

March 6, 2026

By E-Mail

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

Dear Mr. Murray:

RE: Submissions of the Electricity Distributors Association - Benefit-Cost Analysis Framework for Addressing Electricity System Needs – Phase Two
OEB File No. EB-2023-0125

The Electricity Distributors Association (EDA) represents Ontario’s local electricity distributors (LDCs), which deliver electricity to residential, commercial, industrial, and institutional customers in every community across the province. Collectively, LDCs own more than \$33 billion in electricity distribution infrastructure and invest over \$3.1 billion annually to maintain system reliability, accommodate growth, and support electrification, while remaining accountable to customers for affordability and service quality.

This is the EDA’s submission in response to the Ontario Energy Board’s (OEB) request for feedback on Phase Two of the Benefit-Cost Analysis Framework for Addressing Electricity System Needs (BCA Framework).¹

Our members are directly impacted by the issues in this consultation, and we were an active participant in Phase One.² The OEB’s February 6, 2026, letter directed participants to provide feedback on the OEB’s proposed revisions to the BCA Framework associated with Phase Two.

Phase Two of the BCA Framework builds on Phase One by refining the Energy System Test (EST) and extending the BCA Framework to include societal impacts associated with energy conservation investments. Specifically, it transitions the EST from an optional consideration to a mandatory requirement for all distribution investments exceeding \$2 million, effectively requiring LDCs to quantify impacts on provincial transmission and generation capacity. To capture broader societal value, the update introduces a 15% Non-Energy Benefit (NEB) adder for electricity conservation and demand-side management (eDSM) projects, intended to account for environmental and social benefits that are otherwise difficult to quantify. Additionally, the framework mandates deeper institutional collaboration by requiring LDCs to obtain a formal Letter of Comment from the IESO to validate the assumptions and results of each completed EST. Finally, a new section on third-party funding clarifies that the BCA result does not determine cost responsibility.

Below is a summary of our recommendations and response to the OEB’s discussion questions.

¹ EB-2023-0125

² Electricity Distributors Association, “RE: EB-2023-0124 Benefit-Cost Analysis Framework for Addressing Electricity System Needs”, February 2, 2024.

I. SUMMARY OF EDA'S RECOMMENDATIONS

The following are our recommendations with respect to the OEB's BCA Framework:

- **The EDA supports inclusion of the NEB adder** in the updated BCA Framework, including the use of a generic value where demonstrable benefits cannot be quantified. The **derivation of the OEB-approved adder must be transparent**, and its application should follow a clear, mechanistic process. However, **LDCs should have the flexibility to decide whether to apply for an NEB adder** for a specific Non-Wires Solution (NWS). If a particular NWS provides non-energy benefits, the LDC should be able to use the OEB-approved adder or propose an alternative adder value supported by appropriate evidence. **Further, the OEB should complete a study to identify all potential distinct non-energy benefits which would be captured by the NEB adder and confirm the appropriate generic value.** LDCs should retain the discretion to include the NEB adder, exclude the NEB adder, or complete their own detailed research regarding applicable NEBs, to ensure completed BCAs are responsive to the specific attributes of the investments under evaluation.
- **More specific guidance should be provided with respect to the completion of the EST to ensure consistent application of the methodology by LDCs.** Specifically, the BCA Framework must provide a clear example of the calculation of *Avoided Energy Costs* and *Avoided Generation Capacity Costs*, both of which are mandatory when performing the EST. The Distribution System Test (DST) sections of the BCA Framework provide detailed calculations for determining benefits, and the EST sections should include comparable levels of detail.
- **The updated BCA Framework should only require the EST for BCAs where distributors are seeking funding from the bulk system, in alignment with the “beneficiary pays” principle.** At this time, there is no mechanism that would allow bulk system customers to financially contribute to the costs of NWS in a manner commensurate with bulk system benefits, leading to inappropriate cross-subsidization in situations where LDC customers bear the costs of benefits delivered upstream to the bulk system without compensation. **The OEB is encouraged to explore a mechanism for bulk system customers to contribute appropriately to a distributor NWS based on the EST result** with the Independent Electricity System Operator (IESO) and the government. The Ministry of Energy's 2024 Letter of Direction directs the OEB to “*propose an appropriate cost-sharing mechanism, involving the Global Adjustment and distribution rates, grounded on the principle of beneficiary pays, to fund the development and operation of new energy efficiency programs that provide both system and local distribution benefits.*”³ [emphasis added]. This provides a model for compensating utilities that deliver bulk system benefits through payments from the Global Adjustment charge, which could be effectively adapted to serve BCAs with bulk system benefits. Until a compensation mechanism is approved, the presence of bulk system benefits as derived from an EST calculation should not have any weight (or equal weight) in decision-making where all costs are borne by an individual LDC's customers, and ESTs and related IESO consultation requirements should not be a mandatory part of BCAs.
- **The BCA Framework should not require LDCs to consult with the IESO or obtain a Letter of Comment from the IESO in respect of each complete EST filed with the OEB as part of a distributor's application.** It is premature (and could be potentially onerous on all parties) to establish a requirement for the IESO to validate an EST without clarifying expectations of the IESO and the content and purpose of the Letter of Comment. Given that the IESO publishes generic values to inform the mandatory EST benefits (i.e. *Avoided Energy and Capacity*), LDCs should be encouraged to consult with the IESO only to confirm these EST benefit calculations, as needed, or to understand whether other EST benefits which do not rely on generic IESO inputs can be confirmed. Further, it is unclear to us whether the IESO is

³ Ministry of Energy, “Letter of Direction”, December 19, 2024, page 6.

appropriately resourced to consult on a high volume of EST calculations, given that EST is a mandatory inclusion in BCAs and BCAs are mandatory for all investments above \$2 million.

- **The updated BCA Framework should be revised to state that applications filed in 2027 are expected to comply with Phase 2 of the BCA Framework, as opposed to 2026, as currently stated.** Given that the final updates to the BCA Framework arising from the Phase 2 review will likely not be published until Q2 2026 at the earliest, a distributor planning to file an application in 2026 will not have sufficient time to implement these updates into any BCA assessments performed as part of its application. Therefore, the current timing expectation for enforcement of the updates is neither reasonable nor appropriate.

II. EDA RESPONSE TO OEB DISCUSSION QUESTIONS

1. Non-Energy Benefit (NEB) Adder

OEB Question: Do you support the proposed approach to incorporating societal impacts through the application of a Non-Energy Benefit (NEB) adder for electricity conservation and electricity demand-side management (eDSM) NWS? Do you support the proposed NEB value of 15%? Please provide your rationale.

We support the OEB’s proposal to offer a NEB adder that assigns a numerical value to societal benefits flowing from the implementation of NWS, including eDSM.⁴ NWS of this type often have the potential to provide environmental, economic and social benefits at the societal level (e.g. economic benefits, greenhouse gas emission reductions) that should be recognized. However, these NEBs are difficult to quantify precisely. The option for distributors to leverage a generic NEB adder would simplify this evaluation, thereby avoiding potentially costly and time-intensive econometric quantification exercises for every BCA.

While we support the NEB adder and understand why a NEB of 15% was chosen⁵, **it is unclear whether any assessment was performed to confirm whether the 15% value remains an accurate quantification** of societal benefits for LDCs today. **We recommend that the OEB review the 15% value as part of the Phase Two process** to determine its suitability. This review would provide appropriate transparency by clarifying the factors to which the NEB adder would assign value and could contribute to an understanding of how different NEBs should be weighted. This additional analysis would assist LDCs in identifying circumstances where the application of the generic adder is appropriate, circumstances that could dictate where a distributor may want to undertake its own quantification of societal benefits, and circumstances where neither a generic NEB nor customized quantification of societal benefits would be appropriate for a given eDSM BCA. In the future, as DER adoption rises, the OEB may wish to consider whether the IESO should perform this additional analysis.

Echoing the comments from our feedback on Phase One of the BCA consultation, we wish to emphasize the benefits of establishing a flexible, adaptable BCA Framework, where benefits cannot be easily defined or quantified. We anticipate significant evolution in the development of NWS projects as technologies progress and circumstances continue to evolve. Knowing that this evolution will occur, we, in principle, support the NEB adder that can be used for an eDSM BCA, if there is a clear understanding of how it was derived and that the NEB can be reasonably quantified. Utilities should reserve the right to refrain from using it or substituting their own

⁴ Ontario Energy Board, Draft BCA Framework, “Benefit-Cost Analysis Framework for Addressing Electricity System Needs”, page 24.

⁵ The EDA understands the OEB’s rationale is that existing cost-effectiveness tests in Ontario, including under the DSM framework, have applied a 15% adder to account for NEBs since 2014. Ontario Energy Board, Draft BCA Framework, “Benefit-Cost Analysis Framework for Addressing Electricity System Needs”, page 24.

analysis as appropriate in those circumstances. We also recommend that the OEB periodically review the proposed 15% figure to substantiate its validity as a default value going forward.

2. Energy System Test (EST)

OEB Question: Do you support the proposed requirement for collaboration between electricity distributors and the IESO to ensure more accurate and consistent completion of the EST? Please provide your rationale. Do you support the proposed revision to make the EST mandatory? Please provide your rationale or explanation for your position.

Given that Phase Two of the draft BCA Framework currently requires LDCs to include an EST in all of their BCAs and further requires them to consider a BCA for all investments of \$2 million or more, we are concerned that the prescribed form and depth of involvement of the IESO is premature.⁶ We are concerned that Phase Two of the BCA Framework does not adequately describe the IESO's role as a potential stage-gate evaluator of LDCs' BCA proposals or what a Letter of Comment from the IESO would entail, both in terms of scope and with respect to the weight that would be assigned to it in the OEB's own evaluation of an LDC's EST. Furthermore, the BCA Framework does not specify or clarify what information LDCs would need to provide to the IESO to support its assessments. LDCs are reluctant to provide the IESO with detailed information for each prospective NWS project that may not ultimately result in a positive BCA, thereby hampering distribution system planning processes. The broadest interpretation of the IESO's role might require distributors to collaborate extensively with the IESO as they draft their Distribution System Plans and may see the IESO's Letter of Comment play an important role in the adjudication of a given BCA application. This evolution would be inappropriate and would fail to recognize the OEB's rigorous and evolved processes implemented via *Chapter 5 Filing Requirements* and Cost of Service adjudication, not to mention the significant workload required of the IESO if all LDCs bring all ESTs relating to investments over \$2 million to the IESO for review and formal comment.

With these concerns in mind, **we do not support the requirement that LDCs consult with the IESO in completing each EST, nor the requirement that LDCs obtain a Letter of Comment from the IESO regarding the same.** As further discussed below, the two benefits included as mandatory within the EST calculation at present are *Avoided Energy Costs* and *Avoided Capacity Costs*⁷ - both of which are to be **sourced from publicly available inputs provided by the IESO.** If these mandatory benefits remain in the final revised BCA Framework, we do not believe consultation with the IESO will be required in most EST cases.

That said, we expect that, in circumstances where an LDC seeks funding from sources administered by the IESO (e.g., Global Adjustment), more explicit and structured engagement with the IESO will be required.

We are not opposed to the mandatory use of the EST provided benefits can be quantified using an established calculation methodology. However, we find it premature to establish this requirement at this time, where benefits cannot be easily quantified. The current draft of Phase 2 of the BCA Framework does not include substantive detail or guidance for performing EST benefit calculations, unlike the instructive section provided for the DST. We recommend that the OEB secure insight and we request further guidance from the IESO to perform the calculations for review, discussion, and finalization. **We do not endorse the mandatory enforcement of an**

⁶ Ontario Energy Board, Draft BCA Framework, "Benefit-Cost Analysis Framework for Addressing Electricity System Needs", pages 46-48.

⁷ Ontario Energy Board, Draft BCA Framework, "Benefit-Cost Analysis Framework for Addressing Electricity System Needs", page 44.

EST which has not been sufficiently described and does not present a clear methodology that can be applied consistently by all distributors.

Our final concern with the use of the EST within distributor planning and rate applications is the **lack of a cost-recovery mechanism for LDCs to receive funding from the bulk system commensurate with the bulk system's benefits identified in the EST.** The EST asks distributors to consider the potential transmission, bulk system, and societal benefits of a proposed NWS, but does not provide any mechanism for LDCs to recover their investment costs beyond their own rates.⁸ This is a material issue when the DST portion of a BCA alone does not yield a positive result, and the EST must be relied on to achieve a positive result. This could create a circumstance in which LDCs are expected to pursue a cost-effective NWS investment due to bulk system benefits, while all the costs of this same investment are borne solely by LDCs' customers. **A BCA test, which requires LDC customers to fund the costs of investments which provide clear benefits to the bulk system, is contrary to the principle of beneficiary pays.**

We recommend that the OEB consider and explore, in concert with government and the IESO as needed, cost recovery mechanisms that account for the upstream benefits of NWS to the bulk energy system, and believes that the OEB's work in its eDSM Stream 2 consultation provides an instructive example of a successful implementation of this concept.⁹ Given that no such mechanism currently exists to transfer bulk system funding, in support of bulk system benefits identified in EST results, to distributors, we do not support the mandatory inclusion of EST results in a BCA at this time. If OEB makes the EST a mandatory inclusion in completed BCAs, we recommend the OEB make clear that such results not have material weight in internal utility decision-making, or in OEB adjudication, where all costs are proposed to be funded by LDC rates as opposed to bulk system funding.

3. Other Considerations

OEB Question: 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.

As articulated above, we believe the updated BCA Framework would benefit from substantial expansion of the sections which describe and detail the calculation of the EST.

Given that Phase Two of this consultation was delayed from Q4 2025 to Q1 2026, and the lack of clarity regarding certain aspects of the proposed updates to the EST and the IESO's role in the BCA process, we request that the OEB refrain from requiring that the proposed updates be implemented as part of rate applications filed in 2026. Instead, compliance with the updated BCA Framework should be enforced for applications filed by distributors in 2027.¹⁰ This will provide sufficient time for the finalized Phase 2 framework to be published by the OEB and for distributors to accommodate Phase 2 updates into their planning cycles. In all practicality, the majority of rate applications filed in 2026 are well underway in development as of the time of this submission, and as such, these plans and applications cannot logically be revised to accommodate the forthcoming outcomes of Phase 2 of the BCA Framework consultation in time for 2026 Cost of Service filing deadlines.

⁸ Ontario Energy Board, Draft BCA Framework, "Benefit-Cost Analysis Framework for Addressing Electricity System Needs", page 24.

⁹ EB-2025-0156

¹⁰ Ontario Energy Board, Draft BCA Framework, "Benefit-Cost Analysis Framework for Addressing Electricity System Needs", page 11.

CONCLUSION

We appreciate the opportunity to provide comments on Phase Two of the Benefit-Cost Analysis Framework. Our recommendations are rooted in the need for a transparent framework aligned with the "beneficiary pays" principle. While our members support, in principle, the integration of non-energy benefits and the broader perspective of the Energy System Test, these updates must be accompanied by clear calculation methodologies and robust cost-recovery mechanisms to prevent inappropriate cross-subsidization by distribution customers. Furthermore, given the practical timelines of utility planning cycles, we urge the OEB to adopt a 2027 implementation date to ensure distributors can meaningfully incorporate these new requirements into their regulatory filings.

If you have any questions, please do not hesitate to contact Rudra Mukherji, Senior Regulatory Affairs Advisor, at rmukherji@eda-on.ca.

Sincerely,



Teresa Sarkesian
President & Chief Executive Officer