



DECISION AND ORDER

EB-2025-0159

HYDRO ONE NETWORKS INC.

**Application for electricity transmission revenue requirement
beginning January 1, 2026**

BEFORE: **Patrick Moran**
Presiding Commissioner

Allison Duff
Commissioner

Anthony Zlahtic
Commissioner

October 7, 2025

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1 OVERVIEW

Through this Decision and Order, the Ontario Energy Board (OEB) approves the application filed by Hydro One Networks Inc. for its 2026 annual transmission revenue requirement effective January 1, 2026, pursuant to section 78 of the *Ontario Energy Board Act, 1998*, along with the disposition of the balances of the Excess Export Service Revenues Variance Account and the Earnings Sharing Mechanism Deferral Account as at December 31, 2024, and the change in the Export Transmission Service Rate effective January 1, 2026.

This Decision implements the findings from prior decisions of the OEB for Hydro One's Custom Incentive Rate-setting application for the period 2024-2027 (Custom IR decision and order)¹ and the generic proceeding on Uniform Transmission Rates-Related Issues and the Export Transmission Service Rate (ETS decision and order).²

Hydro One carries on the business of owning and operating electricity transmission and distribution facilities in Ontario. The company is seeking the OEB's approval for the revenue it requires to transmit electricity, as is required of licensed and rate-regulated transmitters in Ontario.

The OEB sets the revenue requirement for each rate-regulated electricity transmitter in Ontario. These individual transmission revenue requirements are incorporated into the Uniform Transmission Rates that are recovered from ratepayers across the province.

As a result of the OEB's findings in this Decision and Order, Hydro One's approved 2026 revenue requirement is \$2,161.0 million. This is \$25.5 million or 1.2% higher than the revenue requirement of \$2,135.5 million approved for 2025.³

The total bill impact for a typical Hydro One Distribution medium density residential (Hydro One R1) customer consuming 750 kWh monthly will be an increase of 0.13% or approximately \$0.19 per month. The total bill change for a typical Hydro One Distribution General Service Energy less than 50 kW (Hydro One GS < 50 kW) customer consuming 2,000 kWh monthly will be an increase of 0.09% or \$0.42 per month.

¹ EB-2021-0110, Decision and Order, November 29, 2022

² EB-2021-0243, Decision and Order, November 24, 2022

³ EB-2024-0244, 2025 Uniform Transmission Rates, Schedule A, January 21, 2025

2 THE PROCESS

Hydro One filed this application on June 12, 2025, under section 78 of the OEB Act and in accordance with [Chapter 2](#) of the OEB's *Filing Requirements for Electricity Transmission Applications*. This is the third application filed by Hydro One for an adjustment to its revenue requirement using the Custom IR methodology approved by the OEB in 2022, when the OEB determined that the approved methodology would be used to determine Hydro One's base revenue requirement for the years 2024 to 2027.

Hydro One's application was supported by pre-filed written evidence. Hydro One responded to interrogatories from OEB staff. Final submissions on the application were filed by OEB staff and Hydro One.

3 CUSTOM REVENUE CAP INDEX ADJUSTMENT

In the Custom IR decision and order, the OEB approved the proposed Custom IR methodology for Hydro One's transmission revenue requirement and determined that this framework would be used to determine Hydro One's transmission revenue requirement for the years 2024 to 2027. The framework adjusts the transmission revenue requirement by a revenue cap index (RCI) comprised of custom capital, inflation, and productivity factors. Consistent with the Custom IR decision and order, the productivity factor of 0.15% is fixed during the term. Hydro One's capital factor changes each year and has been approved for each year as part of the Custom IR decision and order. Hydro One's inflation factor is updated annually by the OEB.

Hydro One's application requested OEB approval of an adjustment to its base revenue requirement, determined using an OEB-approved Custom IR methodology, in which the base revenue requirement for the prospective rate year is equal to the base revenue requirement in the current year, inflated by the RCI.

The RCI approved by the OEB for Hydro One through its Custom IR decision and order includes an inflation factor ("I"), a productivity factor ("X"), which includes a stretch factor, and a custom capital factor ("C"). The RCI is expressed as:

$$RCI = I - X + C$$

The Inflation Factor is 3.5%, which is the OEB-approved industry-specific inflation rate for 2026 applications, effective January 1, 2026. The Inflation Factor is updated annually.⁴

In the Custom IR decision and order, the OEB approved a productivity factor of 0.15% and a custom capital factor to be updated by the Inflation Factor for 2026.⁵

The components of the RCI adjustment formula applicable to Hydro One are set out in Table 1. They result in a total RCI of 4.96%.

⁴ OEB Letter, 2026 Inflation Parameters, June 11, 2025

⁵ EB-2021-0110, Decision and Order, November 29, 2022

Table 1 - 2026 Custom Revenue Cap Index

Components	Amount
Inflation Factor	3.50%
Productivity Factor	(0.15%)
Custom Capital Factor	1.61%
Total Revenue Cap Index	4.96%

Hydro One's base revenue requirement for the 2026 rate year is then determined by applying the RCI of 4.96% to Hydro One's 2025 base revenue requirement. The result is a 2026 base revenue requirement of \$2,282.5 million, as shown in Table 2. This 2026 requirement is \$108 million or 4.97% higher than Hydro One's 2025 base revenue requirement of \$2,174.5 million. This will subsequently be adjusted for other revenues to set the revenue requirement in Section 7 of this Decision.

Table 2 - Hydro One's Base Revenue Requirement by Year

Year	Formula	Base Revenue Requirement (million)
2025	OEB-Approved 2025 Hydro One Base Revenue Requirement	\$2,174.5
2026	2025 Base Revenue Requirement x 2026 RCI = \$2,174.5 million x 1.0496	\$2,282.5

Findings

The OEB concludes that the base revenue requirement proposed by Hydro One to provide transmission service in 2026 is in accordance with the methodology and parameters set by the OEB in the Custom IR decision and order. The OEB approves the base revenue requirement of \$2,282.5 million.

4 DISPOSITION OF THE EXCESS EXPORT SERVICE REVENUES VARIANCE ACCOUNT

Hydro One is seeking approval from the OEB to clear the balance of its Excess Export Service Revenues Variance Account as of December 31, 2024. The balance request for disposition includes interest forecast through December 31, 2025, to reflect carrying charges anticipated through to the proposed effective date. This results in a forecast debit balance of \$2,241,114 as of December 31, 2025, after incorporating the Q4 2025 interest rate update.

As part of the Export Transmission Service (ETS) rate decision and order, the OEB ordered that this balance be disposed of annually, starting with the final 2023 balance.⁶ This account is part of the Network rate pool. The total for disposition in the account is calculated by adding the total interest on the balances for the years in question to the remaining principal balance in the account.

A change in the ETS rate and any differences between the forecast volumes and actual volumes are the primary drivers that contribute to the variances recorded in the account.

Findings

The OEB concludes that the balance of the Excess Export Services Revenue Account for disposition was calculated in accordance with the methodology and parameters set by the OEB in the ETS decision and order. The OEB approves the disposition of \$2,241,114 from the account, representing the December 31, 2024 balance with interest forecast through December 31, 2025.

⁶ EB-2021-0243, Decision and Order, November 24, 2022

5 DISPOSITION OF THE EARNINGS SHARING MECHANISM DEFERRAL ACCOUNT

Hydro One is seeking approval from the OEB to clear the balance of its Earning Sharing Mechanism (ESM) Deferral Account as at December 31, 2024. Pursuant to the OEB's decision and order for Hydro One's Custom IR Application⁷, Hydro One is requesting disposition of the ESM balances for 2021-2024 in this Application. The ESM deferral account records 50% of earnings that exceed the regulatory return on equity (ROE) by more than 100 basis points in any year of its rate term.

Table 3 shows the earnings sharing principal amounts in 2021-2024.

Table 3 - Hydro One's Earnings Sharing Principal Amounts (\$M)

	2021	2022	2023	2024
Achieved ROE	9.28%	9.94%	10.91%	11.02%
Allowed ROE	8.52%	8.52%	9.36%	9.36%
Over/(under) earning	0.76%	1.42%	1.55%	1.66%
OEB allowed earnings threshold	1%	1%	1%	1%
Over/(under) earning to allowed threshold	-0.24%	0.42%	0.55%	0.66%
Sharing with ratepayers	50%	50%	50%	50%
ESM Sharing Principal Amounts credit to ratepayers	-	\$15.52	\$21.75	\$27.59

The total earning sharing principal amounts from 2021 to 2024 plus interest forecast to December 31, 2025 results in a forecast credit to ratepayers of \$69.63 million as at December 31, 2025. The interest forecast calculation appropriately incorporates the OEB's approved Q4 2025 interest rate.

⁷ EB-2021-0110

Findings

The OEB approves the \$69.63 million credit to ratepayers, which includes the 2024 ESM balance proposed for disposition plus interest to December 31, 2025. The OEB finds that Hydro One's earnings sharing calculations are appropriate and are consistent with the Custom IR decision and order.

6 APPROVAL OF THE 2026 EXPORT TRANSMISSION SERVICE RATE

The RCI factor is used to escalate the ETS rate. The ETS decision and order stated the following:

The OEB is setting the ETS rate on a two-year basis for a period of stability, given contracts that may be in place in the electricity market. Effective January 1, 2025, the ETS rate will escalate annually based on the RCI for Hydro One's transmission business.⁸

Using the 2026 approved RCI factor of 4.96% and the 2025 rate of \$1.86/MWh, the updated 2026 ETS rate is \$1.95/MWh.

Findings

The OEB concludes that the ETS rate was calculated in accordance with the methodology and parameters approved in the ETS decision and order. The OEB approves the ETS rate of \$1.95/MWh effective January 1, 2026.

⁸ EB-2021-0243, Decision and Order, November 24, 2022

7 2026 REVENUE REQUIREMENT AND OTHER ADJUSTMENTS

The 2026 revenue requirement for Hydro One is allocated among the three rate pools (Network, Line Connection and Transformation Connection) using the OEB-approved percentage allocation for Hydro One Transmission.⁹

The 2026 revenue requirement is the base transmission revenue requirement, adjusted for other revenues, including external revenue, wholesale meter service revenue, ETS revenue, low voltage switchgear credit, and disposition of deferral and variance accounts.¹⁰ Inclusion of these revenue offsets results in a 2026 revenue requirement of \$2,161.0 million for 2026 as shown in Table 4.

Table 4 - Hydro One's 2026 Revenue Requirement (million)

	2026
Base Revenue Requirement	\$2,282.5
External Revenue	(\$36.9)
Wholesale Meter Service (WMS) Revenue	\$0.0
ETS Revenue	(\$37.2)
Low Voltage Switchgear (LVSG) Credit	\$20.0
Disposition of Deferral and Variance Accounts	(\$67.4)
2026 Revenue Requirement	\$2,161.0

The resulting pool allocation of Hydro One's 2026 revenue requirement is shown in Table 5.

⁹ EB-2021-0110, Decision and Order, November 29, 2022, Schedule A, Attachment 1, Schedule 2.2, Table 1

¹⁰ EB-2025-0159, Exhibit A, Tab 4, Schedule 1, pg.1, Table 1

Table 5 - Hydro One's 2026 Revenue Requirement by Rate Pool (million)

Transmitter	Network	Line Connection	Transformation Connection	Total
Hydro One	\$1,290.0	\$226.0	\$645.0	\$2,161.0

In accordance with the Custom IR decision and order, the charge determinants for 2026¹¹ are shown in Table 6.

Table 6 – 2026 Charge Determinants (in MWs)

Transmitter	Network	Line Connection	Transformation Connection
Hydro One	229,485	222,779	189,509

Hydro One's proposed 2026 revenue requirement of \$2,161.0 million is \$25.5 million or 1.2% higher than its approved 2025 revenue requirement of \$2,135.5 million.

Hydro One's 2026 revenue requirement represents 89.9% of the total revenue requirement across all transmitters, based on the 2025 Uniform Transmission Rates (UTRs).¹² Hydro One estimated that its proposed 2026 revenue requirement will result in a 1.4% increase to average transmission rates and a 0.2% increase to average transmission customer bills, as shown in Table 7.

¹¹ EB-2021-0110, Decision and Order, November 29, 2022, Schedule A, Attachment 1, Schedule 2.1, Table 1b

¹² Hydro One Transmission revenue requirement divided by all transmitters' revenue requirement (\$2,135.5M / \$2,375.2M = 89.9%) per Decision and Rate Order, EB-2024-0244, 2025 UTRs January 21, 2025

Table 7 – Comparison of Hydro One’s 2025 and 2026 Revenue Requirement, Average Bill Impacts on Transmission Connected Customers

	2025	2026
Hydro One Revenue Requirement	\$2,135.5 million	\$2,161.0 million
% Change in Revenue Requirement over prior year		1.2%
% Impact of load forecast change		0.4%
Net Impact on Average Transmission Rates		1.4%
Transmission as a % of Tx-connected customer’s Total Bill		12.6%
Estimated Average Transmission Customer Bill impact		0.2%

Hydro One estimated that its proposed 2026 revenue requirement will result in an increase of 0.13% for a typical Hydro One Distribution medium density residential customer (Hydro One R1) consuming 750 kWh monthly and an increase of 0.09% for a typical Hydro One Distribution General Service Energy less than 50 kW customer (Hydro One GS < 50 kW) consuming 2,000 kWh monthly, as shown in Table 8 below.

Table 8 – 2026 Typical Distribution Connected Customer Monthly Bill Impact

	Typical Medium Density (R1) Residential Customer Consuming 750 kWh per month	Typical General Service Energy less than 50 kW (GS <50kW) Customer Consuming 2,000 kWh per month
Total Bill as of January 1, 2025 (A)	\$142.72	\$452.68
2025 Total RTSR Charge	\$17.754	\$39.237
2026 Estimated Change in RTSR Charge (B)	\$0.190	\$0.419
2026 Estimated Total RTSR Charge	\$17.944	\$39.656
2026 Increase as a % of Total Bill (C=B/A)	0.133%	0.093%

Findings

The OEB concludes that the 2026 revenue requirement net of other revenues and the disposition of deferral and variance accounts has been calculated appropriately. The OEB approves a 2026 revenue requirement of \$2,161.0 million with an effective date of January 1, 2026.

8 IMPLEMENTATION

Hydro One requested that its 2026 revenue requirement be reflected in the UTR rates effective January 1, 2026. If implementation cannot occur by then, Hydro One requested an interim order making its current transmission revenue requirement and charges effective on an interim basis as of January 1, 2026.

The OEB anticipates that it will establish new preliminary UTRs or final UTRs in time for implementation as of January 1, 2026. Whether preliminary or final, these UTRs will include Hydro One's 2026 revenue requirement. As a result, no deferral account will be required to track forgone revenue. The approval of final UTRs at a later date, if necessary, should have no impact on Hydro One.

9 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Hydro One's 2026 transmission revenue requirement of \$2,161.0 million is approved, with an effective date of January 1, 2026. Hydro One's resultant revenue requirement will be included in the OEB's determination of the 2026 Uniform Transmission Rates for Ontario.
2. Hydro One's disposition of the \$2,241,114 balance of the Excess Export Service Revenues Variance Account is approved, the balance represents the December 31, 2024 principal balance with interest forecast through December 31, 2025.
3. Hydro One's disposition of the \$69,627,555 credit balance of the Earnings Sharing Mechanism Deferral Account is approved, the balance represents the total principal balance as of December 31, 2024 with interest forecast through December 31, 2025.
4. The change of the Export Transmission Service rate to \$1.95/MWh is approved with an effective date of January 1, 2026.

DATED at Toronto, October 7, 2025

ONTARIO ENERGY BOARD

Ritchie Murray
Acting Registrar