



BY EMAIL and RESS

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Our File: EB20250149

Attn: Ritchie Murray, Acting Registrar

Dear Mr. Murray:

Re: EB-2025-0149 – Review of Electricity Transmission Filing Reg. – SEC Comments

We are counsel to the School Energy Coalition ("SEC"). Below are SEC's comments on the Ontario Energy Board ("OEB") proposed updates to Chapters 1 and 2 of the Filing Requirements for Electricity Transmission Applications ("Filing Requirements").

General Comments

SEC is generally supportive of the OEB's proposed updates, in particular the introduction of a streamlined application process for electricity transmitters with minimal capital expenditures, including single asset transmitters. More detailed comments follow below.

Detailed Comments

1) Chapter 1 - Overview

SEC has no comments on Chapter 1.

2) Chapter 2 – Revenue Requirement Applications

Section 2.0.3 Custom IR for Transmitters with Minimal Capital Expenditures. SEC supports the OEB's proposal to introduce a modified Custom Incentive Rate-setting ("modified Custom IR") methodology for transmitters with minimal capital requirements over the rate term. This approach reflects the principles embedded in settlements reached with several single asset transmitters in the fall of 2024¹, which demonstrated that reduced regulatory burden can be achieved while maintaining effective outcomes for ratepayers through incorporation of a number of positive elements.

¹ Chatham X Lakeshore Limited Partnership (EB-2024-0126); B2M LP (EB-2024-0116); Niagara Reinforcement Limited Partnership (EB-2024-0117)

However, SEC has the following comments and recommendations on this proposed rate-setting methodology:

- **Eligibility.** The transmitters which would be required to use this modified Custom IR are referred to in the proposed Filing Requirements in a number of ways, including “transmitters with minimal rate term capital requirements”, “single-asset transmitters”, “transmitters that have low capital expenditures over the rate term and experience a declining rate base”, “transmitters that do not expect to incur material capital expenditures over the rate term” and “transmitters anticipating annual capital expenditures below 2%.”

SEC submits that the OEB should adopt a single, clear, and consistently used definition which articulates the conditions under which section 2.0.3 would apply. SEC proposes the following: A transmitter that is not proposing significant capital expenditure over the rate term (i.e., capital expenditures less than 2% of gross capital assets at the start of the rate term).²

This definition would include both single-asset transmitters and multi-asset transmitters whose capital spending is similarly limited. Over time, some single-asset transmitters may own multiple assets (e.g., a second transmission line along the same route), and the framework should accommodate them if their capital expenditure profile remains minimal.³

Additionally, the Filing Requirements state that “[t]he OEB expects an eligible transmitter to file revenue requirement applications consistent with this option unless it can demonstrate a strong rationale for departing from it.” SEC agrees that transmitters meeting the eligibility criteria should be required to use the modified Custom IR methodology. The final sentence of section 2.0.3.1 should therefore refer to “required” rather than “eligible”.

- **Financial Incentives.** Section 2.0.3.2 outlines the financial incentives that need to be included in the modified Custom IR application; stretch factor, performance monitoring and reporting and an earning sharing mechanism (“ESM”). SEC is supportive of all three of these elements. With that said, SEC is confused by the statement that “[t]hese elements also distinguish the single-asset transmitter guidance from a multi-year cost of service application”. It is not clear to SEC what the purpose of this statement is and unclear what distinction is being drawn here. The proposed modified Custom IR method is distinct from both a multi-year cost of service and from a full Custom IR plan. Further explanation or clarification of this sentence would be helpful.

Additionally, section 2.0.3.4 refers to if a utility proposes an ESM, which appears inconsistent with section 2.0.3.2, where the ESM is a required element. SEC recommends this inconsistency be resolved by confirming that an ESM is mandatory for all types of applications.

² SEC proposes using “significant” instead of “material” to avoid confusion with the materiality described in Section 2.1.5.

³ For example, the [Ministry of Energy and Mines is currently consulting on the prioritization of one of two potential Barrie to Sudbury Transmission Lines that would run between Essa TS and Hanmer TS](#). It is possible that in the future, that both lines are constructed and owned by the same entity.

- **Cost of Capital Updates.** In Section 2.0.3.3, the OEB proposes that for the return on capital and depreciation, there should be no annual inflation adjustment over the remaining rate term. SEC agrees with this proposal, however notes that for return on capital there is no mention of the capital parameters. SEC proposes that this section should also include a statement indicating that there is no update to the cost of capital parameters during the rate term.
- **OM&A.** OEB Staff propose that OM&A be subject to annual inflationary updates. SEC disagrees with this approach. Given the relatively small share of OM&A in the overall revenue requirement and the limited scope of these applications, SEC recommends that applicants forecast total OM&A (inclusive of inflation) for the entire rate term. This would simplify the application and review process and reduce regulatory burden. This approach would also better align with the proposed language in section 2.0.3.6, which states that, "[c]onsistent with the Handbook, annual update applications are not required for transmitters with a Custom IR throughout the rate term." Forecasting OM&A upfront avoids unnecessary annual updates and allows better planning, particularly where OM&A spending patterns may vary due to vegetation management or other cyclical maintenance needs.
- **Term Length.** Section 2.0.3.4 proposes that modified Custom IR applicants should have the option of proposing an extended rate of up to 10 years. SEC supports this idea, as long as there are sufficient off-ramps and ratepayer protections available to protect ratepayers.

Section 2.0.2 Revenue Requirement for Transmitters. The summary table removes the following lines: Expenditures related to unforeseen events, Deferral and Variance Accounts ("DVAs") and Performance Reporting and Monitoring. It is not clear why this change has been made as it is SEC's understanding that these components have not been removed from the two options.

The summary table shows that an option for capital factor proposals is available for both Revenue Cap IR and Custom IR. SEC would propose that this should be changed as follows:

	Revenue Cap IR	Custom IR
Capital in remaining rate term years	Capital module available	Option for capital factor proposals

Additionally, the summary table also shows that the rate term for the Custom IR is changed from "[m]inimum term of 5 years", which corresponds with the Handbook, to "5 to 10 years", which corresponds to Section 2.0.3.4 for the modified Custom IR, however, it is not clear if the change is also applicable to the Custom IR application.

SEC would also suggest that the summary table be extended to include the modified Custom IR option.

Section 2.1 General Requirements. It is recommended that these general requirements apply to all applicants, including those using the modified Custom IR, albeit potentially on an abbreviated basis.



Yours very truly,
Shepherd Rubenstein P.C.

Mark Rubenstein

cc: Brian McKay, SEC (by email)
Jane Scott, SEC Consultant (by email)
Interested Parties (by email)