PUBLIC INTEREST ADVOCACY CENTRE
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March 6, 2026 **VIA E-MAIL**

Ritchie Murray
Acting Registrar
Ontario Energy Board
Toronto, ON

Dear Mr. Ritchie Murray:

Re: Consultation for Benefit-Cost Analysis Framework for Addressing Electricity System Needs – Phase Two (EB-2023-0125)
Draft Phase Two Benefit-Cost Analysis Framework
Submission of the Vulnerable Energy Consumers Coalition (VECC)

In accordance with the OEB's letter of February 6, 2026, please find attached VECC's submission on the above referenced matter. Please contact me if any clarification is required (bharper.consultant@bell.net)

Yours truly,

William Harper
Consultant for VECC/PIAC

OEB BENEFIT-COST ANALYSIS FRAMEWORK FOR ADDRESSING ELECTRCITY SYSTEM NEEDS (EB-2023-0125)
VECC'S COMMENTS RE: DRAFT BCA FRAMEWORK- PHASE2

INTRODUCTION

The Benefit-Cost Analysis Framework for Addressing Electricity System Needs (BCA Framework) is an OEB policy that outlines the methodology electricity distributors are to employ when assessing the economic feasibility of using distributed energy resources (DERs) as non-wires solutions (NWS) to address defined electricity system needs[1]. Development of the BCA Framework was carried out in two phases. Phase 1 placed its focus on the distribution service BCA and its associated cost-effectiveness test for quantified impacts (the Distribution Service Test or DST). However, it also included an optional energy system BCA and its associated cost effectiveness test (the Energy System Test or EST) that an electricity distributor could include with its BCA. The Phase 1 Report was issued in May 2024.

On October 20, 2025, the OEB issued a letter launching its consultation on Phase 2 of the Framework which focuses on potential refinements to the Energy System Test. On February 6, 2026 the OEB released a draft revision for Phase Two of the Benefit-Cost Analysis Framework for Addressing Electricity System Needs (Draft BCA Framework) and invited interested parties to provide comments by March 6, 2026.

Set out below are VECC's written comments. The comments are divided into two parts. Part A provides comment on the actual draft report and is organized based on the section headings in the draft Framework. Part B responds to the specific questions set out by the OEB in its February 6, 2026 letter.

PART A – VECC'S COMMENTS ON THE PHASE 2 DRAFT BCA FRAMEWORK

1. Executive Summary (pages 3-4)[2]

The first paragraph of the Executive Summary states:

> "*The Benefit-Cost Analysis Framework for Addressing Electricity System Needs (BCA Framework) is an OEB policy that outlines the methodology electricity distributors are to use when assessing the economic feasibility of non-wires solutions (NWS), including distributed energy resources (DERs), to address defined electricity system needs*." (emphasis added)

Under the proposed the BCA Framework an electricity distributor may apply a 15% non-energy benefit (NEB) adder to the quantified benefits considered as part of the benefit-cost ratio output of the DST to account for non-energy benefits which include environmental, economic and social benefits[3]. The proposed BCA Framework also permits, subject to confirmation by the IESO, the inclusion of a NEB adder in the calculation of the EST's bulk system benefits[4]. As a result, in VECC's view, the proposed BCA Framework goes beyond assessing the economic feasibility of non-wires solutions.

[1] The Benefit-Cost Analysis Framework for Addressing Electricity System Needs, May 2024, page 3
[2] All page references are with respect to the clean version of the Draft Report
[3] Draft BCA Framework, page 24
[4] Draft BCA Framework, page 26

The first paragraph also makes reference to non-wires solutions (NWS) and distributed energy resources (DERs), suggesting the DERs are a sub-set of NWS. Subsequently, the Draft BCA Framework Report uses the term DERs in some places and NWS in others. It is not clear whether there is an important distinction between the two terms when each is specifically used throughout the Report or whether the two terms are being used interchangeably. The Report should clarify what the difference between the two terms is and what distinction, if any, is to be made when the terms are used throughout the Report.

The second paragraph in the Executive Summary states:

> *"The BCA Framework provides a consistent, evidence-based approach for evaluating NWS alternatives to traditional distribution infrastructure. It supports Ontario's Integrated Energy Plan (IEP) - Energy for Generations: Ontario's Integrated Plan to Power the Strongest Economy in the G7, which aims to unlock the value of DERs, lower barriers to participation and enable smarter planning and investment across the energy system*". (emphasis added)

The OEB needs to clarify what it means by "lower barriers to participation". VECC is concerned that some parties may interpret this to mean that the BCA Framework is intended to favour DERs relative to other alternatives for meeting distribution system needs.

This should not be the case. As noted[5] the OEB's Report: "FRAMEWORK FOR ENERGY INNOVATION: Setting a Path Forward for DER Integration":

> *"Establishing a common BCA Framework is intended to support consistent evaluation of DER solutions across distributors and reduce uncertainty about how DER proposals will be assessed by the OEB in rate applications. The OEB's goal in developing a BCA Framework is not to promote adoption of DERs or advantage them over other solutions; it is intended to assist distributors in making use of DERs where that is the most appropriate solution".*

Also, the Draft BCA Framework later notes[6]:

> *"By promoting these objectives, the Framework ensures consistency in how distributors evaluate and choose between NWS and traditional poles-and-wires solutions, ultimately serving the best interests of electricity customers and Ontario's energy consumers more broadly."*

In VECC's view the best interests of electricity customers and Ontario's energy consumers are served when supply alternatives are assessed fairly and chosen based on their relative merits and not when one supply alternative is favoured and (potentially) subsidized by customers/consumers. As noted below, VECC considers it important that there be no misunderstanding regarding this point.

The third paragraph states[7]:

> *"The BCA Framework is intended for use by electricity distributors to support system planning and distribution rate-setting applications when seeking ratepayer funding for capital investments."*

[5] Page 18
[6] Page 5
[7] Page 3

VECC notes that while traditional distribution infrastructure generally involves capital investments, the use of DERs may not. As a result, the BCA Framework should acknowledge that it may also be used to support ratepayer funding of OM&A expenditures related to DERs as an alternative to traditional distribution infrastructure.

2. Purpose (Section 2.1, pages 5-6)

The proposed revisions to the second and third paragraphs include removing the following reference to the FEI Report that was included in the May 2024 version[8]:

> *"As stated in the FEI Report, it is not the role of the OEB to increase or accelerate NWS adoption, or to choose one technology solution over another.*

The proposed second and third paragraphs suggest that the role of the OEB is not to increase or accelerate NWS adoption, or to choose one technology solution over another. However, as noted previously, VECC views it as important for the OEB to be explicitly clear in this regard.

3. Criteria For Use (Section 2.2, pages 6-7)

The fourth paragraph states (top of page 7):

> "*Should the pre-assessment conclude that an NWS is a viable approach to meeting an identified need, an electricity distributor should proceed with completing a BCA and documenting the results to assess its economic feasibility. This BCA should be filed along with the pre-assessment results*."

The use of the term "should" is ambiguous and suggests that a distributor has a choice as to whether or not to undertake a BCA for those material investments where an NWS is a viable approach. This is counter to the subsequent statement on the same page that states:

> *"For system needs where an electricity distributor has identified an NWS as a viable option, the electricity distributor is expected to complete a BCA."*

The OEB may wish to revise the wording in the fourth paragraph so as to make it clear that a BCA is required for all material investments when an NWS has been determined to be a viable approach.

4. Completing a BCA (Section 2.3, pages 7-8)

At page 8 there is a reference to templates for documenting the results of the quantitative cost effectiveness tests being provided as live Microsoft Excel-based spreadsheets. However, the templates have not been provided as part of the current draft. In VECC's view being able to review the actual templates would have facilitated and provided clarification as to which of and how the various benefit and cost elements described in Sections 4.0 and 5.0 are to be included in the DST and EST.

5. Interpreting BCA Outcomes (Section 2.4, page 9)

There is an inconsistency between the first and third paragraphs. The first paragraph states that "*The costs and benefits used for the calculation of the DST will be the primary consideration for assessing distribution rate funding of an NWS*". However, the third paragraph has been revised so as to drop the reference to the DST and states that: "*Electricity distributors may propose (with supporting rationale) that an NWS which*

[8] The Benefit-Cost Analysis Framework for Addressing Electricity System Needs, May 2024, page 5

is found to be marginally non-cost-effective, per the cost effectiveness tests, is still the preferred option to meet a system need". In VECC's view, while it may be appropriate for electricity distributors to propose (with supporting rationale) that an NWS which is found to be marginally non-cost-effective to is still be the preferred option to meet a distribution system need and received distribution rate funding, this should be based on the results of the BCA for the distribution system (i.e., including qualitative benefits attributable to the distribution system and its customers). In those cases where the EST is marginally non-cost effective (but the DST is not cost effective and there are no offsetting qualitative distribution benefits), VECC submits that it would be inappropriate for the OEB to approve distribution rate funding. However, in such instances, there may be case to be made for the IESO to fund the initiative. The final BCA Framework Report should be revised accordingly.

The last paragraph in this section states:

> "*Electricity distributors may also indicate in their proposal (with supporting rationale) that a traditional infrastructure solution is still preferred, despite a passing BCA score for an NWS*."

The BCA score considers both the results of the cost-effectiveness tests (DST and EST) as well as any qualitative benefits and costs[9]. As a result, it is difficult to see what rationale would exist for choosing a traditional wires solution where the NWS has a passing BCA score. What is more likely to occur is that a NWS' DST results are greater than 1.0 but the traditional infrastructure solution is found to be preferable when the qualitative considerations are also taken into account. Indeed, such circumstances would mirror those where the NWS's DST results are marginally less than 1.0 but the inclusion of the qualitative benefit leads to the distributor proposing the NWS as the preferred solution.

VECC notes that during the recent OEB consultation regarding the Regulatory Treatment of Local Electricity Demand-Side Management (Stream 2) Programs (EB-2025-0156),) the Working Group proposed a zero BCR threshold for eDSM programs that met a system need but targeted low-income and First Nations customers[10]. Furthermore, during the Stakeholder Session the IESO proposed[11] that low income and First Nations eDSM programs would not be assigned a notional value so as to increase the DST's BCR to 1.0 for purposes of allocating the Global Adjustment funding. The final BCA Framework Report should address the treatment of low income and First Nations programs and align with the Board's decision (still pending) regarding their treatment as Stream 2 eDSM programs.

6. <u>Third Party Funding (Section 2.5, pages 9-10)</u>

The fourth paragraph states:

> *'It is possible that the IESO may support the input assumptions and the EST outcome of an NWS for which there is no available third-party funding. In such situations, an electricity distributor may still seek recovery of costs through their*

[9] See page 8
[10] Staff Question 4 a).
[11] Volume 2, page 55

distribution rates, with both the DST and EST results included in the relevant rate application."

It is not clear whether the reference to the IESO supporting the "input assumptions" refers to just the inputs for the bulk system portion of the EST or also those for the DST. In this regard, VECC notes that during the recent OEB consultation regarding the Regulatory Treatment of Local Electricity Demand-Side Management (Stream 2) Programs (EB-2025-0156), IESO made it clear that the distribution needs assessment and the determination of the benefits – the inputs to the DST – and the output of the DST are the purview of the OEB and would not be commented on by the IESO in its Confirmation Letter[12].

However, regardless of whether or not the IESO reviews and/or supports the DST inputs, the paragraph does not set out any further conditions that must be met before the distributor can apply for distribution rate funding similar to those included earlier in the Draft Report. From VECC's perspective, in those instances where the DST does not indicate the NWS to be cost-effective and there is no third-party funding available (including Stream 2 funding via the IESO) distribution rate funding should not be provided unless there are other qualitative benefits/reasons that justify doing so.

7. Regulatory Submissions (Section 2.6, pages 10-11)

The first paragraph states:

"Electricity distributors may utilize the BCA Framework to seek rate funding for NWS or traditional infrastructure investments as part of regular Cost of Service (COS) applications, in conjunction with supporting Distribution System Plans (DSP). Electricity distributors may also utilize the BCA Framework to seek approval for rate funding as part of Incremental Capital Module (ICM) applications".

The use of the term "may" suggests that the distributor can choose whether or not to utilize the BCA Framework which is inconsistent with other statements in the Draft BCA Framework Report indicating that use of the BCA Framework is required when seeking approval for material (> $2 M) traditional infrastructure investments not related to General Plant or NWS alternatives. Consideration should be given to alternative wording.

8. Description of System Need Being Served (Section 3.1.1, pages 12-13)

The first paragraph states:

"Electricity distributors are to include a description of the distribution system need being served in their BCAs. The need being served will define the reference scenario and the potential value of an NWS."

With respect to the Description of System Need, the final BCA Framework Report should make it clear that the description of need must include supporting evidence (e.g. load/resource balance forecast, asset condition assessments, etc.) justifying the claimed need.

[12] Stakeholder Session Transcripts, Volume 2, page 30 and Undertaking J1.6

9. Difficult to Quantify and Qualitative Impacts (Section 3.1.3, pages 14-15)

The second and third paragraphs state:

> *"Qualitative considerations can meaningfully influence the outcome of a BCA. The use of NWS is a relatively recent development in the utility sector, and the technologies and programs that can be used as NWS continue to evolve quickly. In such circumstances, robust estimates of monetary value may not be available for some impacts.*
>
> *In such cases, the electricity distributor is encouraged to follow the process recommended by the National Standard Practice Manual (NSPM) for documenting non-monetary values in BCAs and provide such qualitative (and where available, quantitative) evidence as is available to support its claim. Even where estimated values are highly uncertain, electricity distributors are recommended to include, rather than ignore them. Estimates that are highly uncertain should be indicated as such."*

In those instances where estimated values are "highly uncertain" distributors should be required to provide a range of values such that the sensitivity of the results can be assessed.

10. Incremental Analysis (Section 3.1.5, pages 15-16)

The first paragraph states:

> *"In quantifying benefits and costs, BCAs should consider only impacts incremental to the reference scenario that captures the business-as-usual outcome. As part of a BCA, electricity distributors are to articulate the reference scenario in sufficient detail to clearly demonstrate the degree to which impacts are incremental." (*emphasis added*)*

The final BCA Framework Report should note that the need to consider only impacts that are incremental to the reference scenario (i.e., the business-as-usual outcome) also applies to the assessment of qualitative impacts. For example, Table 2 in Section 4.1 identifies Reliability and Resilience as Qualitative Benefit Impact Categories. However, the actual contribution of the NWS to Reliability and Resilience may be more or less than that of the traditional infrastructure alternative and should be assessed accordingly in the BCA.

11. Net Present Value / Discounted Cash Flow Analysis (Section 3.2.1, pages 16-18)

The guidance provided in this section regarding the use of constant (i.e., real) dollars vs nominal dollars in the NPV analysis is somewhat confusing:

- The first paragraph states that: "*All benefits and costs included in the cost-effectiveness tests are to be evaluated on a net present value basis, in constant dollars*." Similarly, Table 1 states: "*Electricity distributors are to use a real social discount rate for discounting cash flows to present value*." These references suggest that future cash flows are to be expressed in constant dollars and then discounted using the real social discount rate (i.e., 4%)
- In contrast, the third paragraph states that:
  "*An electricity distributor's weighted average cost of capital (WACC) should be used in annualizing the revenue requirement associated with lump-sum capital investments. However, this revenue requirement is then to be discounted at the*

social discount rate (plus inflation) for the purposes of assessing the benefits to customers of deferring such investments (see Section 5.1.1.1).”
The implication being that cash flows are to be expressed in nominal terms and then discounted using the real discount adjusted for inflation. For example, if the inflation rate used was 2% then the discount used would be 6%.

This section should be revised so as to be consistent in its guidance regarding the use of real vs. nominal dollar values.

The fourth paragraph states:

> “*Where input values used by an electricity distributor were derived using a different inflation rate (i.e., an inflation rate other than 2%), that rate may be used to deflate the input value to constant dollars, and the reasoning for doing so should be included in the BCA documentation. This is not intended to allow for a deviation from the use of the 4% real social discount rate for discounting cash flows to present value*.” (emphasis added)

The final BCA Framework should require that the same inflation rate used to derive the nominal values for future cash flows should also be used for i) deflating the input values to constant dollar (before using the 4% real discount rate) or ii) adjusting the real discount rate for purposes of determining the NPV of the future cash flow. In VECC’s view it would be inappropriate to use different inflation assumptions for purposes of determining the future cash flows versus calculating the NPV of those cash flows.

12. Discretionary vs. Non-Discretionary System Needs (Section 3.2.2, pages 18-20)

The last paragraph on page19 states:

> *“There will be some use-cases where a poles and wires solution is impractical and only an NWS is suitable. In these situations, NWS change the reference scenario. In these cases, completing a BCA may be neither appropriate nor necessary.”*

VECC does not dispute the fact that there may be instances where a poles and wires solution is impractical and only an NWS is suitable. However, the example provided on page 20 makes reference to the poles and wires solution being impractical or uneconomic. In VECC’s view there is a clear distinction to made between a poles and wires solution being impractical due to technical, statutory or other reasons that make it infeasible vs. being uneconomic due to an exceedingly high cost. In those cases where the distributor considers the poles and wires solution to be impractical and has provided sufficient explanation as to why, the BCA need not include a pole and wire alternative. However, a BCA would still be required if there was more than one NWS alternative available. Furthermore, if the distributor considers the poles and wires solution to be uneconomic then it should be considered in the BCA analysis in sufficient detail to demonstrate that this is the case.

13. Distribution Service Test (Section 4.1, pages 22-23)

The third paragraph states:

> *“A passing score on the DST is necessary unless other qualitative benefits warrant proceeding with the NWS. An electricity distributor should only pursue NWS options where the present value of distribution service costs declines or where cost increases are justified by improvements to distribution service.”*

The last sentence in the above reference needs to be revised given that the BCA is now making provision[13] for the inclusion of a NEB adder in the DST to recognize environmental, economic and social benefits,

14. Consideration of Societal and Non-Energy Benefits {NEB} (Section 4.2, page 24)

The last paragraph states:

> *"Consistent with this approach, an electricity distributor may apply a 15% NEB adder to the quantified benefits considered as part of the benefit-cost ratio output of the DST. The NEB adder is only to be incorporated for NWS that align with the definition of eDSM (electricity conservation and demand-side management) from the Minister's Directive to the IESO dated November 7, 2024 which is used in the current Ontario eDSM Framework. No societal or NEB adder is to be incorporated for any other type of NWS investment."*

Later on the Draft Report also makes provision[14] for the inclusion of a NEB in the EST as follows:

> *"The distributor should confirm with IESO whether an NEB is applicable to bulk system benefits and ensure there is no risk of double counting NEBs in the DST and EST. If the IESO confirms that an NEB is applicable for the bulk system benefits, the IESO will inform the LDC of the appropriate NEB value. If the IESO confirms that an NEB is not applicable to bulk system benefits, a 15% NEB adder may still be applied to the DST component of the EST, for NWS that align with the definition of eDSM in the Ontario eDSM Framework."*

VECC has a number of concerns regarding the proposal that distributors may apply a 15% NEB adder to NWS that that align with the definition of eDSM for purposes of the DST:

- As the IESO's Cost Effectiveness Guide for Energy Efficiency (the "Guide")[15] notes[16] the NEB are determined from various perspectives (e.g., consumer, utility or societal). Furthermore, as noted in the IESO's Non-Energy Benefits Study[17] the NEB perspectives considered will depend on the particular cost-effectiveness test being used as follows:

Table 10. Recommended Inclusion of NEBs in Cost-Effectiveness Tests

	Total Resource Cost Test	Societal Cost Test	Program Administrator Cost Test	Ratepayer Impact Measure Test	Participant Cost Test
Utility Benefits	Yes	Yes	Yes	Yes	No
Participant/Customer Benefits	Yes	Yes	No	No	Yes
Societal Benefits	No	Yes	No	No	No

[13] See page 24
[14] See page 26
[15] Referenced on page 24 of the draft BCA Framework Report
[16] Page 28 of the referenced document
[17] https://www.ieso.ca/en/Sector-Participants/IESO-News/2021/08/Non-Energy-Benefits-Study-Released , page 43

The Guide indicates[18] that the 15% NEB adder is to be used for the Total Resource Cost and Societal Cost tests but not in the Program Administrator Test. The DST excludes host/participant costs and benefits[19] and, as such, is similar to the Program Administrator Cost test which looks at cost-effectiveness from the distributor's perspective and also excludes participant costs/benefits. As result, it is questionable as to whether 15% is an appropriate NEB for the DST.

- The proposal to apply a 15% NEB adder to the quantified benefits associated with an eDSM initiative means that the value for the NEB will generally be based on the cost of the traditional infrastructure solution that is being avoided. However, the social and economic benefits of the eDSM initiative are more likely to be linked to the nature of initiative itself, while the environment benefits are likely to be tied to matters such the reduction (if any) in kWh required and impacts on land use requirements. This difference in approach can be found in the IESO's Non-Energy Benefits Study[20] which expresses NEB in terms of $/kWh.
- Finally it appears from the following statement in the IESO's Cost Effectiveness Guide for Energy Efficiency[21] that the IESO no longer uses the percentage-based NEB adder when assessing individual measures:

  "IESO calculates NEBs using per-sector and per-benefit $/kWh. The total NEB for a particular sector is a summation of its dollar benefits and varies across cost tests (e.g. the Total Resource Cost Test might consider a different set of benefits compared to the Societal Cost Test, resulting in a different total dollar benefit for say the Business sector). NEBs then are applied at a measure level to each measure's first year energy savings. Non Energy Benefits are applied to the net savings for the purposes of cost effectiveness calculations."

In VECC's view the final BCA Framework Report should not incorporate economic, environmental and societal impacts through the application of a15% NEB adder for electricity conservation and electricity demand-side management (eDSM) NWS. Rather, given the experience the IESO has in determining the NEB adder to be assigned to CDM (now eDSM) measures[22], VECC recommends that distributors should be required to consult the IESO as to the appropriate NEB adder (if any) to include in the DST. VECC notes that such a requirement would mirror the current requirement[23] in the Draft BCA Framework that distributors consult the IESO regarding the appropriate NEB adder to be applied to the bulk system benefit portion of the EST.

15. Energy System Test (Section 4.3, pages 24-26)

The last paragraph on page 25 states:

"If an electricity distributor identifies permitted impacts that can be quantified, they may be considered for inclusion in the EST's quantitative cost effectiveness calculation. Otherwise, qualitative assessments of impact categories may be included to provide further support for a given solution that might be marginally

[18] Page 30 and Appendix A
[19] Draft BCA Framework Report, page 35
[20] https://www.ieso.ca/en/Sector-Participants/IESO-News/2021/08/Non-Energy-Benefits-Study-Released
[21] Page 28
[22] See the Guide. Page 28
[23] Page 26

non-cost effective from the perspective of the EST quantitative cost effectiveness calculation."

In VECC's view, distributors should be required to consult with and received confirmation for the IESO regarding any quantification performed of the Qualitative components (per Table 3[24]) of the EST. From VECC's perspective this requirement simply mirrors the current requirement[25] in the Draft BCA Framework that distributors consult with the IESO/use approved IESO values for the quantitative inputs to the EST.

16. Distribution Service Benefits and Costs (Section 5.1, pages 27-29)

In Table 4 the Considerations for Applicability regarding Reliability state:

"It may be possible that the NWS is used in a manner that would prevent interruptions from occurring and do so to a greater extent than the reference case / traditional upgrade. In such cases, there also may be some benefits from avoided restoration costs".

It may also be the case that the NWS cannot prevent interruptions from occurring to the same extent that a traditional upgrade would. For example, a demand response program may only be allowed to dispatch a maximum of 10 events per year, which could limit the availability of the resource to prevent interruptions. Table 4 should similarly note the possibility of such situations and the need to identify such instances as a "Cost".

Also, with respect to Table 4, the Cost section should acknowledge that there may also be increased traditional infrastructure costs associated with a NWS. For example, if the traditional infrastructure solution involved the replacement of an existing line/station with a new higher one of higher capacity, using a NWS to defer the investment may lead to higher OM&A costs (as compared to those associated with new facilities).

The Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives (March 28, 2023) and recent amendments to the DSC[26] enable distributors to receive and include in rates an incentive related to the use of third-party distributed energy resources (DERs) as non-wires solutions (NWSs) to meet a distribution system need. Any proposed utility incentives should be identified as a "Cost" in Table 4 and included in the calculation of the DST.

17. Reliability (Net Avoided Interruption Costs) (Section 5.1.1.2, pages 35-36)

The first paragraph states:

"Electricity distributors are permitted to identify any anticipated reduction to net avoided interruption costs to customers because of NWS implementation."

The third paragraph states:

"Reliability benefits may be claimed when it can be reasonably shown that the NWS will improve the electricity distributor's response to disturbances and faults in the distribution system."

The Draft BCA Framework needs to clarify that the determination as whether there will be a reduction in interruption cost to customer and/or an improvement in the electricity

[24] Page 26
[25] Page 43
[26] EB-2025-0083

distributor's response to disturbances and faults is to be made in comparison to the reference case (i.e., the traditional infrastructure alternative).

18. Resilience (Critical Lost Load Benefits) (Section 5.1.1.3, pages 36-37)

Again, the Draft BCA Framework needs to clarify that the determination as whether there will be any Resilience benefits is to be made in comparison to the reference case (i.e., the traditional infrastructure alternative).

Also, similar to the discussion included in the Draft BCA Framework's section on Reliability, this section needs to flag the possibility that the NWS could reduce the Resilience of the distribution system (relative to the reference case) and that such circumstances should be treated as a "Cost" associated with the NWS.

19. Innovation and Market Transformation (Section 5.1.1.4, page 37)

VECC's February 1, 2024 Phase 1 comments stated[27]:

> *"It is important to note that for distribution system BCAs the focus is on the specific distributor's costs and benefits. For the distributor to assign benefits to the NWS implementation associated with market development there must be evidence that the distributor plans on making future use of that NWS. This point should be highlighted in the draft Framework."*

This comment also applies to the current Draft BCA Framework Report.

20. Energy System BCA Benefits and Costs (Section 5.2, pages 41-42)

At page 42 the Draft BCA Framework Report states:

> "*It is expected that the electricity distributor will consult with the IESO for support in selecting EST input values*." (emphasis added)
>
> And
>
> "*The sources used for input values to the EST are to be clearly documented in the completed BCA. The OEB expects that any BCA with a completed EST will include a Letter of Comment from the IESO. The IESO Letter of Comment is completed following the completion of the electricity distributor consultation with the IESO. It may include the IESO's position on both the quantitative and qualitative* impacts considered by an electricity distributor in its application to the OEB." (emphasis added)

The use of the term "expected" leaves it somewhat ambiguous as to whether distributors or not are required to: i) consult with the IESO regarding the bulk system cost and benefit values to use in the EST and ii) obtain a Letter of Comment from the IESO. In VECC' view both should be mandatory requirements. VECC notes that such requirements would be consistent with the DSM Regulatory Working Group's report entitled Proposed Framework for Implementation of Local eDSM which calls for[28]:

i. The IESO to confirm that all underlying assumptions used in the EST as measure lives, savings values, and avoided costs—are consistent with established data sources (e.g., MAL, IESO-endorsed supply-side avoided costs), and
ii. The IESO to issue a standardized Confirmation Letter to the LDC.

[27] Page 7

[28] EB-2025-0156, Proposed Framework for Implementation of Local eDSM, pages 17-18

21. Transmission Capacity (Deferral or Avoidance Benefit) (Section 5.2.1.2, page 43)
22. Avoided Energy Benefits (Section 5.2.1.3, pages 43-44)
23. Avoided Generation Capacity Benefits (Section 5.2.1.4, page 44)

It is possible that the NWS could lead to an increase in Transmission and/or Generation Capacity requirements. This could occur if: i) the timing of the peak on the relevant distribution system infrastructure differed from the timing of the peak on the local transmission system and/or the overall system's generation peak and ii) the NWS solution was a Demand Response Program that resulted in load being shifted to the time of the local transmission and/or system generation peak.

In such instances, unless the NWS was adjusted to also avoid adding load to these peaks, there could be Transmission and/or Generation capacity impacts that would have to be included as a "Cost" in the EST. Similarly, the use of battery storage as the NWS could lead to an increase in overall system energy which would need to be included as a "Cost" in the EST. These possibilities should be flagged in the relevant sections of the final BCA Framework Report.

PART B – VECC's RESPONSES TO QUESTIONS POSED BY THE OEB

In its February 6th Letter the OEB posed a series of questions for consideration by participants. These questions addressed three topics and VECC's responses are set out below by topic.

1. Topic: Non-Energy Benefit (NEB) Adder

    1.1. Do you support the proposed approach to incorporating societal impacts through the application of an NEB adder for electricity conservation and electricity demand-side management (eDSM) NWS?

No, VECC does not support the proposed approach of using an NEB percentage adder to incorporate economic, environmental and social impacts into the DST for electricity conservation and electricity demand-side management (eDSM) NWS. Please see the section 14 above for further details.

    1.2. Do you support the proposed NEB value of 15%?

No, VECC does not support the proposed NEB value of 15%. As recommended in section 14 (above), distributors should be required to consult the IESO as to the appropriate NEB adder (if any) to include in the DST.

2. Topic: Energy System Test (EST)

    2.1. Do you support the proposed requirement for collaboration between electricity distributors and the IESO to ensure more accurate and consistent completion of the EST?

As set out in section 20 of Part A, in VECC's view collaboration between electricity distributors and the IESO should be mandatory in order to ensure accurate and consistent completion of the EST?

2.2. Do you support the proposed revision to make the EST mandatory?

Yes. VECC notes that, based on the Regulatory Treatment of Local Electricity Demand-Side Management (Stream 2) Programs (EB-2025-0156) Working Group's Report[29], the EST would be a mandatory requirement for all eDSM programs where the distributor is seeking funding from the IESO through the Global Adjustment. However, even in those instances where the distributor is not seeking funding, VECC believes it is important for the OEB to understand whether or not the proposed NWS has a negative impact on Ontario's overall electricity system.

3. Other Considerations

3.1. Do you believe the BCA Framework (in whole or in part) would benefit from further clarification or usability improvements? If so, please identify the applicable sections and briefly describe how they could be improved.

Part A of VECC's comments identifies a number of sections for the Draft BCA Framework that would benefit from further clarification and/or usability improvements.

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