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March 17, 2026
Our File: EB20250265

Attn: Ritchie Murray, Acting Registrar

Dear Mr. Murray:

Re: EB-2025-0265 – GrandBridge Energy Inc. NWS – Submissions

We are counsel to the School Energy Coalition (“SEC”). Pursuant to Procedural Order No. 2, these are SEC’s submissions on the application by GrandBridge Energy Inc. (“GrandBridge”) for approval of funding of its Non-Wires Solution (“NWS”) Program.

Overview

GrandBridge seeks approval for a rate rider and a variance account to recover the costs of its proposed NWS Program, Gridshare. GrandBridge’s evidence is that there is a capacity need in its service territory, and the NWS Program will bridge the gap until a new transformer station is expected to be completed and energized in 2028 (MTS#2).¹ The proposed NWS Program will procure up to 20 MW over three years (2026 to 2028) through a capacity auction, targeting forecast constraints at three of its existing transformer stations.²

GrandBridge proposes that the costs of the NWS Program, net of Federal Government contributions, from 2026 to 2028, be recovered from customers by way of a single rate rider over the three years, and that a symmetrical DVA account be established to capture any variances.³ GrandBridge also proposes to earn a Margin-on-Payment incentive on the amounts paid to program participants.

SEC supports the proposed NWS Program as it represents a prudent and innovative solution to distribution system need. However, SEC does have some concerns and does not support the recovery of the entire budget, including the Margin-on-Payment incentive.

Need and Eligibility for Recovery of the Costs for the NWS Program

Based on the evidence filed by GrandBridge, SEC agrees that there is sufficient evidence to demonstrate a distribution need that can be best addressed by the proposed NWS Program.

¹ Application, p.9; Interrogatory Response OEB Staff-5b

² Application, p.20, 42-43; Interrogatory Response OEB Staff-9a

³ Application, p.28-31

GrandBridge's capacity need, especially at the three targeted stations, is best demonstrated by the IESO's urgent September 2025 letter to the company. The long-term solution, MTS#2, is being developed and constructed but will not be in-service until spring 2028, resulting in a capacity crunch in the meantime.⁴ This is the exact type of situation where an NWS solution is not just an ideal solution but, practically speaking, the only one.⁵

GrandBridge's evidence is that its only other options to deal with the capacity constraint are to stop or delay new customer connections, shed load in certain circumstances, or purchase, own, operate and install located generators or batteries.⁶ The latter option, the only other asset-based option and itself another form of NWS, is likely not even possible due to the timing. In light of this, the NWS Program is properly characterized as non-discretionary.⁷

As a NWS Program not currently built into base rates that addresses a demonstrated system need, GrandBridge is eligible to seek funding outside of a rebasing application.⁸

Program Costs

GrandBridge seeks to recover, through a rate rider effective May 1, 2026, \$3.018M for the costs of the NWS Program over the 2026 to 2028 period.⁹ The costs are primarily made up of OM&A, although they do include certain enabling capitalized IT costs (and related services), offset by a grant through the Federal Government Smart Renewables and Electrification Pathways ("SREP") program.¹⁰

SEC submits that three aspects of the budget should not be approved.

First, GrandBridge has included as part of its capitalized costs \$111,448 for legal costs related to the development of the NWS Program rules and agreements, incurred between July and October 2025.¹¹ This is not an appropriate capitalized cost, and since the costs were incurred before the proposed May 1, 2026 effective date¹², they are not recoverable, as to do so would be out-of-period and represent impermissible retroactive ratemaking.¹³ It is unclear on what basis GrandBridge proposes to capitalize these costs, as they do not directly relate to the underlying IT assets but to the overall program, which, like all the other related costs (staff, third-party payments), are appropriately treated as OM&A under IFRS. The costs related to introducing a new service, the NWS Program, as opposed to a new asset, and so under IAS 16, are not eligible for capitalization.¹⁴ It would seem to SEC that this is simply an attempt to recover costs incurred long before not just the effective date, but the filing of the application, that it otherwise clearly could not.

⁴ Application, p.8-9; Interrogatory Response OEB Staff-5b

⁵ Application, p.19-20; Interrogatory Response OEB Staff-5b

⁶ Interrogatory Response SEC-2b

⁷ [Benefit-Cost Analysis Framework for Addressing Electricity System Needs \(May 15, 2024\)](#), p.15

⁸ [Non-Wires Solutions Guidelines for Electricity Distributors \(EB-2024-0118\), March 28, 2024](#), p.12-13

⁹ Interrogatory Response OEB Staff-7a

¹⁰ Interrogatory Response OEB Staff-7a

¹¹ Application, p.42; Interrogatory Response OEB Staff-17a

¹² Application, p.5; Interrogatory Response OEB Staff-2

¹³ [Decision and Order \(EB-2013-0122\), December 23, 2013](#), p.13: "It is a fundamental tenet of ratemaking that rates must be set to recover future costs and not to recover past costs in relation to a period for which the rates were already set on a final basis." See also [Decision and Order \(EB-2014-0073\), April 30, 2015](#), p.13, 16

¹⁴ See [IAS 16](#), paras. 16b, 19b

Second, it is not clear from the evidence whether all of the 2026 OM&A costs are for those incurred after the proposed May 1, 2026 effective date. For example, the allocated staffing costs in 2026, which should represent only 8 months of the year, are *higher* than the costs for each of 2027 and 2028.¹⁵ Since the costs represent 50% of one individual's time, one would expect that they would be lower in 2026 as compared to the full years.¹⁶ GrandBridge has also included application consulting and legal costs, which would include costs incurred not just in 2025 (when the application was filed) but, based on the case schedule, for regulatory steps that will largely be completed before the proposed effective date.¹⁷ In its reply GrandBridge should detail which of its forecast 2026 NWS Program OM&A costs have been (or are expected to be) incurred before May 1, 2026. The OEB should then deny recovery of those amounts, as that would result in retroactive ratemaking.

SEC would note that the company can clearly absorb these additional costs that are not eligible for recovery. Its 2024 ROE, the most recent year for which it provided data, was 249 basis points above its deemed ROE included in rates.¹⁸

Third, SEC believes, as discussed in greater detail in the next section, that GrandBridge is not eligible for a Margin-on-Payment incentive, and so those costs should be removed.

Margin-on-Payment and BCA Framework

GrandBridge seeks approval for a 15% Margin-on-Payment incentive pursuant to section 11 of the Distribution System Code ("DSC").¹⁹ SEC submits that GrandBridge is not eligible for a Margin-on-Payment for this specific program as it does not meet the requirements of the DSC.

Margin-on-Payment

Section 11.3 provides that where the OEB is satisfied that an application for a Margin-on-Payment incentive meets the requirements in section 11.3.3 to 11.4, distribution rates shall include the incentive. One of the core requirements is that the third-party DER (the NWS Program in this case) must have a net present value score of greater than zero (11.3.3a), and a complete BCA and Distribution Service Test ("DST"), as set out in the OEB's Benefit-Cost Analysis Framework for Addressing Electricity System Needs ("BCA Framework") (11.3.4).²⁰

The Application does not meet those requirements. The issue is not whether GrandBridge has identified some quantified benefits, albeit overstated, but rather whether the filed BCA and DST comply with the methodology prescribed by the OEB, which they do not. That distinction is important. The BCA Framework requires distributors to quantify the benefit of NWS adoption arising from the deferral or avoidance of traditional infrastructure.²¹ Distribution Capacity (Deferral or Avoidance Benefit) is the sole mandatory quantitative benefit in the DST. The BCA Framework describes this as "[t]he primary distribution system use-case and the primary driver of value for the DST".²²

¹⁵ Interrogatory Response OEB Staff-7a

¹⁶ Interrogatory Response OEB Staff-17a

¹⁷ Interrogatory Response OEB Staff-17a

¹⁸ Interrogatory Response CCMB-17a

¹⁹ [Distribution System Code \(DSC\)](#), section 11

²⁰ [Distribution System Code \(DSC\)](#), section 11.3.3a, 11.3.4. See also definition of BCA and DST in Section 11.1

²¹ [Benefit-Cost Analysis Framework for Addressing Electricity System Needs \(May 15, 2024\)](#), p.19

²² [Benefit-Cost Analysis Framework for Addressing Electricity System Needs \(May 15, 2024\)](#), p.24

GrandBridge's evidence is that its NWS Program does not defer or avoid any infrastructure.²³ It cannot overcome the absence of any distribution capacity benefit by pointing to quantified reliability or other benefits. Those are only permitted benefits under the BCA Framework. They do not replace the sole mandatory quantitative benefit. GrandBridge accepts that the NWS Program does not defer or avoid traditional infrastructure and includes no distribution capacity value on that basis, as a result the filed DST is no longer a DST completed in accordance with the BCA Framework eligible for Margin-on-Payment incentive under the DSC. If a distributor could obtain a Margin-on-Payment incentive based only on permitted reliability benefits while assigning no value to the sole mandatory benefit category, the mandatory/permitted distinction in the BCA Framework would be meaningless.

This is also consistent with the purpose of the Margin-on-Payment incentive for third-party DERs that was incorporated in the DSC.²⁴ The OEB included these provisions in the DSC as part of its broader policy to enhance regulatory predictability and to incent utilities to consider “DER solutions as NWSs when assessing options for meeting electricity system needs, and that distributors consider the use of third-party owned DERs (i.e., DERs not owned by distributors) before proposing investments in distributor-owned DER solutions.”²⁵ This is all part of the OEB's broader policy of providing a financial incentive to avoid or delay what would otherwise be a more costly, often over the longer term, traditional infrastructure solution.²⁶ Here, there is no need for such an incentive, because there is no traditional infrastructure alternative that is being deferred or cancelled as a result of the NWS Program²⁷, nor is there a GrandBridge owned NWS solution that is reasonably possible given the timelines.²⁸ Put another way, there is nothing here to incent. GrandBridge is undertaking the only viable solution to meet a non-discretionary distribution need. SEC supports the NWS Program, but not the incentive.

BCA

In addition to the eligibility issue above, SEC has concerns with how GrandBridge has completed the remainder of the BCA, and submits that even with the benefits included the BCA does not result in a positive net benefit.

GrandBridge's quantified benefits are based on reduced RTSR charges and the expected financial benefits arising from reduced unplanned and planned outages, calculated based on a customer Value of Lost Load (“VOLL”).

SEC has concerns with how GrandBridge has calculated the forecast benefits of the reduction in both unplanned and planned outages.

First, as it relates to unplanned outages. GrandBridge has assumed that the NWS Program will result

²³ Interrogatory Response SEC-2c

²⁴ [Notice Of Proposal To Amend a Code: Proposal Amendments to the Distribution System Code Regarding A Margin on Payment Incentive Mechanisms For The Use of Third-Party Distributed Energy Resources as Non-Wires Solutions \(EB-2025-0083\), May 16, 2025](#), p.2

²⁵ [Notice Of Proposal To Amend a Code: Proposal Amendments to the Distribution System Code Regarding A Margin on Payment Incentive Mechanisms For The Use of Third-Party Distributed Energy Resources as Non-Wires Solutions \(EB-2025-0083\), May 16, 2025](#), p.2

²⁶ [Framework for Energy Innovation: Setting a Path Forward for DER Integration \(January 2023\)](#), p.24

²⁷ Interrogatory Response SEC-2c

²⁸ Interrogatory Response SEC-2b

in one less 8-hour unplanned outage over the three-year period.²⁹ The 8-hour outage would be eliminated by two consecutive activations of the *entire* NWS Program procured capacity in each year.³⁰ However, the NWS Program rules limit a customer activation to a single 4-hour period over a single day.³¹ Thus, at best, only half of the 8-hour unplanned outage could be mitigated as a result of the NWS Program, and so the benefits, as calculated by GrandBridge, are overstated by 50%.

Second, with respect to planned outages, GrandBridge forecasts that the NWS Program will eliminate 2 planned outages a year, of 4 hours each.³² Historically, there have been no planned outages for customers served by each of the three transformer stations facing capacity constraints, and so the basis of the forecast is a counterfactual not based on any quantified assessment but on a number of potential issues that could compound, including the need for planned work that cannot be delayed until after MTS#2 is in-service, each occurring at peak, with no ability to transfer the required load, and the requirement for the full procured capacity to be activated.³³ All of this is to say that while SEC accepts that the NWS Program reduces the likelihood of potential outages as a result of the capacity constraint, the quantification of this benefit at this time is understandably no more than guesswork, and is more appropriately treated as a qualitative benefit.

Third, for each of the quantified planned and unplanned outage benefits, GrandBridge has used a VOLL calculation.³⁴ While this is permissible³⁵, and GrandBridge has used an approach consistent with the OEB's VASH Report³⁶, VOLL was never meant to be the linchpin of a BCA. The VOLL approach, which uses the United States Department of Energy ICE 2.0 calculator rather than Ontario, or GrandBridge, customer-specific values, may be appropriate in the VASH context, where the resilience cost-benefit analysis³⁷ is not determinative and its results are only one factor among many others in deciding whether to undertake a specific investment.³⁸ That is not the case here and it is why the BCA Framework recommends location-specific VOLL.³⁹

Small changes in the VOLL have a significant impact on the BCA results. For example, a reduction in the VOLL values by just 10% results in a reduction of the DST score from 1.3 to 1.18 and a reduction of the net DST benefits by \$320K. When considered in the context of even some of the other issues raised above regarding the BCA, small changes to could be determinative.

Each of these issues, in addition to the inaccurate inclusion of the entire costs as set out in OEB Staff submissions, it is almost certain that the NWS Program does not meet either of the requirements under

²⁹ Application, p.35; Interrogatory Response SEC-7a,b; See Updated BCA (GRE_2026_NWS_BCA_IRR_20260217.xls), Table 'Benefits 2-Planned Outages'

³⁰ See the Updated BCA (GRE_2026_NWS_BCA_IRR_20260217.xls), Table 'Benefits 1-Unplanned Outages'); Interrogatory Response SEC-7a

³¹ See GrandBridge Energy Inc.'s Non-Wires Alternative Program - Participant Agreement, section 2.1 (Application, Attachment 6, p.61 (Direct Participant), p.90 (Aggregators))

³² Interrogatory Response SEC-8a

³³ Interrogatory Response SEC-8a

³⁴ Application, p.35

³⁵ [Benefit-Cost Analysis Framework for Addressing Electricity System Needs \(May 15, 2024\)](#), p.22, 29

³⁶ Application, p.35

³⁷ [Vulnerability Assessment and System Hardening Report \(EB-2024-0199\), October 7, 2025](#), p.25-26

³⁸ [Vulnerability Assessment and System Hardening Report \(EB-2024-0199\), October 7, 2025](#), p.3

³⁹ [Benefit-Cost Analysis Framework for Addressing Electricity System Needs \(May 15, 2024\)](#), p.29: "The value of lost load (particularly for locationally specific areas) should be estimated specifically for the affected location in most cases, but in some instances the use of more generic values may be acceptable."



section 11.3.3a of the DSC and the net present value score of greater than zero (i.e. a DST score of >1).

Recovery of Costs in Excess of the Approved Amount

GrandBridge has requested approval to recover as much as 30% in excess of the OEB-approved amounts through the proposed variance account.⁴⁰ It is not entirely clear what the purpose of the request is, as GrandBridge has confirmed that any costs in excess of what has been approved will be subject to prudence review.⁴¹ If the intent is confirmation that the OEB in a subsequent proceeding will not deny any costs recorded in the variance account above the approved costs, regardless of their prudence, that it does not require pre-approval to spend in excess of the approved amount, or that 30% is a cap on how much could be considered for later disposition, then SEC does not have any concerns with the request.

Rate Rider

GrandBridge proposes a single rate rider (per class) to recover the proposed costs over the three-year period of the program (2026-2028).⁴² The result is that GrandBridge will over-recover in the first two years and under-recover in the third year.⁴³

SEC does not support this approach and believes that the OEB should establish separate rate riders for each year to represent the costs of the NWS Program in each year. This would limit any intergenerational inequity by appropriately matching annual costs with revenues. SEC believes that the over-recovery is likely to be larger than forecast, and the under-recovery smaller, as the billing determinants are based on historic actuals⁴⁴ and, on a weather-normalized basis, are almost certainly going to be higher than forecast each year.

The OEB can approve the annual riders in this proceeding, as GrandBridge was able to demonstrate in its response to SEC Interrogatory 5b.⁴⁵ If the OEB disagrees, then it should confirm that the proposed variance account⁴⁶ will true up costs and revenue on an annual basis to ensure, all else being equal, that customers benefit through the application of interest on the early-year overpayments.

Yours very truly,
Shepherd Rubenstein P.C.

Mark Rubenstein

cc: Brian McKay, SEC (by email)
Applicant and intervenors (by email)

⁴⁰ Interrogatory Response OEB Staff-15; Application, p.15

⁴¹ Interrogatory Responses SEC-6, OEB Staff-15

⁴² Application, p.28-29

⁴³ Interrogatory Response SEC-5a

⁴⁴ See Application, p.28 where GrandBridge confirmed that the base distribution revenue is from its most recent approved IRM Model. If so, this then most recent RRR data used for that model would be the 2024 actual billing determinant information).

⁴⁵ Interrogatory Response SEC-5b

⁴⁶ Interrogatory Response Staff-16a