

ONTARIO ENERGY ASSOCIATION

BCA Framework | Phase 2 Revision

OEB File Number: EB-2023-0125

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To shape our energy future for a stronger Ontario.



Ontario Energy Association

ABOUT

The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research, but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

Together, we are working to build a stronger energy future for Ontario.

As part of the Ontario Energy Board's (OEB) efforts to unlock the full value of Non-Wires Solutions (NWS), including Distributed Energy Resources (DERs), the OEB developed the Benefit-Cost Analysis (BCA) Framework as a foundational, standardized methodology for assessing the economic feasibility of NWS relative to traditional investments.

Through the Phase 2 revisions to the BCA Framework, the OEB:

- Enhanced alignment with the objectives of Ontario's Integrated Energy Plan (IEP) and related OEB initiatives;
- Refined the Energy System Test (EST) and made it mandatory;
- Clarified expectations regarding collaboration between Local Distribution Companies (LDCs) and the Independent Electricity System Operator (IESO);
- Expanded the Framework to incorporate societal impacts through the introduction of a Non-Energy Benefits (NEB) adder; and
- Clarified that the BCA should not be interpreted as determinative of cost allocation.

The Ontario Energy Association (OEA) appreciates the opportunity to contribute to this work and to provide written comments for the OEB's consideration. This submission reflects the OEA's feedback, informed by discussions with and input from our members.

1. Mandatory Energy System Test

As part of the Phase 2 revisions to the BCA Framework, the OEB made the EST mandatory for all NWS investments. Requiring it for all NWS projects, regardless of their nature or purpose, is inefficient and unnecessarily time-consuming. Not all NWS investments provide bulk system benefits. Some projects are designed to address specific, localized distribution needs and are intended to be fully rate-funded. In such cases requiring LDCs to complete a formal EST process could add administrative burden and delay without corresponding value. This concern is particularly relevant in the context of rate applications where a NWS is proposed solely to meet a specific distribution need, provides no bulk-level benefits, and does not involve funding from the IESO. This added step risks delaying projects that are otherwise ready to proceed and is contrary to the OEB's and the government's broader policy objective of facilitating and enabling the timely deployment of NWS.

The OEA therefore recommends that the OEB limit the mandatory application of the EST to electricity Demand Side Management (eDSM) Stream 2 projects, where bulk system considerations and IESO cost-sharing are directly engaged. For other NWS investments that are solely distribution rate-funded and intended exclusively to address distribution system needs, LDCs should have discretion on if an EST is warranted. This targeted approach would preserve the integrity of the Framework while avoiding unnecessary regulatory burden and delays.

Furthermore, the BCA Framework should clarify—or provide examples of—how to calculate Avoided Energy Costs and Avoided Generation Capacity Costs, which are mandatory components of the EST. If the EST section does not include sufficiently detailed calculation methodologies, LDCs will be unable to assess the appropriateness of the EST calculations and therefore cannot support making the EST mandatory.

2. Timeline for Enforcement of the BCA Framework

The BCA Framework states that “*all rate applications filed in 2026 and beyond should be fully consistent with the BCA Framework.*” However, the Framework has not yet been finalized. Further refinements are anticipated in response to sector feedback, along with the development of supplementary guidance and tools to support consistent implementation. Requiring 2026 applications to comply with a policy that remains under development is administratively unfair, particularly given the additional analytical and reporting burdens it is expected to impose.

In light of these considerations, the OEA recommends that the requirement for rate applications to align with the BCA Framework take effect in 2027. This revised timeline would provide the OEB and the IESO with adequate time to finalize a clear, efficient, and effective framework, and to develop the necessary guidance and tools to facilitate smooth implementation.

Deferring the effective date would also allow LDCs sufficient time to incorporate the finalized Framework into their planning and budgeting processes. This is particularly important for utilities intending to file rate applications in 2026, as such applications typically require more than a year to prepare. Absent a deferral, these utilities could be subject to a retroactive obligation to comply with requirements that were not finalized at the time their applications were being developed.

3. Collaboration between the IESO and LDCs

The OEA commends the revisions to the BCA Framework that provide enhanced guidance on completing the BCA generally, and the EST in particular, including the expectation of collaboration between LDCs and the IESO in completing the EST. However, there is a concern that the level of collaboration with the IESO outlined in the BCA Framework is premature. The Framework does not clearly define the IESO’s role as a potential stage-gate evaluator or explain what an IESO Letter of Comment would include. Additionally, the Framework does not specify what information LDCs must provide to the IESO to support its assessments.

To support smooth, efficient, and effective coordination for the EST completion, the BCA Framework would benefit from additional clarity regarding the engagement process between LDCs and the IESO. This could include the establishment of clear service level agreements (SLAs) outlining roles and responsibilities, information requirements, procedural steps, and defined timelines for review and response.

4. Non-Energy Benefit Adder

The OEA appreciates the OEB’s introduction of an NEB adder to recognize the environmental, economic, and broader societal benefits associated with NWS investments. The OEA supports the OEB’s direction that the NEB adder be applied only to NWS initiatives that align with the definition of eDSM set out in the Minister’s Directive to the IESO dated November 7, 2024, as reflected in the current Ontario eDSM Framework¹.

¹ Minister’s Directive to the IESO dated November 7, 2024. Available at: [Link](#)

The OEA recommends that the OEB provide further clarification confirming that this eligibility criterion explicitly applies to LDC-led eDSM Stream 2 programs. The OEA also recommends allowing distributors to leverage a generic NEB adder that would simplify the BCA evaluation and avoid the need for potentially costly and time-intensive econometric analysis exercises for every BCA.

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