

**ONTARIO ENERGY BOARD**

**EB-2024-0115**

**IN THE MATTER OF** the *Ontario Energy Board Act*, 1998, S. O. 1998, c. 15, Schedule B;

**AND IN THE MATTER OF** an application by Hydro Ottawa Limited for electricity distribution rates and other charges beginning January 1, 2026

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**Submissions of Environmental Defence**

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**February 25, 2026**

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## Overview

Hydro Ottawa seeks approval of its proposed O&M budget, elimination of the net metering charge, and approval of a proposed shared savings mechanisms relating to its non-wires customer solutions program. Environmental Defence Canada makes the following requests in relation to these unsettled issues:

1. With respect to the O&M budget, Hydro Ottawa should be encouraged to be as efficient as possible, while also maintaining a sufficient envelope to allow essential energy transition planning and distribution system efficiency O&M activities to take place.
2. Hydro Ottawa’s proposal to eliminate the net metering charge should be approved as that would be consistent with cost causality, fairness, the tariffs of other major distributors, and provincial policy.
3. The OEB should not accept the argument by OEB Staff that Shared Savings Mechanisms are prohibited in instances where no viable facilities alternative exists, and the OEB should ensure that an appropriate incentive is available to Hydro Ottawa for its important non-wires investments.

## O&M Budget

Environmental Defence does not propose a specific amount for Hydro Ottawa’s O&M budget. Instead, we ask that Hydro Ottawa be encouraged to be as efficient as possible, while also maintaining a sufficient budget to allow for important activities to take place that are necessary to maintain affordability over the medium and long term as the energy transition proceeds.

The O&M budget should be reduced wherever it is possible to achieve efficiencies as this is supportive of both financial and climate interests. Decarbonization in Ontario depends on affordable electricity as an alternative to fossil fuels. Incremental efficiencies in the electricity system will benefit the climate by making decarbonization cheaper vis-à-vis fossil fuel alternatives. This is true for all sectors, including decarbonization of transportation and heating.

However, there is a significant risk that excessive cuts to O&M spending could be counterproductive with respect to financial and climate interests to the extent that they undermine efforts to cost-effectively prepare for the energy transition or make the distribution system as efficient as possible. Significant work is required of distributors in this regard, ranging from strong distribution system planning, assessment of non-wires solutions, leveraging DERs,

to reducing distribution system losses. Cuts in these areas would be penny wise but pound foolish – they may produce some savings today, but will cost more in the long-run by knocking Hydro Ottawa off the most cost-effective pathway to accommodate the electricity demand increases expected from decarbonization.

The above two considerations appear at first to be contradictory because one supports more O&M spending while the other supports less. However, both considerations are complementary in the sense that Hydro Ottawa can be encouraged to be as efficient as possible, while also maintaining a sufficient budget to allow essential energy transition planning and distribution system efficiency activities to take place.

### **Net Metering Charge**

The OEB should approve Hydro Ottawa’s proposal to eliminate the net metering charge as all factors overwhelmingly support this proposal. With respect to residential customers, the elimination of the charge is obviously necessary. Hydro Ottawa has eliminated any incremental cost to provide net metering to residential customers by automating the billing of these customers.<sup>1</sup> Over 95% of net metering customers are residential customers.<sup>2</sup> It would be inconsistent with cost causality to require that net metering charges be maintained for these customers.

One intervenor suggested during questions at the hearing that Hydro Ottawa institute a net metering charge solely for commercial customers, for whom billing has not yet been automated. This suggestion should not be adopted, including for the reasons below.

- **Fairness:** Hydro Ottawa does not charge customers additional fees to cover the cost differences to prepare bills for customers with different rate structures.<sup>3</sup> It would be unfair and inconsistent to do so only for customers with net metering.
- **Jurisdictional consistency:** None of the three largest distributors charge additional fixed fees for customers with net metering.<sup>4</sup> These three distributors serve over 60% of Ontario’s electricity customers.<sup>5</sup> Maintaining Hydro Ottawa’s charges would be inconsistent with the treatment of the majority of customers in the province.
- **Existing charges:** Unlike generators, commercial customers already support the cost of the distribution system through the rates they pay.
- **Regulatory efficiency:** There are only 17 commercial customers with net metering and the revenue generated from them would be only \$74,000.<sup>6</sup> This is not sufficiently

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<sup>1</sup> Transcript Volume 1, January 14, 2026, p. 181 & 182.

<sup>2</sup> JT2.15

<sup>3</sup> Transcript Volume 1, January 14, 2026, p. 194.

<sup>4</sup> Transcript Volume 1, January 14, 2026, p. 187.

<sup>5</sup> Transcript Volume 1, January 14, 2026, p. 188.

<sup>6</sup> JT2.15; JT3.8.

material to justify the regulatory costs involved in directing Hydro Ottawa to develop a new net metering charge for these customers.

- **Lack of evidence:** Hydro Ottawa has not provided the evidence necessary to support a net metering charge because it is not proposing one and no intervenor obtained detailed underlying evidence through interrogatories.<sup>7</sup>
- **Cost attribution:** The cost of manual billing should not be attributed to commercial customers with net metering because that cost can be eliminated through automation, and would have been eliminated through automation if other priorities had not prevailed.<sup>8</sup> Hydro Ottawa testified that the relevant billing experts were re-tasked with activities relating to the ultra-low overnight rates. Commercial customers with net billing should not be penalized for this reprioritization.<sup>9</sup>
- **Cost causality and postage stamp rates:** Although commercial customers with net metering may result in costs relating to certain manual billing process, cost causality does not require that an additional fee be developed to reflect those costs. Ontario has postage stamp rates, which by definition cannot reflect 100% cost causality. If a better reflection of cost causality is sought, that would be more effectively achieved by charging customers for paper bills or charging customers in rural areas for the higher cost to serve them. The very minor manual billing costs at issue are far from sufficient to require a separate charge from a cost causality perspective, particularly in comparison to other cost differences that do not result in additional charges.
- **Provincial policy:** Provincial policy is strongly supportive of enabling customer choice, including the ability of customers to reduce their energy bills through the use of distributed energy resources.<sup>10</sup> Maintaining the charge would be inconsistent with this goal as the annual cost of the charges would be material and could impact customer decisions.<sup>11</sup>

In light of the above, the OEB should not heed calls from other intervenors to direct Hydro Ottawa to maintain its net metering charge or to develop a new net metering charge only for commercial customers.

### **Shared Savings Mechanism**

Hydro Ottawa proposes to use a Shared Savings Mechanism (“SSM”) as the incentive structure for its non-wires solutions program, starting with implementation in Kanata North. This is appropriate, subject to Hydro Ottawa satisfactorily responding to questions raised by OEB Staff regarding the calculation of benefits beyond 2028 and symmetry regarding the treatment of staffing costs.

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<sup>7</sup> Transcript Volume 1, January 14, 2026, p. 180.

<sup>8</sup> Transcript Volume 1, January 15, 2026, p. 159.

<sup>9</sup> *Ibid.*

<sup>10</sup> Exhibit K1.4, Tab 1 (Ontario’s Integrated Energy Plan), PDF page 89-91 (document page 87-89).

<sup>11</sup> The evidence on the record suggest that manual billing for commercial customers costs \$4352 per customer (\$74,000 in costs divided by 17 commercial customers). See JT2.15; JT3.8.

These submissions focus on high-level issues that are important for the purposes of regulatory precedent regarding benefit-cost analysis and incentives for non-wires alternatives. As counsel for Environmental Defence, I was a member of the Framework for Energy Innovation Working Group and the Benefit-Cost Analysis Subgroup. We make this submission in part based on that perspective and experience.

*An SSM is appropriate where there is no viable facility option*

OEB Staff argues that the shared savings mechanism cannot be used where a non-wires solution is the only feasible option to address distribution needs. The OEB should not accept this submission as it is incorrect and would set a negative precedent. First and foremost, none of the relevant OEB guidelines rule out a shared savings mechanism in this situation, either explicitly or implicitly. Although the benefits can be more challenging to calculate where there are no viable facilities options to compare the non-wires solution to, that is far from impossible, and a variety of options are available to utilities in the BCA Framework.

Hydro Ottawa's proposal to use the marginal capacity value is reasonable. This tool is explicitly approved in the BCA Framework. Although there is insufficient time available to build the facility solution soon enough, that does not undermine the logic or appropriateness of using the marginal capacity value. The following thought experiment is instructive. Imagine Hydro Ottawa submitted this application two or three years earlier, such that the facility could be built in time to meet the distribution needs and would be deferred by the non-wires solution. Hydro Ottawa's approach would certainly be sufficient in that situation. There is no reason why the passage of time would or should change the appropriateness of that methodology.

Furthermore, the OEB should be very wary to rule out the shared savings mechanism in this and other situations. The shared savings mechanism is ideal because it aligns the interests of the utility with the interests of the customer – the greater the benefits, and the fewer the costs, the greater the incentive. In contrast, the other incentive mechanisms can create mismatched incentives. For instance, with a margin on payments, the greater the costs, the greater the incentive.

*Benefits for 2029 onward*

OEB Staff raise questions about the source of benefits for the period after the Kanata North constraint has been addressed with the facility solution (i.e. 2029 forward). OEB Staff question whether the non-wires solutions will actually be contributing to the deferral of facility solutions in the relevant year. The answer is not clear to us, and we believe those questions are best addressed by Hydro Ottawa.

*Treatment of staff time*

OEB Staff argue that Hydro Ottawa's calculation of net benefits for the purpose of determining the SSM incentive payments is overstated because costs associated with existing staffing resources that will work on the non-wires solution are not accounted for. These costs should

either be excluded from both the benefits and cost calculations, or included in both. This is required by the principle of symmetrical treatment set out in the BCA framework.<sup>12</sup>

There is no doubt that the construction of new infrastructure also involves use of existing staff resources. It appears to us that the costs of existing staff time are excluded from both the cost and benefit sides of the BCA ledger in Hydro Ottawa's case. However, additional clarity from Hydro Ottawa would be beneficial.

*Alternative request – allow consideration of an alternative proposal*

If the OEB ultimately declines to approve the proposed shared savings mechanism, Environmental Defence asks that Hydro Ottawa be afforded an opportunity to seek approval for a revised incentive mechanism, either through the continuation of this proceeding or through a subsequent application. The regulatory environment relating to non-wires solutions is evolving quickly and is new to electricity distributors in Ontario. This novelty and uncertainty would justify giving Hydro Ottawa a second chance to propose an alternative mechanism if the OEB does not approve the SSM.

This would also be in keeping with OEB policy in support of innovation and the provincial DER strategy set out in Ontario's Integrated Energy Plan. It is difficult for staff in electricity distributors to bring forward non-wires solutions because they need to overcome the strong inertia and institutional bias in favour of traditional infrastructure, as well as the financial disincentives to pursue non-wires solutions. A ruling that disallows any incentives at all whatsoever would put a chill on these already-difficult efforts, sending a signal to utilities across the province that proposals of this nature face significant regulatory risks.

## **Conclusion**

For the reasons set out above, Environmental Defence makes the following requests:

1. With respect to the O&M budget, Hydro Ottawa should be encouraged to be as efficient as possible, while also maintaining a sufficient envelope to allow essential energy transition planning and distribution system efficiency activities to take place.
2. Hydro Ottawa's proposal to eliminate the net metering charge should be approved as that would be consistent with cost causality, fairness, the tariffs of other major distributors, and provincial policy.
3. The OEB should not accept the argument by OEB Staff that Shared Savings Mechanisms are prohibited in instance where no viable facilities alternative exists, and should ensure that an appropriate incentive is available to Hydro Ottawa for its important non-wires investments.

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<sup>12</sup> OEB, *Benefit-Cost Analysis Framework for Addressing Electricity System Needs*, May 16, 2024, p. 12.