

February 27, 2026

Mr. Ritchie Murray
Registrar
Ontario Energy Board
2300 Yonge St, 27th Floor
Toronto, ON M4P 1E4

Dear Mr. Murray:

Re: An Integrated Approach to Utility Remuneration – Next Generation Rate Framework (EB-2026-0002)

The Electricity Distributors Association (EDA) represents Ontario’s local electricity distributors (LDCs), which deliver safe and reliable electricity to homes, businesses, and institutions across the province. Collectively, LDCs own more than \$33 billion in distribution infrastructure and invest over \$3.1 billion annually to maintain reliability, support growth, and enable electrification, while remaining directly accountable to customers for affordability and service quality.

Ontario’s electricity system is entering a period of sustained and accelerated growth. Demand is rising, customer connections are increasing, and new technologies such as distributed energy resources are becoming more prevalent. At the same time, utilities are managing heightened cybersecurity risks and more frequent climate-related events. These changes are fundamentally reshaping both the scale and timing of required investment.

As outlined in our vision paper, [Solving Grid-Lock: Our Vision for a Customer-Centric Energy Transition](#), between \$103 billion and \$120 billion in distribution investment may be required between 2024 and 2050 under moderate-to-high electrification scenarios. **In this context, the central sector risk is not overinvestment, but underbuilding relative to accelerating demand, housing development, and electrification objectives.** Underbuilding not only risks reliability and affordability outcomes but also constrains Ontario’s ability to achieve its economic growth and development priorities, including timely housing connections and industrial expansion. Regulatory frameworks that misinterpret necessary capital investment as inefficiency risk, delaying critical infrastructure, increasing long-term system costs, and undermining the province’s electrification objectives. Critically, we caution that sustained underinvestment in distribution infrastructure puts system reliability at risk, particularly as demand growth and system complexity accelerate.

As reflected in the recent legislative amendments enacted in 2025 through Bill 40, the *Protect Ontario by Securing Affordable Energy for Generations Act, 2025*, which added to the purposes of the *Electricity Act, 1998* and the objectives of the *Ontario Energy Board Act, 1998* “to regulate the electricity sector in a **manner that supports economic growth**, consistent with the policies of the Government of Ontario,” **regulation must now explicitly align with forward-looking economic priorities.** These realities have direct implications for regulatory design. Frameworks that rely heavily on historical spending patterns risk constraining investment precisely when it is needed most, delaying critical infrastructure, slowing

customer connections, and increasing long-term system costs. The central question is not whether spending conforms to past trends, but whether the regulatory framework enables timely, efficient, and forward-looking investment that supports growth and system reliability.

These comments are provided in response to the Ontario Energy Board's January 8, 2026, [letter](#) launching the Next Generation Rate Framework (NGRF) consultation. **We applaud and support the OEB's decision to bring together related initiatives into a coordinated review.** This work should continue to align with the Minister's 2024 [Letter of Direction](#), which clearly instructed the OEB that utility remuneration reform should proceed and 'complement, but be independent of the **necessary investment utilities must continue to make to ensure the grid is ready for an increasingly electrified economy.**' (emphasis added)

We note, the issues under consideration, including advanced performance-based rate regulation (APBR), spending pattern analysis (SPA), total cost benchmarking (TCB), and evaluation of the incremental capital module (ICM) policy previously, are interconnected and should be addressed as part of a coherent framework. The NGRF presents an important opportunity to establish a forward-looking approach that supports timely investment, system reliability and resilience, and long-term affordability for customers.

What the NGRF Future Remuneration Framework Should Look Like

A modernized NGRF must be explicitly infrastructure-responsive, clearly distinguish between operating and capital cost incentives, and avoid mechanical reliance on backward-looking productivity trends. The framework must continue to ensure just and reasonable rates while enabling the timely and efficient expansion of the distribution system.

Incentive structures should be balanced and symmetrical, rewarding service excellence while maintaining accountability for performance. Incentives are most effective when grounded in an infrastructure-responsive design and should not be applied mechanistically in ways that distort investment priorities or undermine higher-value customer outcomes.

At its core, the NGRF must reflect Ontario's central challenge: not overinvestment but enabling the financing and timely delivery of infrastructure required to support electrification, growth, and system resilience. Without prescribing a single model at this stage, the following summarizes our recommendations to strengthen and operationalize the NGRF.

Executive Summary of EDA NGRF Recommendations:

- **Reframe the NGRF to enable timely, scalable forward-looking infrastructure investment,** ensuring all rate-setting models support electrification, economic growth, reliability, and long-term affordability in alignment with government direction.
- **Modernize incentive ratemaking to reflect growth, including reform of the X factor and reduced reliance on backward-looking Total Factor Productivity (TFP).** The framework should consider growth-responsive mechanisms and avoid the simplistic application of historical trends that are misaligned with current and future investment needs.

- **Reform/Modernize benchmarking, inflation, and cost recovery frameworks** to reflect real-world cost pressures, avoid mechanistic outcomes, and ensure alignment with forward-looking, capital-intensive system needs.
- **Align incentives across capital and non-capital solutions and implement symmetrical performance incentives**, tied to customer outcomes, to support efficient investment, innovation, and service excellence without displacing priority system needs.
- **Embed flexibility and expand capital funding tools across all models**, including **broader access to the ICM**, reduced thresholds, and interim mechanisms to manage uncertainty and support timely investment.
- **Ensure that OEB stakeholder consultation processes are governed by clear frameworks** for sequencing, evidentiary standards, and decision-making pathways, supported by enforceable transparency requirements. All analyses relied upon should be fully accessible, testable, and replicable to support robust, evidence-based regulatory outcomes (e.g., TCB, SPA).

These recommendations are consistent with our prior submissions to OEB staff on [Spending Pattern Analysis](#), [Total Cost Benchmarking](#), [Performance Incentive Mechanisms](#) and the [Incremental Capital Module](#), which emphasized the need for aligned incentives, robust empirical validation, regulatory stability, and accessible capital funding tools to support growth.

The submission below responds directly to the NGRF objectives and topics outlined in Appendix A of the OEB's letter.

1. Proposed Objectives: Whether the Proposed Objectives and Goals Are Clear and Appropriate – Why or Why not?

We agree that reviewing the rate-setting framework is both timely and necessary. We support the overarching objectives. However, the framework must continue to deliver outcomes that customers value while remaining fit for purpose in a rapidly evolving energy sector.

Customer outcomes must remain central to the NGRF's design. As noted in our [PIMs submission](#), incentive mechanisms must be directly aligned with clearly established customer and government priorities; otherwise, they risk unintentionally shifting investment away from higher-value outcomes. In practice, this includes timely connection of new customers, maintaining and improving reliability, and ensuring long-term affordability. These outcomes depend directly on distributors' ability to plan, finance, and deliver capital investments efficiently and at scale.

Aligning Objectives with Ontario's Investment Reality

In the current environment, remuneration objectives must place primary emphasis on capital formation, affordability, resilience, and timely system expansion.

Ontario is entering a fundamentally different planning environment than the historical period reflected in previous years. As outlined in the Ontario Ministry of Energy's [Energy for Generations June 2025](#), electricity demand is projected to grow by approximately 65 to 75 percent by 2050, increasing from roughly 151 TWh in 2026 to approximately 250 TWh. Meeting this demand will require sustained, accelerated, and strategically sequenced investment in distribution infrastructure.

The province has been explicit in its expectations. LDCs must strengthen infrastructure, deploy advanced technologies, and undertake significant capital investment in substations, transformers, digital grid management tools, and system resilience. Key drivers, including electrification, housing growth, industrial expansion, severe weather, and cybersecurity, point to structural, sustained capital requirements rather than cyclical investment patterns.

Consistent with the Minister's [Letter of Direction dated December 18, 2025](#), distributors are expected to invest at scale in a materially different environment. Regulatory approaches grounded primarily in retrospective statistical analysis risk misalignment with these policy objectives and may inadvertently constrain timely, policy-driven investment.

These considerations are directly relevant to the NGRF and should inform the development of policy objectives and goals before any conclusions are drawn from historical spending analyses, as emphasized in our February 13 [SPA submission](#) to the OEB regarding the Pacific Economics Group (PEG) Spending Pattern Analysis report.

Further, our January 2026 [PULSE submission](#) demonstrates that within the next decade, approximately half of Ontario customers will be in a service territory that faces capital access constraints. **In this context, the dominant sector risk to customers is underbuilding relative to demand and reliability requirements, not overinvestment. Regulatory design must reflect this shift.** We recommend that policy or structural changes create flexible and scalable options for Ontario's LDCs to access capital. These pathways need to reflect the diverse circumstances of each utility and allow them to invest at the pace needed for growth and grid transformation.

Greater clarity and refinement are required to ensure the four proposed objectives align with Ontario's investment realities and emerging system needs. **Flexibility and accessibility must be a foundational design principle.** Custom IR already provides this adaptability, but the other rate-setting models do not yet sufficiently accommodate the level of uncertainty and variability utilities now face. **All models should evolve to incorporate greater flexibility in managing investment timing, cost pressures, and changing system needs.** Our previous submissions have cautioned the OEB that poorly calibrated incentive structures can unintentionally discourage prudent capacity investment or delay system expansion if not aligned with broader policy objectives.

OEB's four Proposed Goals/Objectives:

We have reviewed the OEB's proposed objectives for the NGRF consultation and agree they are directionally appropriate. However, as currently framed, they emphasize exploration rather than enabling distributors to act in alignment with government direction and Ontario's investment realities. To be effective, the objectives should be more operational, outcome-driven, and clearly linked to the delivery of timely system expansion, reliability, and affordability.

We recommend that rate-setting frameworks be required to demonstrate, systematically, that they provide both the incentives and the funding necessary to deliver customer-valued outcomes. NGRF should be:

- Outcome-driven and fit for purpose, with incentives directly tied to measurable customer and government priorities.

- Technology- and solution-neutral, ensuring equivalent treatment of solutions delivering comparable outcomes, regardless of cost classification.
- Investment-enabling and financeable, supporting timely capital formation, regulatory certainty, and appropriate risk allocation; and
- Adaptive to uncertainty, enabling forward-looking planning and reducing reliance on backward-looking assumptions.

This approach moves beyond high-level objectives and establishes a clear expectation that the framework must perform in practice, supporting investment, maintaining affordability, and delivering the outcomes customers value. Accordingly, we recommend the following refinements to the proposed goals, as outlined in the table below.

OEB Proposed Goals

Goal #1:

“Strengthen incentives for achieving outcomes consumers value, including improved or maintained service quality.”

Goal #2:

“Help level the playing field for solutions (e.g., non-wires solutions, shared services, etc.), whether they be capital investments or operations, maintenance, and administration expenses.”

Goal #3:

“Support timely system buildout for electrification and economic growth and ensure that risk remains appropriately shared between utilities and consumers in the context of a changing energy landscape.”

Goal #4:

“Explore opportunities for the rate-setting framework to address uncertainty about future energy use (e.g., the pace of electrification, and the impact of other energy resources such as hydrogen or district energy systems) and information asymmetry.”

EDA Proposed Goals

Goal #1:

“**Assess and ensure the current rate-setting frameworks provide** appropriate incentives and sufficient funding for LDCs to deliver the service quality and outcomes which customers value.”

Goal #2:

“**Enable equal and practical consideration of all** solutions (e.g., non-wires solutions and shared services), whether they be capital investments or operations, maintenance and administration expenses.”

Goal #3:

“Support timely and **scalable** system buildout to **enable and meet** electrification, economic growth, and reliability, while maintaining appropriate and balanced risk sharing between utilities and customers in the context of **electrification and forward planning.**”

Goal #4:

“**Ensure all rate-setting frameworks and models are sufficiently flexible and** forward-looking to manage uncertainty in demand, technology adoption, and system needs, without constraining prudent and timely investment.”

2. Proposed Scope: Is the proposed scope of the consultation to build on the OEB's current rate-setting framework, the RRF, clear and appropriate? Why or Why Not?

We agree that the proposed scope set out in *Table 1 of the OEB's Renewed Regulatory Framework (RRF) Rate-Setting Overview* is an appropriate starting point and provides a strong foundation for this work. However, we believe that targeted improvements are required to ensure the framework is equipped to support the evolving demands of the sector, including continued investment, system expansion, and operational flexibility.

Regulatory Reform, Ratemaking Incentives, and the NGRF

As part of the NGRF work, the OEB should include ratemaking reform that focuses on maintaining simplicity while modernizing the I-X framework to reflect capital expansion and structural industry changes. While the current formula was developed for a period of stable or declining load, it is not aligned with the scale or pace of investment now required. In its current form, it places disproportionate emphasis on cost compression and does not provide adequate incentives to support system growth, renewal, and modernization.

As advised in our [PULSE submission](#), regulatory reform must be approached with care, as even well-intentioned changes can create ripple effects across capital markets, utility operations, and customer rates. Ontario's LDCs are diverse, and reforms that are not well scoped or tested can create new investment barriers, weaken reliability, or produce long-term uncertainty that raises costs for customers. During a period of unprecedented growth and renewal, a stable and predictable regulatory environment is essential for keeping capital affordable.

We also recognize that the productivity factor within Ontario's incentive rate-setting framework is increasingly misaligned with the sector's growth trajectory and investment requirements. A review of stakeholder PULSE submissions indicates broad consensus that the productivity factor warrants reform or, in the most extreme case, elimination. Rate-setting should prioritize balanced incentives that support both productivity and the imperative for system growth. Reforming or removing the productivity factor would help ensure regulatory models remain clear, practical, and responsive to a rapidly evolving electricity sector.

We recommend that the OEB proceed cautiously and collaboratively, working with utilities to co-design reforms, assess potential unintended consequences, and pilot changes where appropriate. Regulatory modernization should strengthen, not destabilize, Ontario's ability to invest in the grid of the future.

Accordingly, as recommended in our PULSE submission, we suggest that ratemaking reform focus on targeted, mechanistic adjustments that preserve simplicity while better aligning incentives with current system needs.

Ratemaking Incentives

The current incentive ratemaking formula was built for a period of declining load, and it no longer supports the investment pace required in an era of economic growth, renewal, electrification and artificial intelligence. Members agree that the framework focuses too heavily on penalties and does not

provide meaningful incentives for growth or modernization. The IRM formula should be aligned while maintaining simplicity.

We recommend reforming or eliminating the productivity factor altogether. This adjustment would ensure that regulatory models provide balanced incentives, supporting both productivity and the imperative for system growth, while maintaining the simplicity and predictability essential for effective utility planning. By advancing this refinement, the EDA seeks to enable utilities to invest confidently in infrastructure and innovation, supporting the province's energy transition.

We applaud the OEB for launching a targeted, consolidated NGRF consultation on ratemaking to identify specific areas for improvement and suggest that the OEB focus on mechanistic models that maintain simplicity. We encourage that the NGRF consultation topics could include:

As noted in our PULSE submission, we recommend:

- **Option 1:** a growth-related IRM variable that is automatically triggered whenever capital spending exceeds depreciation. This signal will allow utilities to earn back the full X factor and receive funding for capital spending above depreciation.
- **Option 2:** replacement of the X factor entirely with a balanced incentive that reflects both productivity expectations and the need for system growth. This corrects the current imbalance that discourages investment in a period of rising load.

These refinements must be considered within the scope of the NGRF and would maintain the strengths of the existing framework while ensuring it remains fit for purpose in a period defined by electrification, economic growth, and significant capital investment requirements.

Aligning the NGRF with Accelerating Investment Requirements

We support building on the RRF while recognizing it was designed for a markedly different economic and system context. To address current realities, the framework must evolve to better accommodate investment uncertainty and scale. This includes:

- Expanding the use of bespoke deferral and variance accounts to rate-setting models beyond Custom IR
- Reducing barriers to existing tools, such as the Incremental Capital Module
- Enabling more responsive mechanisms to address material and uncertain capital needs

As outlined in our [ICM submission](#), access to timely capital funding mechanisms is critical during this period of accelerated system change. Existing thresholds and constraints may limit distributors' ability to respond to policy-driven and unforeseen investment needs. We have recommended expanding ICM accessibility across rate-setting models, reducing rigid thresholds, and complementing the ICM with additional tools to support programmatic and policy-driven investment.

As highlighted earlier, the current Inflation minus TFP (plus productivity) construct was developed during a period of declining load and modest capital requirements and is not calibrated to the sustained capital expansion now required. In this context, and reflected in our [SPA submission](#), historical TFP

trends should be afforded only limited weight in determining future rate adjustments, as they are not well-suited to informing forward-looking outcomes under current system conditions. TFP is inherently backward-looking, relying on historical industry relationships that do not reflect the forward-looking, localized, and rapidly evolving investment requirements now facing Ontario's electricity system. Further, models grounded in historical cost relationships are not designed to capture step changes in capital needs and, if relied upon in isolation, risk producing misaligned or disruptive regulatory outcomes.

The central regulatory question is not whether historical productivity trends can be applied going forward, but how incentive regulation should evolve to reflect accelerating capital requirements and structural industry change.

3. Proposed NGRF Topics: Whether the right topics have been identified as this next-generation rate framework is developed? Why or why not?

We agree that several of the OEB's proposed topics, including benchmarking, performance incentives, rate-setting methods, and alternative remuneration approaches, are relevant to the development of the NGRF. However, as currently framed, they do not fully reflect the scale of structural change underway in Ontario's electricity distribution sector. While directionally appropriate, the topics require refinement to align with sustained demand growth, increasing infrastructure capital requirements, and heightened uncertainty.

The current framing is largely focused on incremental refinement of existing tools and does not adequately account for these evolving conditions. The NGRF should broaden its scope to explicitly support timely investment, system expansion, and long-term customer outcomes.

EDA Recommended NGRF Topics

1. Inflation and Cost Escalation

The OEB's inflation methodology has not kept pace with actual utility cost pressures, creating a persistent gap in cost recovery. The NGRF should reassess how inflation is measured and applied to better reflect real-world conditions and support financial sustainability.

2. Productivity Framework Reform

The current productivity factor, developed under declining load conditions, is misaligned with today's growth environment. There is a broad stakeholder consensus that reform is required. The NGRF should recalibrate productivity expectations to support both efficiency and timely infrastructure investment.

3. Scoped Benchmarking and Performance Metrics

The current framework relies on multiple benchmarking and performance tools that add complexity without a clear customer benefit. The NGRF should streamline these tools, reduce duplication, and focus on those that inform regulatory decision-making. Metrics should be directly tied to measurable customer outcomes, including reliability, connection timeliness, and service quality.

4. Alignment of Incentives Across Cost Categories

The NGRF should better align incentives across capital and operating expenditures, enable non-wires and third-party solutions, and ensure neutrality between functionally equivalent options.

5. Managing Uncertainty

Uncertainty related to electrification, load growth, and policy direction is materially higher than

in prior periods. While existing mechanisms provide some flexibility, the NGRF should embed uncertainty management throughout the framework, including through interim funding tools, to address variability in the timing, scale, and location of investment needs.

The NGRF should prioritize correcting misalignments in inflation and productivity, simplifying benchmarking and performance tools, aligning incentives, and embedding flexibility to manage uncertainty. This approach will better support investment, reliability, and customer outcomes in a period of sustained growth and transition.

Role of Benchmarking, Performance Service Standards and Incentive Mechanisms

Benchmarking and incentive mechanisms will remain important within the NGRF, but their application must be carefully calibrated to reflect current and emerging system conditions.

Cost benchmarking models are inherently backward-looking and poorly suited to a period of rapid capital expansion. Over-reliance on these models risks mischaracterizing necessary investment as inefficiency. Where benchmarking does not fully capture forward-looking capital requirements and structural cost drivers, there is a material risk that utilities will be systematically assessed as inefficient, creating perverse incentives to defer or avoid prudent capital investment.

Benchmarking could play a role in the regulatory framework, but its application must be modernized to reflect forward-looking conditions, including capital expansion, electrification, and evolving system needs. These tools should be applied with clearly defined limitations and used to inform regulatory judgment rather than to mechanistically determine stretch factors or prescribe outcomes.

Performance incentive mechanisms should be targeted, evidence-based, and designed to support, rather than constrain, timely investment and operational flexibility.

Ontario's LDCs have made significant strides in meeting and exceeding service standards established by the OEB, particularly in response to Ministerial direction. Building on this performance, we recommend the adoption of a symmetrical incentive framework, one that rewards utilities for surpassing service targets while also maintaining accountability for performance. This framework should be tied to the existing OEB scorecard, ensuring that incentives are both meaningful and aligned with established metrics. By replacing the productivity factor with this balanced approach, we aim to foster a culture of continuous improvement and service excellence, while avoiding duplicative or conflicting measures that could undermine operational effectiveness.

We have consistently emphasized that incentive mechanisms must be carefully designed, proportionate in scale, and aligned with the highest priority system outcomes. Incentives should not be structured in a way that displaces or competes with critical investments, including capacity expansion, electrification, and timely customer connections.

4. Whether the OEB should consider anything else as it develops proposals for a next-generation framework?

We recommend that the OEB further consider and clearly articulate its procedural and decision-making framework, while adopting a robust, evidence-based consultation process to ensure that any resulting framework is well refined and grounded in sound economic regulation.

OEB Consultation Oversight, Process, and Decision-Making Framework

The OEB should consider the following key procedural and oversight issues in how it makes changes to NGRF and communicates these changes throughout the organization. Given the potential magnitude of the proposed reforms, clarity regarding process and decision-making pathways is essential.

Stakeholders require transparency on how consultation outcomes will translate into binding regulatory instruments, whether through policy statements, code amendments, or adjudicative decisions, and at what stage Commissioners will be formally engaged. This is particularly important where reforms may materially affect capital treatment, incentive structures, or introduce alternative remuneration models.

Recent sequencing of related initiatives has introduced uncertainty. The release of the SPA report in advance of the PULSE recommendations referenced in the Minister's Letter of Direction, and following the launch of the NGRF, has raised questions regarding how these workstreams are intended to inform one another and how the OEB will ultimately consolidate them into a coherent regulatory framework.

To address this, we respectfully recommend that the OEB:

- Clearly identify key decision stages and the authorities responsible at each stage;
- Define the anticipated regulatory outputs, including codes, policies, and adjudicative determinations;
- Specify whether formal hearings will be held, and at what stage in the process;
- Outline how and when Commissioners will be engaged in decision-making;
- Clarify how CEO Policy 2026-01 interfaces with the NGRF consultation and subsequent decisions; and
- Explain how SPA findings and forthcoming PULSE recommendations will be incorporated into the overall NGRF framework.

This clarity is particularly important given the OEB's current corporate structure. Whereas the OEB's leadership structure was integrated with respect to the roles of Chair, Chief Executive Officer and Vice Chair when the RRF was developed, it has since been restructured with responsibilities now distributed across a Board of Directors, a Chief Executive Officer, and a Chief Commissioner, each with distinct roles and accountabilities in oversight, operational policy, and adjudication.

As the NGRF evolves and potentially replaces elements of the RRF, it will require coordinated changes across both adjudicative and non-adjudicative instruments. We therefore recommend that the OEB clearly articulate the processes, roles, and accountabilities for developing, approving, and implementing these changes under the current governance framework. This should include how consultation, policy development, and adjudication will be sequenced and integrated across the organization.

Given the significance of potential changes to rate-setting, it is critical that the OEB establish and communicate a clear, shared understanding across the Board of Directors, the CEO, and the Chief Commissioner of how Commissioners will be engaged throughout this initiative. Providing this clarity to stakeholders will help ensure alignment in expectations and support a transparent, credible, and effective transition to any updated regulatory framework.

OEB Stakeholder Consultation: Transparency and Evidentiary Standards

We submit that the OEB must establish clear, enforceable transparency requirements within the NGRF consultation for any analysis intended to inform regulatory policy or remuneration design. At a minimum, this requires stakeholders' full access to underlying datasets, model specifications, calculation methodologies, and key analytical assumptions.

This is not simply a matter of good practice. It is a fundamental requirement of procedural fairness. Where the Board relies on analysis to support regulatory decisions, **stakeholders must have a meaningful opportunity and timeline to understand, test, and challenge that analysis. This is only possible where the evidence is fully transparent.**

Accordingly, all analyses relied upon within the NGRF must be independently testable, replicable, and subject to meaningful stakeholder scrutiny. We don't believe this was the case with PEG's SPA report, nor was access to underlying data and calculations provided following our request during the TCB proceeding.

In the absence of full transparency and verifiable evidentiary support, analytical frameworks must not be used as the basis for prescriptive or mechanistic changes within the NGRF. Analysis that cannot be independently verified should not inform regulatory outcomes.

We therefore recommend that the OEB explicitly organize these transparency and replicability requirements within the NGRF and confirm that any analysis that does not meet these standards will not be relied upon in developing or implementing the framework.

Conclusion

Our recommendations reflect a consistent position advanced across our recent submissions and the need for infrastructure-responsive regulation, aligned incentives, and a transparent, evidence-based foundation for reform. We support the OEB's decision to undertake an integrated and forward-looking review of Ontario's rate-setting framework through the NGRF and encourage similar approaches in future OEB consultations. Bringing together related initiatives appropriately recognizes that incentive design, benchmarking, capital formation, and performance accountability are interdependent elements of a single remuneration architecture.

Regulatory certainty will be critical as our sector proceeds to support government policy objectives and economic growth. Given the scale and timing of required investment, even modest increases in financing costs can materially affect customer rates. Remuneration reform must therefore be carefully sequenced and clearly communicated to avoid unintended disruption and unintended consequences.

Ontario's electricity distributors are entering a period defined by sustained electrification, rapid system expansion, and accelerated asset renewal. Regulatory design must evolve accordingly. Frameworks grounded primarily in retrospective productivity compression risk misalignment with provincial policy objectives, investment requirements, and customers' long-term interests. As we have mentioned, the central sector risk is not overinvestment, but underbuilding relative to accelerating demand, reliability needs, and electrification goals.

The NGRF should therefore be explicitly forward-looking and infrastructure-responsive. It should clearly distinguish between operating and capital incentives, avoid a mechanistic reliance on historical total factor productivity trends, and continue to ensure just and reasonable rates while enabling timely infrastructure delivery. Incentives must preserve accountability while supporting LDCs in meeting obligations arising from provincial policy and system planning requirements.

We are not advocating for a single prescribed model at this stage. Rather, we support a structured and transparent evaluation of infrastructure-responsive approaches within the NGRF process. Any reforms should balance modernization with simplicity, predictability, and regulatory clarity, ensuring the framework remains practical, durable, and accessible. Changes to remuneration during a period of elevated capital needs and capital market sensitivity should be approached with particular care.

Given the magnitude of potential reform, procedural clarity and transparency will also be essential. The OEB should clearly articulate decision pathways, roles, and implementation mechanisms to ensure that consultation outcomes translate into coherent, durable policy. The objective should be to evolve the framework in a manner that supports customer outcomes, economic growth, and continued access to capital without introducing unnecessary disruption to a system that must deliver at unprecedented scale.

We remain committed to constructive engagement as the NGRF advances, and we look forward to working collaboratively with the OEB and stakeholders to develop a modernized remuneration framework that supports electrification, infrastructure renewal, affordability, and long-term system reliability for Ontario customers.

Thank you for the opportunity to provide these comments. Should you have any questions or require further information, please do not hesitate to contact Brittany Ashby, Senior Regulatory Affairs Advisor, at bashby@eda-on.ca or 416-886-4420.

Sincerely,



Teresa Sarkesian
President & Chief Executive Officer