By RESS

March 6, 2026

Mr. Richard Murray
Acting Registrar
Ontario Energy Board
PO Box 2319
2300 Yonge St., Suite 2700
Toronto, ON, M4P 1E4

Subject: EB-2023-0125 - Benefit-Cost Analysis Framework, Phase Two

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Dear Mr. Murray:

Hydro Ottawa appreciates the opportunity to provide its comments regarding the OEB's Benefit-Cost Analysis Framework, Phase Two consultation. Enclosed in Appendix A are Hydro Ottawa's written comments on the draft Phase Two revisions outlined in the letter dated February 6, 2026.

Sincerely,

Signed by:
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APPENDIX A

GENERAL COMMENTS

On February 6, 2026, the Ontario Energy Board (OEB) released a revised version of its Benefit-Cost Analysis (BCA) Framework for Addressing Electricity System Needs. The BCA Framework is designed to promote non-wires solutions (NWS) by standardizing a methodology for evaluating their economic feasibility. The OEB's revisions to its BCA Framework make the Energy System Test (EST) mandatory, introduce a 15 percent non-energy benefit (NEB) adder for electricity Demand-Side Management (eDSM) projects, and introduce additional filing requirements.

The OEB included questions for proceeding participants to consider in its letter accompanying the release of the revised BCA Framework. Hydro Ottawa provides its response to those questions below.

NON-ENERGY BENEFIT ADDER

Q1: Do you support the proposed approach to incorporating societal impacts through the application of an NEB adder for electricity conservation and demand-side management (eDSM) non-wires solutions?

Hydro Ottawa supports the proposed approach for a non-energy benefit (NEB) for electricity Demand Side Management (eDSM) projects. The NEB will improve the benefits test for eDSM. However, the only benefit of setting a standard is to indicate it is not intended to be adjudicated unless requesting a custom approach. Without an explicit non-adjudicable designation, utilities face the risk of being required to defend a pre-set standard during an active proceeding, which is neither supportive nor efficient. Such a requirement would be counterproductive. Even a single instance where a utility is mandated to provide evidentiary support for the 15% figure would signal to the entire sector that the standard carries an implicit burden of a costly study.

Q2: Do you support the proposed NEB value of 15%?

Hydro Ottawa supports the 15% NEB as a standard to enhance adjudicative efficiency. It notes that the IESO has produced studies that indicate the value could be higher in some instances.[1] However, the 15% is a long-standing regulatory practice in Ontario, first adopted for natural gas demand-side management. In the absence of further NEB evidence, it is the best value available at this time. However, Hydro Ottawa supports the utility option to propose a different value.

[1] Independent Electricity System Operator, *Non-energy Benefits Study: Phase II*

ENERGY SYSTEM TEST

Q3: Do you support the proposed requirement for collaboration between electricity distributors and the IESO to ensure more accurate and consistent completion of the EST?

Hydro Ottawa generally supports collaboration between electricity distributors and the IESO on the Energy System Test (EST). The utility acknowledges that the IESO is a technical expert on system-wide benefits, while utilities will bring understanding of the intended impact. However, where general principled bulk system benefits can be established to support EST calculations, this would create a significant efficiency gain for both organizations.

Hydro Ottawa notes an overlap and potential conflict between the BCA Framework Phase II revisions and the Stream 2 electricity Demand Side Management (eDSM) working group (EB-2025-0156). Both proceedings address the IESO/Distributor working relationship for non-wires solutions (NWS).

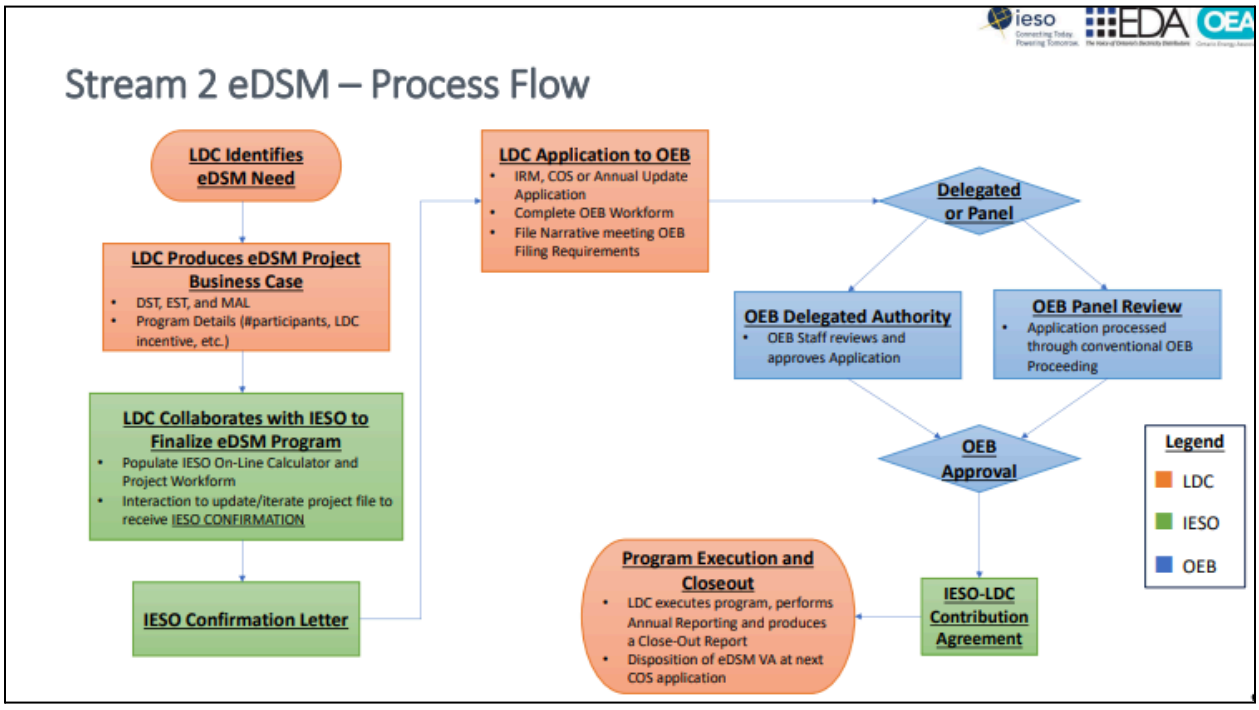
The BCA revisions establish mandatory ESTs and IESO collaboration on NWS (section 2.5). It also establishes that the distributor must provide an IESO letter of comment for NWS projects (5.2). The BCA does not provide detailed guidance on the structure of the collaboration or on how an EST should be performed.

In contrast, the Stream 2 eDSM also requires a mandatory letter of confirmation from the IESO for eDSM projects. It also references an IESO-developed EST online tool using its Measures and Assumptions List (MAL) to perform these calculations.

Hydro Ottawa views the Stream 2 eDSM as an NWS and, therefore, captured by the scope of the BCA Framework.

Figure 1 below provides a screenshot of the proposed eDSM process flow between distributors and the IESO. The process flow is very similar to that being finalized in the BCA framework. The EST, MAL, and online calculator are referenced. The process also requires an IESO Confirmation Letter before a distributor applies to the OEB.

Figure 1 - Proposed eDSM Process Flow



Source: Proposed Framework for Implementation of Local eDSM EB-2025-0156, October 8, 2025.

The overlap creates a conflict between the two proceedings in that the BCA revisions precede any final recommendations from the eDSM working group, and thus sets a precedent for all NWS projects. Hydro Ottawa questions how these revisions will reconcile with the Stream 2 eDSM framework if they are made before its completion.

To avoid duplication, Hydro Ottawa recommends that the OEB remove its BCA Framework revisions in sections 2.5 and 5.2 (and all other related revisions) until the Stream II eDSM working group finalizes its recommendations. The utility suggests that the OEB considers how far along the Stream 2 eDSM working group is in establishing a distributor/IESO collaboration protocol, and recommends that the findings from that proceeding act as the antecedent for additional BCA revisions. This approach would assure alignment and produce a more robust and informed result.

Lastly, should these revisions be kept, there are situations where utilities may not seek eDSM funding or show no EST benefit. In those cases, the utility should not be required to go through an engagement process with the IESO.

Q4: Do you support the proposed revision to make the EST mandatory?

Hydro Ottawa does not support the OEB's revision to establish mandatory EST at this time for the reasons provided above in its response to question 3. The utility views the mandatory requirement as premature and conflicting with the mandate of the Stream 2 eDSM working

group. It further requires engagement when, in some cases, an EST is not warranted and would create an inefficient process.

There are several reasons for this objection.

First, the EST process is not well-defined in the BCA revisions, which may result in inconsistent application of the benefits test and additional work for the IESO when evaluating NWS projects. This issue could be resolved with the IESO-built standardized EST tool proposed in Stream 2 eDSM. However, the OEB would need to wait until the conclusion of that proceeding before the tool would become available, which, again, supports delaying any EST revisions.

Second, the BCA framework sets overlapping requirements with Stream 2 eDSM that were not discussed in a forum of industry experts, the IESO, or consumer advocates. These include a mandatory EST process with the IESO and a letter of comment. The BCA revisions were made by OEB staff and set precedents for all NWS. A stakeholder working group, by its nature, is better suited to reflect the needs of all NWS participants. Hydro Ottawa maintains that the Stream 2 eDSM findings should be known before a robust or mandatory BCA framework is developed for ESTs or commented on.

Finally, certain NWS scenarios should be excluded from the IESO requirements. These should include projects where no bulk-system benefits exist, or in instances where the utility chooses to fund the NWS itself. The first scenario is evident. If there is no benefit to the bulk system, then consulting with the IESO would be redundant. The second scenario is preferential. If the IESO is not providing funding for the NWS portion of bulk-system benefits, then the basis for collaboration with the IESO is effectively eliminated. Hydro Ottawa maintains that these complexities are more appropriately addressed following the conclusion of the Stream 2 eDSM initiative. This deferral would ensure that a standardized distributor/IESO coordination template - including a calculator to assess NWS bulk-system benefits - is fully finalized and socialized before further implementation is contemplated.

Hydro Ottawa recommends that the OEB keep the EST optional until the completion of the Stream 2 eDSM Working Group. Once concluded, the findings of that working group can be incorporated into the BCA framework, ensuring a consistent, thorough, and enduring structure for distribution/IESO collaboration.

OTHER CONSIDERATIONS

Q5: Do you believe the BCA Framework (in whole or in part) would benefit from further clarification or usability improvements?

Yes, Hydro Ottawa believes the BCA Framework would benefit from further clarification and or usability improvements.

Hydro Ottawa contends that the following revised paragraph in section 2.5 could be improved to adhere to the beneficiary pays principle:

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

Hydro Ottawa interprets this paragraph to allow distributors to fund a NWS with distribution rates in a scenario where there is a bulk system benefit that the IESO chooses not to fund. The utility views this exception as contrary to the beneficiary pays principle. If there is a bulk-system benefit, distribution customers should not be required to subsidize bulk-system benefits through their rates, nor would it be in the utility's interest to request its customers to do so.

Hydro Ottawa is concerned by a potential scenario in which distributors are required to fully fund NWS projects that only meet the cost-effectiveness threshold due to the bulk-system benefit. Imposing the total cost of these projects on a distributor's specific rate base would be inappropriate. In addition, distributors in this situation could result in lower efficiency scores relative to their peers, as they would now be supporting bulk system costs that do not have related local distribution benefits or needs. Should the OEB adopt this expectation, a formal mechanism must be developed to safeguard distributors and their customers from the financial and benchmarking harm.

Hydro Ottawa recommends that the OEB add wording in this paragraph to clarify that distributors are given full discretion on project viability in instances where the DST does not exceed the cost-effectiveness threshold and the project is fully funded by the utility.

Implementation Date

Hydro Ottawa recommends that the OEB defer the mandatory implementation of the Phase 2 BCA framework beyond the 2026 window. Most distributors filing in 2026 are likely already in the final planning stages of their Distribution System Plans. Imposing new requirements at this stage would necessitate retroactive rework of completed system planning. Hydro Ottawa suggests that 2026 be treated as a transition year for socialization and testing, with mandatory compliance commencing in 2027. Deferring the implementation date to 2027 would ensure that the new framework is applied consistently and thoughtfully, rather than being rushed.

In addition, if the OEB is to require IESO engagement, the expectation of IESO response time is required before implementation of any new requirement. It is unclear if the OEB has already discussed this expectation with the IESO, given the immediate intent of implementing these new requirements.

Lastly, it should be clear that IESO calculation and support of the EST are not part of the distributor's rate application examination process.