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

Re: Draft Phase Two Benefit-Cost Analysis Framework (EB-2023-0125)

Toronto Hydro-Electric System Limited ("Toronto Hydro") is the local electricity distribution company for the City of Toronto. It serves over 790,000 customers and delivers approximately 18% of the electricity used in Ontario. Toronto Hydro's customers range from single family dwellings and neighbourhood shops to multi-use skyscrapers, and some of the province's largest commercial, institutional, and industrial facilities. The utility powers non-residential customers from a variety of sectors, including dozens of hospitals and healthcare operations; hundreds of schools, colleges, and universities; data centres; and large industrial and manufacturing facilities. Each of the thousands of multi-unit residential condominium and apartment buildings served by Toronto Hydro can have dozens or hundreds of units behind-the-meter. All told, every day, more than three million people are served by Toronto Hydro's electricity distribution system.

On February 6, 2026, the Ontario Energy Board (OEB) released a letter seeking stakeholder feedback on its proposed revisions for Phase Two of the Benefit-Cost Analysis Framework for Addressing Electricity System Needs ("BCA Framework"). Toronto Hydro appreciates the opportunity to provide comments on the OEB's proposed revisions to the BCA Framework and offers the following feedback for the OEB's consideration.

Toronto Hydro supports the OEB's objective of improving consistency, transparency, and efficiency in the evaluation of Non-Wires Solutions ("NWS") projects across the province. A clear and practical framework that supports informed decision-making is necessary for utilities to continue pursuing flexible, cost-effective solutions that address local system needs while supporting broader provincial energy objectives.

Toronto Hydro welcomes the OEB's proposed revision that would allow societal and non-energy benefits ("NEBs") to be considered in the BCA framework. This aligns with the practical reality that many NWS projects deliver value in service of the public interest which extends beyond purely quantifiable metrics, such as enhanced resilience for critical city infrastructure, reduced community disruption from construction, and environmental benefits that support broader sustainability objectives. This revision better reflects the full value proposition of NWS projects, provides helpful flexibility to utilities, and is a constructive evolution of the framework.

However, Toronto Hydro submits that several proposed revisions risk shifting the framework away from its original purpose of enabling timely, locally responsive solutions that defer or avoid traditional infrastructure investments for the ultimate benefit of customers. The proposed Phase Two revisions introduce significant new process requirements that will unintentionally act as a disincentive to utilities from pursuing NWS projects – contrary to the policy outcomes the framework seeks to advance.

The current draft of Phase 2 of the BCA Framework provides limited detail or benefits calculations to be included in the Energy System Test ("EST"). Toronto Hydro submits that the EST should be designed to evaluate the full value stack of NWS available to customers, by serving as a complement to the DST and ensure that customers are appropriately compensated for the value they contribute to the system. In addition, the EST must prioritize administrative efficiency to improve the efficacy of accessing DER resources – lengthy evaluation processes hinder realizing the full value of those assets and efficiency is for the benefit of both customers and process. It is imperative that utilities can move quickly through the evaluation process to best integrate these projects into utility plans, get them connected, and secure appropriate compensation for customers.

Toronto Hydro notes that the OEB's proposal to make the EST mandatory also raises a fundamental question around the compensation of asset value. Toronto Hydro encourages the OEB to utilize a mechanism that aligns costs with beneficiaries where province-wide benefits are demonstrated. Where an EST identifies material bulk system or provincewide benefits, a mechanism must be in place by which the Independent Electricity System Operator ("IESO") can provide funding to the LDC to account for those benefits and prevent disproportionate costs from being placed on distribution ratepayers. Without an explicit approach to funding and cost recovery, the proposal risks misaligning cost

responsibility with the beneficiaries of the project and discouraging utilities from pursuing NWS opportunities that deliver broader system value for the benefit of all customers.

Toronto Hydro further notes that, if the OEB proceeds with requiring the EST more broadly, access to standardized system data will be essential to ensure the analysis can be conducted efficiently and consistently across utilities. The IESO is best positioned to publish the key system inputs required for these calculations. Making this information publicly available would allow LDCs to perform the EST in a consistent and transparent manner while minimizing unnecessary coordination and process delays. Providing clear, centralized data inputs would also support comparability of results across projects and utilities.

Toronto Hydro is also concerned with the proposal to increase IESO involvement in the BCA process, including in particular the anticipated IESO review and the possibility of letters of comment. While coordination with the IESO is appropriate where bulk-system considerations are material, embedding IESO participation into every BCA introduces additional procedural steps that will increase timelines and administrative burden. Toronto Hydro's experience demonstrates that obtaining external review and formal letters can take weeks or months. In the context of NWS projects, where timing is often critical, these delays risk discouraging utilities from pursuing NWS solutions and may result in missed opportunities. Toronto Hydro further notes that requiring IESO involvement in all BCAs may create a system-wide bottleneck. If all local distribution companies are required to engage the IESO for routine project assessments, capacity constraints may emerge, slowing project development across the province – an outcome contrary to the objectives the framework seeks to advance. To avoid these unintentional outcomes, Toronto Hydro encourages the OEB to create a framework that preserves local autonomy and flexibility. Local distribution companies are the closest to customers and best positioned to assess local conditions, customer needs, and distribution-level constraints. For those reasons, the framework should continue to rely on utility expertise in identifying and advancing appropriate NWS solutions in the public interest.

Toronto Hydro also notes that the proposed process changes are inconsistent with broader policy objectives aimed at reducing regulatory burden and enabling faster infrastructure delivery. Introducing additional review steps and external coordination requirements will increase costs, administrative complexity, and timelines for project development. Toronto Hydro encourages the OEB to maintain focus on the fundamental objective of the BCA framework: enabling practical, timely, and cost-effective

NWS that address local system needs while supporting broader system outcomes. The framework should prioritize outcomes, namely the benefit to customers, over process, preserve local utility flexibility, and avoid introducing administrative requirements that may unintentionally discourage NWS development.

Toronto Hydro further recommends that the OEB establish a clear transition schedule for implementation of any revised requirements. Applying new obligations to projects already in progress would create uncertainty and potentially require significant rework. A clear effective date and defined cutoff for new projects would provide regulatory certainty and allow utilities to plan and execute projects efficiently.

Toronto Hydro commends the OEB for its leadership in developing a collaborative framework for advancing NWS development and appreciates the opportunity to provide feedback. Toronto Hydro looks forward to continued engagement with the OEB, IESO, and sector stakeholders as this work progresses.

Respectfully,

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