

February, 13 2026

Ontario Energy Board
2300 Yonge Street, 27th floor
P.O. Box 2319
Toronto, ON M4P 1E4

By email: engagewithus@oeb.ca

Re: Spending Pattern Analysis (EB-2025-0108),

Dear Sir/Madam,

Thank you for the opportunity to submit written feedback on the Spending Patterns and Capitalization Policy Report of January 8, 2026.

This feedback on the Report is from the perspective of how the regulatory system can help create an environment conducive to electric system innovation in Ontario. The scope for innovation includes not only utilities but also communities and individual participants in the electric system.

Why is Innovation Needed?

Innovation is essential to address the need for sufficient, clean, resilient, and cost-effective energy in a rapidly changing environment. Challenges to our existing systems include:

- Increasing demand is driving a need for new approaches that are quick to implement, scalable, and effective at meeting the need.
- Technology and its associated costs continue to evolve. For the sake of economic competitiveness, Ontario needs an adaptable electric system that can incorporate and scale up innovation nimbly.
- A changing climate is accelerating the need to address energy-related greenhouse gas emissions. The latest technologies in renewable energy, EVs, and storage can help address Ontario's emissions and meet electricity demand.
- More frequent extreme weather events are increasing the risk of outages. Innovative technologies can enable resilience to outages at the residential level, reducing the risk to public safety of power loss.
- With new technologies gaining momentum and scale globally, these are becoming the least costly methods of meeting our electricity needs. They are key to the affordability of the electric system and can often provide added value by being deployed at or near loads, rather than far away.

Encouraging Innovation and Enabling Participation

There is a strong need to both encourage innovation at the utility level and to address obstacles that prevent or slow the adoption of innovative approaches by all participants in the electric system. Many jurisdictions are moving away from a purely centralized model toward one that enables customers to own a small share of the energy infrastructure that serves them and others. This might look like a battery, a solar array, or an electric vehicle in a home garage that supplies the grid and can provide backup power during an outage.

For people who live in condominiums or apartments, innovation might look like owning a share in a community energy resource, such as a community solar array, wind farm, or battery energy storage system (BESS), which also helps reduce their energy costs. Innovation can also be as straightforward as installing a solar panel on a balcony, a common practice in Europe. Innovation, which includes the adoption and integration of Distributed Energy Resources (DERs), can help meet the changing needs of the electric system, make Ontario more economically competitive, reduce emissions, enhance resilience against outages, and lower grid costs.

Feedback on the Report

The Report on Spending Patterns and Capitalization Policy highlights two patterns that impact innovation by utilities:

- 1. Tendency to Favor Capex over Opex solutions** – The structural tendency for utilities to favor capital expenditures (such as new wires and stations) over operating expenses is clear in the report.¹ Because utilities are incentivized toward capital expenditures, substitutes like energy conservation, peak load management, and DERs are likely to be viewed unfavorably by utilities.² The current regulatory system therefore discourages the very innovation needed to meet the challenges the electric system faces, described above.
- 2. Disconnected Distribution System Plans** – The report highlights the role distribution system plans (DSPs) have in guiding spending.³ According to the OEB, “Good distributor planning is an essential prerequisite to the performance-based rate-setting approaches

¹ The report notes that the tendency to favor Capex is theoretically grounded (SPA Report p. 32), visible in other jurisdictions (SPA Report p. 51), and documented in Ontario (SPA Report p. 93).

² “In the case of electric utilities, these substitutes include energy conservation, peak load management, distributed energy resources, better vegetation management and facility maintenance, cloud computing...” SPA Report p. 45.

³ “Intervenors generally acknowledged that DSPs encourage more stable spending patterns.” SPA Report p. 80.

established under the Handbook, and necessary to ensure that the four performance outcomes the OEB has established for electricity distributors, namely Customer Focus, Operational Effectiveness, Public Policy Responsiveness, and Financial Performance, are being achieved.”⁴

Despite the importance of DSPs, they are not typically updated during multi-year plans, and distributors are increasingly on rebasing terms longer than the standard five years, according to an intervenor cited in the report.⁵ Because DSPs are not always updated during MRPs, this could limit adaptiveness to emerging innovative opportunities.⁶

To address these issues, we suggest:

1. Evaluate and implement regulatory mechanisms that can help overcome obstacles to the adoption of innovation, including incentives for innovative utility practices and accountability for obstacles.
2. Require utilities to update DSPs more frequently to reflect evolving priorities, such as DER adoption and integration, reducing peak demand, electrification, and the implementation of innovation broadly.

I very much appreciate your consideration of the thoughts enclosed here.

Thank you,



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⁴ *Ontario Energy Board Filing Requirements For Electricity Distribution Rate Applications - 2026 Edition for 2027 Rate Applications Chapter 5 Distribution System Plan*, December 16, 2025.
https://www.oeb.ca/sites/default/files/OEB%20Filing%20Reqs_Chapter%205_2027_20251216.pdf

⁵ SPA Report p. 80.

⁶ Another intervenor states, “There is an expectation this ‘is the plan’.” SPA Report p. 80.