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

Re: Proposed Updates to the Non-Wires Solutions Guidelines; Stream 2 Local Electricity Demand-Side Management Programs (EB-2025-0156)

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 March 31, 2026, the Ontario Energy Board (“OEB”) released draft updates to its Non-Wires Solutions (“NWS”) Guidelines, including a new appendix for Stream 2 local electricity demand-side management (“eDSM”) programs. These updates stem from policy work initiated in late 2022, when the Minister of Energy and Mines directed the Independent Electricity System Operator (“IESO”) to develop a new eDSM framework through a utility-led working group (the “Working Group”). In collaboration with the Electricity Distributors Association (“EDA”), the Working Group submitted a proposed eDSM Stream 2 framework to the OEB in June 2025, establishing a foundation for LDC-led demand-side resources that improve reliability, defer system investments, and deliver value to ratepayers.

Toronto Hydro recognizes the OEB’s efforts to advance a framework that enables locally driven solutions to address distribution system needs while supporting broader provincial objectives, including economic development, electrification, and efficient use of system resources. Toronto Hydro appreciates the

opportunity to comment on the OEB's draft updates to the Non-Wires Solutions Guidelines, including the proposed Stream 2 local eDSM framework, and provides the following comments for the OEB's consideration.

Toronto Hydro supports the objective of establishing a clear and practical framework that enables utilities to pursue optimal solutions, including where those solutions differ from traditional infrastructure investments. The proposals before the OEB are intended to provide distributors with the flexibility to respond to localized needs and concurrently capture and compensate upstream value-stacking opportunities for the benefit of customers and the broader system. However, Toronto Hydro submits that elements of the draft framework will unnecessarily introduce regulatory uncertainty and administrative burden and thus unintentionally disincentivize utilities from actively pursuing these opportunities.

The proposed approach to cost recovery introduces material regulatory red tape and regulatory uncertainty, both of which will undermine utility participation and value creation for customers. While the draft framework contemplates a variance account for Stream 2 eDSM costs, it also appears to broaden post-implementation OEB review, including prudence assessments and evaluation of whether the underlying system need has been addressed. As a result, notwithstanding the rigorous upfront approval process to confirm the validity of program assumptions, the utility remains exposed to retrospective reassessment and cost disallowances. The duplicative regulatory burden will create more cost than benefit to ratepayers. Further, this will create regulatory uncertainty which contradicts the intent of encouraging utilities to pursue innovative, locally responsive solutions: regulatory uncertainty is a barrier to utility action.

Cost recovery certainty should be largely established through the existing upfront design process, which is consistent with the treatment of other distribution investments, where advanced approval provides for a reasonable degree of certainty on cost recovery. Re-examining programs that have already been validated and approved shifts additional risk onto utilities and will deter investment in initiatives that deliver both local and system-wide benefits, including those that support economic growth and electrification objectives. One of the core policy moves with NWS is to treat those solutions in ways that are comparable with traditional solutions. An important means of achieving that end is replicating – as much as is feasible – approaches to cost recovery.

Toronto Hydro also notes that the proposed framework places a disproportionate burden on distributors to demonstrate and defend program benefits that extend beyond the distribution system. Where Stream 2 programs are intended to deliver broader system or province-wide benefits, including those funded through provincial mechanisms, the responsibility for validating those benefits should align with the party that is funding or relying on those outcomes.

Toronto Hydro is also concerned with the proposed approach to program approval authority, which risks increasing administrative burden and reducing distributor flexibility. The Working Group framework proposed a model in which distributors would obtain OEB approval through delegated authority to design and approve Stream 2 programs, with more extensive full panel review limited to exceptional cases. By contrast, the draft update suggests a model in which the OEB may review all programs and determine which, if any, may proceed under delegated authority. This reversal risks making panel review the default and introduces uncertainty regarding the sequencing, scope, and requirements of the approval process. Toronto Hydro submits that delegated authority should remain the default design, with regulatory review limited to clearly defined exceptional circumstances. If the OEB intends to maintain a role in program-level approvals, the process should be clearly defined, proportionate, and structured to avoid unnecessary duplication and delays. Clarity on sequencing and requirements will be critical to ensure that projects are not delayed or subject to unnecessary regulatory uncertainty.

Toronto Hydro supports the continued development of a Stream 2 framework that enables utilities to deliver local, cost-effective solutions supporting reliability, affordability, electrification, and economic growth. To achieve these outcomes, the framework should emphasize upfront cost certainty, maintain distributor flexibility, and avoid unnecessary administrative burden, ensuring it enables – rather than deters – the development and delivery of Stream 2 programs.

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,

A handwritten signature in blue ink, appearing to read "Andrew A. Sasso".

Andrew J. Sasso

Vice President, Regulatory & Municipal Relations
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