Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

July 14, 2026

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

Dear Ritchie Murray:

Re: EB-2026-0129 Non-Wires Solution Incentive Mechanism – Toronto Hydro-Electric System Limited

In accordance with Procedural Order No. 2, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

Toronto Hydro-Electric System Limited's responses to interrogatories are due by August 6, 2026.

Any questions relating to this letter should be directed to Stephanie Cheng at stephanie.cheng@oeb.ca or at 416-544-5165. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Stephanie Cheng

Digitally signed by Stephanie Cheng
Date: 2026.07.14 14:03:04 -04'00'

Stephanie Cheng
Advisor, Efficiency and Demand Management

Encl.

OEB Staff Interrogatories
Toronto Hydro-Electric System Limited
EB-2026-0129

Please note, Toronto Hydro-Electric System Limited is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

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References:

(i) EB-2023-0195, Exhibit 1B Tab 3, Schedule 1, p.46-54
(ii) EB-2023-0195 Partial Decision and Order, Settlement Proposal, p.35-36
(iii) THESL Response to Preliminary Questions
(iv) EB-2023-0195 Benefit Cost Analysis

Preamble:

As part of its Custom Incentive Rate-Setting (CIR) application under EB-2023-0195, Toronto Hydro requested funding and approval of a Local Demand Response (LDR) program including a Performance Incentive Mechanism (PIM) to achieving 30 MW capacity target by 2029. This was a part of broader 2025-2029 performance incentive scorecard measures. Toronto Hydro documented consideration of other incentive mechanisms (shared savings mechanism (SSM) and margin-on-payment (MoP)) noting they were "not sufficient to level the playing field between the non-wires solution (LDR) and the conventional option (load transfers)".[1] Although the LDR program was approved, the settlement agreement among parties eliminated the PIM.

In response to Preliminary Question No. 2 from Procedural Order No. 1, Toronto Hydro stated that the PIM and the current incentive application are not "analogous," describing the PIM as an incremental, risk-based mechanism. Toronto Hydro also notes that Section 11 of the Distribution System Code (DSC) which provides for a 25% MoP incentive, was adopted after the settlement and therefore could not have been considered in the CIR Application.

[1] EB-2023-0195, Exhibit 1B Tab 3, Schedule 1, p.54 (p.238 of PDF)

Questions:

(a) Does Toronto Hydro believe it had the opportunity to propose/request a 25% MoP incentive as part of its CIR application under the OEB's Incentive Guidelines? If no, please provide supporting rationale.
(b) Please explain why Toronto Hydro did not request an MoP type incentive in its CIR Application, given that this approach was identified in the OEB's Incentive Guidelines.
(c) Had the proposed PIM scorecard been agreed upon by all parties to the settlement, and assuming all associated targets were met, please:

   i. Quantify the incremental cost to customers attributable to the system capacity component of the PIM scorecard related to the LDR Program.
   ii. Provide the LDR Program net benefits as per the Benefit-Cost Analysis (BCA) Toronto Hydro filed as part of EB-2023-0195 including incentive payments for each of the incentive types as considered as part of its CIR Application (PIM, SSM, MoP).

(d) Please explain what Toronto Hydro considers to be "sufficient to level the playing field" for a non-wires solution (NWS) incentive.
(e) Had the PIM scorecard been agreed upon by all parties to the settlement as proposed by Toronto Hydro:
   - Please confirm whether Toronto Hydro would have applied for a MoP incentive following the adoption of Section 11 of the DSC, and provide rationale for the response.
(f) Should the 25% MoP incentive be approved as part of this application, does Toronto Hydro's intend to submit any further NWS incentive applications during the rate period?

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References:

(i) THESL Response to Preliminary Questions
(ii) EB-2026-0129 Benefit Cost Analysis
(iii) EB-2023-0195 Benefit Cost Analysis

Preamble:

Under EB-2026-0129, Toronto Hydro requested approval for an MoP incentive applicable to its LDR Program (which was approved as part of Toronto Hydro's CIR Application under EB-2023-0195). Toronto Hydro confirmed that the program continues to target the procurement of up to 30 MW of capacity by 2029.

In its response to Preliminary Question No. 3 issued under Procedural Order No. 1, Toronto Hydro indicated that it is not seeking approval for any changes to the existing LDR Program.

In support of its MoP incentive request, Toronto Hydro filed an updated BCA with updated costs as well as benefits of the LDR Program. Toronto Hydro previously filed a BCA in support of the LDR Program as part of its CIR Application.

Questions:

(a) If the proposed incentive is approved, will it provide any incremental value to Toronto Hydro's customers, beyond the benefits delivered by the LDR Program?
    i. If yes, please describe and quantify that incremental value.
    ii. If no, please confirm if the only effect of the incentive would be to increase total program costs by the amount of the incentive without a corresponding increase in customer value. As part of the response, please explain the rationale for the incentive.

(b) Please explain why there is a difference between the two BCAs with respect to the initial year of the four-year deferral period. Specifically, please clarify why the deferral period begins in 2025 in EB-2023-0195, whereas it begins in 2030 in the current application (EB-2026-0129).

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References:

(i) EB-2023-0195, Exhibit 2B, Section E7.2, p.561-576 of PDF
(ii) Benefit-Cost Analysis for Addressing Electricity System Needs, May 16, 2024, Section 5.1.1.1, p. 24

Preamble:

Toronto Hydro's NWS Incentive Mechanism Application identifies six transformer stations targeted by the LDR Program: Finch TS, Leslie TS, Manby TS, Horner TS, Strachan TS, and Dufferin TS. This appears to differ from Toronto Hydro's CIR Application (EB-2023-0195), where the approved LDR Program targeted Bathurst TS, Fairbank TS, and Finch TS.

The OEB's Non-Wires Solutions Guidelines for Electricity Distributors allows electricity distributors to file applications outside of rebasing but requires a targeted update to the Distribution System Plan (DSP) and identification of whether funding for the relevant system needs is already included in existing rates.

Per Ref. (ii), electricity distributors are to quantify, as part of the DST cost-effectiveness test, the estimated benefit of NWS adoption due to traditional distribution capacity need deferral or avoidance. The primary distribution system use-case and the primary driver of value for the DST test is the benefit that comes from deferring or avoiding the costs of deploying traditional poles and wires solutions. Toronto Hydro has filed an updated BCA demonstrating a DST value greater than 1.0.

Questions:

(a) Please provide a targeted update to the Distribution System Plan, specifically addressing:
   i. The rationale for removing previously identified stations from the LDR Program; and
   ii. The basis for including newly identified stations, including updated load forecasts, identified constraints, and needs assessments.

(b) For each newly included station, identify and discuss whether any funding to address the underlying system need(s) are already reflected in existing rates, including any capital investments approved as part of Toronto Hydro's CIR Application (EB-2023-0195).

(c) For each station identified as part of this application, clarify whether the LDR Program is expected to defer or avoid the need for traditional infrastructure. As part of the response, please provide:
   i. The original planned timing (initiation and in-service date) of the relevant traditional (wires) investment absent the LDR Program including connection timing for new loads driving capacity constraints;
   ii. The revised timing of that investment with the LDR Program in place;
   iii. The following for each station:
      - the deferred and/or avoided distribution capacity benefits;
      - reconcile these capacity benefit values with the BCA filed with this application, and
      - a summary of the specific capital spending being deferred and/or avoided.

(d) If the LDR Program does not result in the deferral or avoidance of traditional infrastructure for any of the targeted stations, please outline the intent and purpose of the LDR Program at the applicable station(s).

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References:

(i) EB-2023-0195, Exhibit 2B (Part 3 of 3), Section E7.2, p.560 of PDF
(ii) EB-2026-0129, Application and Evidence, p.10-11of PDF

Preamble:

In its 2025 CIR application, Toronto Hydro notes capital work is underway to expand capacity at Horner TS which would provide relief of load at Manby TS and Horner TS.

In its current application, Toronto Hydro notes load transfers from the LDR program are also anticipated at Manby/Horner stations during 2026-2029. This appears to differ from Toronto Hydro's CIR Application where the approved LDR Program only targeted relief at Bathurst TS, Fairbank TS, and Finch TS.

Questions:

(a) Please confirm if the Horner TS expansion has been completed.
(b) If so, when was the Horner TS expansion completed?
  i. What is the planning limit, the current load and committed load at the Horner station?
  ii. Please clarify how much load was transferred to the Horner station and from what station(s). Was Toronto Hydro able to avoid the planned transfers to the Horner station as outlined in the CIR application, or has load increased beyond what was provided by the station expansion?
  iii. Please confirm whether the capital load demand program (associated with the Horner TS expansion) is being eliminated? If so, what is being done with the capital funds? Will it be reallocated or will total capital expenditures decrease?
  iv. Please clarify why there is still a need for load transfers in the area via the LDR program.
(c) If not, when is the Horner station expansion forecasted to be online?
  i. Please confirm if the LDR program is expected to be deployed in this region during 2025-2029 as a bridging solution until the Horner station expansion is complete.
  ii. Please provide an up to date annual forecast of load to be transferred to the station.

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References:

(i) EB-2023-0195, Exhibit 2B (Part 3 of 3), Section E7.2, p.155 of PDF
(ii) EB-2026-0129, Application and Evidence, p.10-11 of PDF

Preamble:

In its 2025 CIR application, Toronto Hydro notes the completion of Copeland TS Phase 2 under the Stations Expansion program will have the potential to enable load relief at various stations including Strachan TS. More specifically, a transformer upgrade was intended to address the projected needs at the Strachan TS from 2030-2035.

In its current application, Toronto Hydro updated the list of stations targeted for LDR in response to evolving system condition and needs driven by customer connections. This includes Strachan TS with estimated load transfer of 11 MWs in 2025-2029.

Questions:

(a) Please explain what has occurred to accelerate the need for capacity relief at Strachan TS versus Toronto Hydro's 2025 CIR application.
(b) Please provide and explain the current planning limit, the current load, and the committed load at Strachan TS.
(c) Please confirm if the Copeland TS Phase 2 expansion was completed as intended. If so:
    i. Please clarify why there is still a need for load transfers at Strachan TS via the LDR program?
    ii. What is the planning limit, the current load, and the committed load at Copeland TS?

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References:

(i) EB-2023-0195, Exhibit 2B (Part 3 of 3), Section E7.2, p.567-568 of PDF
(ii) EB-2026-0129, Application and Evidence, p.10-11of PDF

Preamble:

In its 2025 CIR application, Toronto Hydro noted that based on its 10-year station load forecast, three Horseshoe North West stations will require capacity relief in 2025-2029, including Finch TS with anticipated load transfer of 25-55 MVA.

In its current application, Toronto Hydro anticipates and is targeting load transfers at Finch TS of 17 MWs in 2025-2029.

Questions:

(a) Please clarify if the Finch station referenced in Toronto Hydro's 2025 CIR application is the same as the Finch station referenced in the current application. Please also explain any differences between the two applications associated with the Finch TS, including differences in loading levels and loading projections.
(b) Please provide and explain the current loading and planning limits used by Toronto Hydro to determine the need at Finch TS.
(c) Please provide information on any additional load committed and connection timing.

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References:

(i) EB-2026-0129 Application and Evidence, Schedule 5: Draft Accounting Order, p.22
(ii) EB-2023-0195 Partial Decision and Order, Table 8: New Deferral and Variance Accounts, p.12 and 14

Preamble:

Per the Partial Decision and Order to Toronto Hydro's CIR Application, Account 1508 Non-Wires Solutions Operational Expenditures Variance Account was approved to record variances between the 2025-2029 revenue requirement funded in rates for the non-wires LDR program and the actual revenue requirement associated with the non-wires operational expenditures over the 2025-2029 period.

In Toronto Hydro's current NWS Incentive application, Toronto Hydro is requesting a new deferral account (account 1508 Margin-on-Payment Incentive Deferral Account "MoPIDA") to record incentive amounts by applying a 25% rate to actual payments made to LDR participants, with disposition of balances to take place at its next rebasing application.

Questions:

(a) Please explain if and how the previously OEB approved Non-Wires Solutions Operational Expenditures Variance Account will interact and/or be leveraged to determine the balances in the proposed MoPIDA.
(b) Please explain how actual payments made to LDR participants will be tracked and used by Toronto Hydro to determine the 25% MoP incentive amounts to be recorded in the proposed MoPIDA account for future disposition.

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References:

(i) EB-2026-0129 Letters of Comment

Preamble:

Following the issuance of the Notice of Rate Hearing, a number of Letters of Comment were filed with the OEB.

Questions:

(a) Please provide a comprehensive response addressing the topics raised in the Letters of Comment.