EB-2023-0125

Consultation for Benefit-Cost Analysis Framework for Addressing Electricity System Needs – Phase Two

Comments of the Power Workers' Union (PWU)

I. INTRODUCTION

On February 6, 2026, the Ontario Energy Board (OEB) released draft revisions proposed for Phase Two of the Benefit-Cost Analysis Framework for Addressing Electricity System Needs (BCA Framework). Phase Two seeks to refine the Energy System Test from Phase One, makes the Energy System Test mandatory, and considers extending the Framework to include societal impacts -specifically, proposes a 15% Non-Energy Benefit (NEB) adder to be included in cost effectiveness tests calculations.

The Board notes that while feedback on the full document is welcome, participants are encouraged to focus on revisions introduced to meet Phase Two objectives, including:

1. Consideration of societal impacts when assessing NWS
2. Refinement of the Energy System Test (EST), as well as requirements as to when it is to be employed.

The PWU's comment below is limited to the first, i.e., consideration of societal impacts when assessing NWS.

II. COMMENTS OF THE PWU

1. Consideration of Societal Impacts when Assessing NWS

The PWU notes that the Board is proposing to adopt the 15% adder that the IESO uses to account for non-energy benefits, such as environmental, economic and social benefits as related to natural gas DSM under the OEB's DSM Framework and electricity conservation and demand-side management programs delivered by the IESO.

The 15% adder used by the IESO is arbitrary and problematic. It was a result of the inability to accurately quantify non-energy benefits of NWS such as environmental,

economic and social benefits. Arguably, the approach may be justified on the ground that a government policy may choose to incentivize NWS proponents as part of its responsibility to address broader societal impacts. Moreover, the PWU acknowledges that the costs of such incentives may be borne by the broader population such as by all taxpayers or rate payers across Ontario.

It would be inappropriate, however, to adopt such a policy by the OEB for rate making purposes. For rate making purposes, the OEB should consider only costs and benefits that can be quantified based on robust data and analyses and where such costs and benefits are tied to a definite, identifiable group.

Distributors should only be required to evaluate projects from a ratepayer or the LDC's system cost perspective, focusing on capital and OM&A costs, reliability impacts and effects on electricity rates. Societal impacts such as environmental, health or economic are difficult to quantify consistently and can vary widely depending on assumptions resulting in high uncertainty, which in turn reduces transparency and comparability across projects.

Moreover, the consideration of societal impacts of NWS for rate making purposes would be contrary to OEB's longstanding principle of non-discrimination on the basis of the type of the proposed energy technology. Traditional "wires" investments such as substation upgrades, transmission lines are evaluated using stringent and robust cost-of-service models. The evaluation of NWSs using broader societal metrics while traditional investments are not (using a different cost/benefit framework) would amount to inconsistent comparison and may bias decisions. The OEB should stay away from consideration of unquantifiable (or difficult and expensive to quantify) societal impacts that may be addressed through other public policy instruments.

The application of a 15% adder to account for societal impacts would also hurt ratepayers. Electricity customers often prioritize affordability and rate stability. Other priorities include reliability and service quality. A 15% adder to account for the claimed "societal benefits" may overstate the benefits of a NWS. Ratepayers would also be paying for benefits that are difficult to measure directly, and which may be shared by other groups including groups or societies outside Ontario or even outside Canada. This raises the question of fairness and is contrary to the "cost-follows-benefit" principle.

The consideration of broader societal impacts and the inclusion of a 15% adder to account for them would also lead to inefficiencies because the approach would overstate the claimed benefits and as such would indirectly understate, and hence, justify the cost of a proposed investment in a NWS. This in turn would disincentivize controlling cost and discourage proponents from striving to select the least-cost solution.

PWU's Suggested Approach to Societal Impacts

In order to strike the right balance regarding the issues discussed above, the PWU asks the OEB to allow NWS proponents to present qualitative assessments of societal impacts to provide further support for their proposed NWS non-wire solution as opposed a definitive 15% adder.

All of which is submitted respectfully.