a distributor developing a forecast and plan to meet all needs within its service area for a period of 20 years or more. The developer would then forecast the cost of meeting these requirements and establish a $/kW charge for the cost, which all connecting customers would pay at the signing an offer to connect.

The OEB notes that under the CAM, distributors are not required to administer the expansion rebate process, which can span up to 15 years under the current DSC. In terms of any administration, the CAM also eliminates the need for a true-up process based on actual customer connections or demand. Distributors retain the discretion to define the scope of a CAM, which may cover an entire qualifying development area. They may also determine customer contributions on a $/kW basis, provided they can forecast the area's total load and associated expansion costs. This approach closely resembles the $/kW or development charge approaches that a number of stakeholders supported, with the key distinction being that charges are specific to a development area rather than applied across the distributor's entire service area. Compared to the $/kW or development charge approaches, this approach is more closely aligned with the "beneficiary pays" principle, ensuring that expansion costs are paid by the customers who directly benefit from the infrastructure.

g) Start of CAM term

In the April Notice, the CAM term over which CAM capital contributions are forecasted to be paid by customers was proposed to begin on the date on which the expansion under a CAM begins construction and end on the date on which the last capital contribution payment under the CAM is expected to be made for the expansion, provided that the CAM term shall not exceed 15 years.

A distributor recommended that the CAM term begin on the contract execution date, as costs may be incurred before construction starts. They also proposed that the CAM term accommodate connection requests from unforecasted customers until all CAM-funded capacity is allocated. A ratepayer representative noted the CAM term should start upon expansion energization, aligning with the "used and useful" principle.

The OEB notes that, even under the current DSC rules, distributors may incur costs before a connection agreement is established. Given that CAM-related contracts can be executed well in advance of construction and on different dates with different customers, starting the CAM term on the contract execution date could significantly reduce the period available for distributors to recover capital contributions from future customers. Regarding the comment to use the expansion energization date as the CAM term start, the OEB notes that the commencement of the CAM term does not imply that associated costs are immediately added to the rate base. The timing of cost recovery through rates is independent of the CAM term start date.

D. Supplemental Proposed Amendment to Remove clause (b)iii under the Customer Revenue Horizon Section in Appendix B

On December 23, 2024, the OEB amended the DSC to facilitate the connection of housing developments by extending the connection horizon to a maximum of 15 years for qualifying housing developments and extending the revenue horizon to 40 years for all residential customers. Those amendments came into force on December 23, 2024. As part of the amendments, the OEB established a new definition for a "housing development":

"housing development" means a project to construct multiple residential accommodations on a piece of land that will be divided into multiple parcels and offered for sale, and that will be comprised predominantly of residential accommodations but may also include public buildings, industrial and commercial buildings or space appropriate for such buildings

The OEB also amended the definition of the Customer Revenue Horizon in Appendix B of the DSC for the purpose of economic evaluations undertaken in the case of a system expansion necessary for the connection of a housing development. Those changes are set out below:

> *(a) The maximum customer revenue horizon for a non-residential connection is twenty-five (25) years, calculated from the forecast in-service date of the first new customer connection.*

(b) Subject to paragraph (c), the customer revenue horizon is forty (40) years for the connection of any of the following:

1. *A residential customer, calculated from the forecast in-service date of the new customer connection;*
2. *A property as defined in the Condominium Act, a residential complex as defined in the Residential Tenancies Act, 2006 or a property that includes one or more dwellings and that is owned or leased by a cooperative as defined in the Co-operative Corporations Act, whether bulk metered or suite metered (as defined in the Energy Consumer Protection Act, 2010), calculated from the forecast in-service date of the new building connection; and*
3. *A housing development, calculated from the forecast in-service date of the first residential customer connection.*

(c) Where an initial offer to connect was accepted by the developer or other customer on or before November 18, 2024, the customer revenue horizon set out in paragraph (b) does not apply and the maximum customer revenue horizon is twenty-five (25) years, calculated from the forecast in-service date of the first new customer connection.

The DSC amendments revised Footnote 2 of Appendix B to provide that for the economic evaluation of a specific project, revenues should be calculated based on the forecasted customer or load additions within the customer connection horizon. For example, if customer additions are forecasted in year 3, the economic evaluation model should account for incremental revenues from year 3 through year 25. This approach applies to paragraphs (a) through (c).

The OEB understands that a question has arisen regarding whether the 40-year revenue horizon specified in clause (b)iii above should be applied to non-residential customer connections in a housing development. The OEB is therefore proposing an amendment to the revenue horizon provision to better reflect its original intent.

As noted in the November 18, 2024 Notice of Proposed Amendments and the December 23, 2024 Notice of Final Amendments, the OEB believes that extending the revenue horizon to 40 years reflects the expected life of assets and the fact that residential homes are expected to remain connected for an extended period. Further, the November 2024 Notice stated that the revenue horizon for non-residential customers would remain at a maximum of 25 years, which is also set out in (b)i of the

Customer Revenue Horizon section of the DSC. The revenue horizon should be applied for non-residential customers consistently, regardless of whether they are located outside or inside a housing development.

The intent of clause (b)iii above was to clarify the start of the revenue horizon for situations where customers are connected over multiple years. Given that footnote 2 of Appendix B has already provided this clarification, the OEB proposes to remove clause (b)iii from the Customer Revenue Horizon section in Appendix B. This aligns with the OEB's intent for the revenue horizon extension, as set out in the November 2024 and December 2024 Notices; that is, the revenue horizon extension should only apply to residential customers.

E. Anticipated Costs and Benefits

The anticipated costs and benefits associated with the final code amendments are primarily set out in the April Notice. Some administrative cost concerns are also addressed in this Notice. Interested parties should refer to the April Notice for further information.

As acknowledged in Section C of this notice and the April Notice, the introduction of a CAM will have an impact on distributors and ratepayers in terms of the additional capital required for the committed but unpaid capacity and uncommitted capacity included in the CAM-related expansions. One stakeholder characterized this impact as a significant cost and risk. Earlier in this Notice, the OEB explained how the design of the CAM should manage these costs and risks – through the requirement for prudent forecasting and planning, as well as the financing charge. The OEB remains of the view that the CAM is a reasonable and balanced response to the challenges that may be delaying or hindering housing development. It also provides for a fair allocation of costs and risks.

Regarding the administrative and financing costs raised by distributors and their associations, the OEB has addressed these above. The provisions of the DSC along with ratemaking tools will provide distributors with the ability to manage these costs.

The OEB does not anticipate any incremental costs as a result of the Proposed Supplemental Amendment given it is a clarification in line with the original intention as set out in the OEB's Notices. The amendment is solely for the purpose of avoiding confusion among distributors and customers on the applicability of the 40-year revenue horizon.

F. Coming Into Force

The amendments regarding the CAM implementation as set out in Appendix A and B to this Notice will **come into force September 16, 2025**.

In the April Notice, the OEB proposed that the amendments to implement the CAM would come into force 90 days after the final Code amendments are posted on its website. The April Notice also emphasized the importance of implementing the CAM to address barriers to residential development and in response to the Minister's request to expeditiously implement a mechanism to allocate the costs of new capacity. Two distributors requested additional time to comply with the new requirements. One distributor indicated that it would need five to six months to fully implement all aspects of the CAM. Conversely, a developer association urged the OEB to implement the CAM as soon as possible.

The OEB recognizes that distributors will need time to develop the necessary process modifications and models to support the implementation of a CAM. However, the OEB believes that the implementation timeline is appropriate, as it ensures that developers are not incentivized to delay moving forward with their developments by a desire to take advantage of the CAM. The OEB has determined the original 90 days to implement is reasonable and appropriate.

As a transitional matter, the amendments will apply where the distributor has not entered into a final agreement with the developer(s) and expansion plan has not been finalized as of the date the amendments come into force. As noted in the April Notice, this approach is intended to avoid the administrative complexities and potential financial challenges associated with applying a CAM to expansions that are already under construction or completed. At the same time, this approach aims to ensure that development areas in the early stages of their development can benefit from the amendments.

As the OEB considers the proposed amendment to Appendix B of the DSC to be a clarification of the original intention of the December amendments, it is proposed that Supplemental Proposed Amendment, as set out in Attachment C, come into force on the date the final DSC amendment is published on the OEB’s website.

G. Cost Awards

The OEB will not be awarding costs for the purpose of commenting on the Proposed Supplemental Amendment to the DSC.

H. Invitation to Comment

The OEB is inviting comments from all interested parties solely on the Proposed Supplemental Amendment to the DSC set out in Appendix C. **Comments are due by June 30, 2025**.

Filing Instructions

Persons filing materials with the OEB are responsible for ensuring that any documents they file with the OEB **do not include personal information** (as that phrase is defined in the Freedom of Information and Protection of Privacy Act), unless filed in accordance with rule 9A of the OEB's Rules of Practice and Procedure

Please quote file number, **EB-2024-0092** for all materials filed and submit them in a searchable/unrestricted PDF format with a digital signature through the OEB's online filling portal.

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.

- Please use the document naming convention and documentation submission standards outlined in the Regulatory Electronic Submission System (RESS) Document Guidelines found on the Filing Systems page of the OEB's website. •

- Stakeholders are encouraged to use RESS. Those who have not yet setup an account or require assistance using the online filing portal should contact registrar@oeb.ca for assistance.

- Cost claims are filed through the OEB's online filing portal. Please visit the OEB's website for more information on how to file documents online. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the Practice Direction on Cost Awards.

All filings must be received by **4:45 pm** on the required date.

This Notice and all other project materials, including all written comments and filings relating to cost awards received by the OEB, will be available for public viewing on the System Expansion For Housing Developments page on the Engage with Us website. The OEB will address cost awards related to comments on the CAM amendments through a separate process.

If you have any questions regarding the proposed amendments to the DSC described in this Notice and set out in Appendix A, B, and C, please contact IndustryRelations@oeb.ca. The OEB's toll-free number is 1-888-632-6273.

DATED at Toronto, June 16, 2025

ONTARIO ENERGY BOARD

Ritchie Murray

Digitally signed by Ritchie Murray
Date: 2025.06.16 14:17:20 -04'00'

Ritchie Murray
Acting Registrar

Attachments:

Appendix A – Final Amendments to the Distribution System Code – Comparison Version

Appendix B – DSC Appendix I – Methodology for Implementing a Capacity Allocation Model – Comparison Version

Appendix C – Proposed Amendments to Appendix B of the Distribution System Code – Comparison Version

Appendix A

to

Notice of Amendments to the Distribution System Code

June 16, 2025

EB-2024-0092

<u>Final Amendments to the Distribution System Code – Comparison Version</u>

Note: Red strikethrough text indicates deletions from the April Proposed Amendments.

3.2A Expansions to Serve Qualifying Development Areas

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

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

Appendix B

to

Notice of Amendments to the Distribution System Code

June 16, 2025

EB-2024-0092

<u>DSC Appendix I – Methodology for Implementing a Capacity Allocation Model – Comparison Version</u>

Note: Red strikethrough text indicates deletions from the April Proposed Amendments and red underlined text indicates additions to the April Proposed Amendments.

2.3 Customer Capital Contribution

2.3.4 The customer's requested capacity is calculated based on the total number of homes or buildings, their types, and the estimated demand per home or building type. The distributor shall make available information on the typical demand values for different building types, including but not limited to: detached homes <u>and</u>~~,~~ other housing types~~, and commercial buildings,~~ for the purpose of ensuring consistent forecasting for each requested capacity, by posting it on its website.

2.3.8 A customer may request that the distributor combine the expansions constructed under a CAM with subsequent <u>connections of</u> ~~non-CAM expansions for~~ individual subdivisions or other connections that will subsequently be supplied by the CAM-related expansion to determine the total capital contribution payment, provided that the costs of both expansions can be determined concurrently. If separate calculations are chosen, any surplus revenues calculated from the economic evaluation in Appendix B may be credited toward the customer's capital contribution payable under the CAM.

Appendix C

to

Notice of Proposed Amendments to the Distribution System Code

June 16, 2025

EB-2024-0092

Proposed Amendments to Appendix B of the Distribution System Code – Comparison Version

Note: Red strikethrough text indicates deletions from the DSC.

Customer Revenue Horizon[2]

(a) The maximum customer revenue horizon for a non-residential connection is twenty-five (25) years, calculated from the forecast in-service date of the first new customer connection.

(b) Subject to paragraph (c), the customer revenue horizon is forty (40) years for the connection of any of the following:

i. A residential customer, calculated from the forecast in-service date of the new customer connection;
ii. A property as defined in the Condominium Act, a residential complex as defined in the Residential Tenancies Act, 2006 or a property that includes one or more dwellings and that is owned or leased by a cooperative as defined in the Co-operative Corporations Act, whether bulk metered or suite metered (as defined in the Energy Consumer Protection Act, 2010), calculated from the forecast in-service date of the new building connection; and
~~iii. A housing development, calculated from the forecast in-service date of the first residential customer connection.~~

(c) Where an initial offer to connect was accepted by the developer or other customer on or before November 18, 2024, the customer revenue horizon set out in paragraph (b) does not apply and the maximum customer revenue horizon is twenty-five (25) years, calculated from the forecast in-service date of the first new customer connection.