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

**BY EMAIL**

August 27, 2026

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

Dear Ritchie Murray:

**Re: Ontario Energy Board (OEB) Staff Submission**
**Toronto Hydro-Electric System Limited**
**Non-Wires Solution Incentive Mechanism Application**
**OEB File Number: EB-2026-0129**

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Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 02.

Yours truly,

Stephanie Cheng

Digitally signed by Stephanie Cheng
Date: 2026.08.27 11:26:03 -04'00'

Stephanie Cheng
Efficiency & Demand Management

Encl.

cc: All parties in EB-2026-0129

# ONTARIO ENERGY BOARD

## OEB Staff Submission

**Toronto Hydro-Electric System Limited**

**Non-Wires Solution Incentive Mechanism Application**

**EB-2026-0129**

**August 27, 2026**

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# Background

## Margin-on-Payment (MoP) Incentive Proposal

Toronto Hydro-Electric System Limited (THESL) filed an application to the OEB on April 10, 2026, seeking approval of a Non-Wires Solution (NWS) Incentive Mechanism and an associated deferral account effective May 1, 2026 to December 31, 2029. Consistent with Section 11 of the Distribution System Code (DSC), THESL requests approval of a 25% Margin-on-Payments (MoP) incentive to be applied to payments made by THESL to third-party participants in its Local Demand Response (LDR) Program.

The LDR Program was previously approved by the OEB as part of THESL's 2025 Custom Incentive Rate-setting (CIR) application under EB-2023-0195 and is funded through distribution rates[1]. THESL states in their current incentive application that it does not seek approval of a new NWS program, changes to the approved LDR Program, or additional rate funding. Rather, its request is limited to approval of the proposed incentive mechanism and the associated accounting treatment of the Margin-on-Payment Incentive Deferral Account (MoPIDA).

## Existing Local Demand Response (LDR) Program

THESL's LDR Program was approved as part of its 2025 CIR application as an NWS intended to defer or avoid traditional infrastructure investments required to address distribution system capacity constraints.

As part of its 10-year station forecast, THESL identified three transformer stations (Fairbank TS, Finch TS, and Bathurst TS) that were expected to require capacity relief due to projected load growth. THESL proposed to procure 30 MW of demand response capacity between 2026 and 2030 through the LDR Program to defer or avoid station expansions and load transfers.

In response to interrogatories in the CIR proceeding, THESL filed a benefit-cost analysis (BCA) for the LDR Program that forecasted total net present value (NPV) benefits of approximately $3.67 million.

[1] EB-2023-0195, Partial Decision and Order

The CIR application also discussed potential NWS incentive mechanisms in accordance with the *OEB's Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives* (Incentive Guidelines). THESL evaluated all three incentive mechanisms available under the OEB's NWS Incentive Guidelines[2] - the MoP, Shared Savings Mechanism, and Performance Incentive Mechanism (PIM). THESL quantified the potential value of each option and ultimately elected to propose a PIM incentive rather than pursue the Shared Savings Mechanism or MoP incentives. THESL's proposed PIM was tied to the achievement of scorecard measures, which included the procurement target associated with the LDR Program[3]. While the LDR Program was approved, the PIM was eliminated as part of the CIR settlement agreement amongst the parties[4].

## Application Summary

The current application is a stand-alone application seeking approval of an NWS incentive mechanism associated with the existing LDR Program.

In its current application, THESL states that a key feature of the LDR Program is its ability to address location-specific system needs. During the 2025-2029 rate period, the program will now target six transformer stations: Finch TS, Leslie TS, Manby TS, Horner TS, Strachan TS, and Dufferin TS; only Finch TS was previously identified in THESL's CIR application as a target of the LDR program. THESL has indicated that the other two stations identified in the CIR application (Fairbank and Bathurst TSs) are no longer targets for the LDR program.

In support of the proposed incentive mechanism, THESL filed an updated BCA. The updated BCA reflects the deployment of the LDR Program across the six identified stations and forecasts total NPV benefits of approximately $14.01 million as compared to an estimated NPV of benefits of $3.67 million in the CIR application.

The LDR program procurement target remains at 30 MW of demand response capacity by the year 2030. THESL forecasts total payments to LDR Program participants of $4.82 million over the 2026-2029 rate term which equates to a 25% MoP incentive of approximately $1.2 million.

[2] EB-2023-0195, Exhibit 1B Tab 3, Schedule 1, p.54 (p.238 of PDF)
[3] Ibid
[4] EB-2023-0195, Partial Decision and Order

## OEB Staff Submission

*OEB staff submits that the incentive request should be approved on the basis of the evidence filed in THESL's CIR application (EB-2023-0195), including the BCA that supported the OEB's approval of the LDR program at that time.*

THESL filed an updated BCA in support of its incentive request to reflect redeployments of the LDR Program to address newly identified system needs. OEB staff submits that the evidentiary record is insufficient to validate the updated benefits reflected in the BCA filed with this application and, therefore, is insufficient to demonstrate the program's eligibility for the MoP NWS incentive, in alignment with the objectives of the FEI Report[5]. However, THESL has confirmed that it does not seek approval of the changes to the deployment of the LDR program as reflected in the updated BCA submitted as part of this application[6].

Section 11 of the DSC contemplates requests for an MoP incentive in respect of an NWS that "has been approved by the Board." OEB staff submits that THESL should have filed its incentive application based on the evidentiary record that supported the OEB's approval of the underlying NWS program. That record demonstrated that the LDR Program was expected to deliver an NPV benefit of $3.67 million, as supported by the BCA filed in the proceeding. The evidence filed in support of the broader CIR application, including the completed DSP, also demonstrated that the LDR Program satisfied the eligibility criteria for an incentive in alignment with the objectives of the FEI Report. Therefore, OEB staff submits that, had THESL filed its application on this basis, it would have been capable of satisfying the requirements of Section 11 of the DSC. As the incentive is tied to procurement and the application continues to target 30 MW, no change to the incentive amount would result from this approach.

Based on the above, OEB staff submits that THESL's incentive request, along with the deferral account, should be approved with reference to the original evidence from the CIR application that formed the basis for the OEB's approval of the LDR Program. While the OEB would typically request that the application be re-filed in alignment with the requirements in Section 11, given that these would essentially be administrative updates, OEB staff submits that, in the interest of regulatory and adjudicative efficiency, the existing evidentiary record is sufficient to demonstrate LDR program value to ratepayers and supports approval of THESL's incentive request.

[5] *Framework for Energy Innovation: Setting out a Path Forward for DER Integration* (FEI Report) identified the need for incentives to remove barriers to utility implementation of NWS – specifically, mitigating for the loss of an opportunity to earn a regulated return on traditional distribution infrastructure investment.
[6] OEB staff views such program adjustments as consistent with the expectation that distributors manage resources during the rate term in a prudent manner that responds to changing system needs and planning requirements.

Although OEB staff supports this incentive request, OEB staff is of the view that going forward, it would be more efficient for NWS proposals and any related incentive request to be filed together so they can be assessed concurrently on a common evidentiary record.

OEB staff acknowledges THESL's commitment, as confirmed in its interrogatory responses[7], to provide updated distribution system planning information as part of its next rebasing application. That evidence will provide an opportunity for a more comprehensive assessment of the redeployed LDR Program[8] and its continued alignment with the objectives of the FEI Report and the OEB's NWS incentive framework[9].

~All of which is respectfully submitted~

[7] EB-2026-0129, Interrogatory Responses, Interrogatory OEB Staff 4 - 6

[8] Given the significant evolution of the LDR Program during the rate term, including changes to the station constraints being addressed relative to those identified in the CIR proceeding, OEB staff recommends that future LDR programs eligible for an NWS incentive include an independent Evaluation, Measurement and Verification (EM&V) process. Such a process would confirm program performance, that forecast benefits (particularly value for ratepayers) are realized, and improve transparency.

[9] NWS incentive framework refers to all OEB incentive policies and supporting frameworks/guidelines including the NWS Incentive Guidelines, NWS Guidelines, BCA Framework, and the DSC Section 11.