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

BY EMAIL

August 28, 2026

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

Dear Ritchie Murray:

Re: Ontario Energy Board (OEB) Staff Submission
Hydro One Networks Inc.
Application for 2027 Transmission Revenue Requirement
OEB File Number: EB-2026-0169

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Tina Zhu Digitally signed by Tina Zhu Date: 2026.08.28 09:18:40 -04'00'

Tina Zhu
Senior Advisor, Transmission

Encl.

ONTARIO ENERGY BOARD

OEB Staff Submission

Hydro One Networks Inc.

Application for 2027 Transmission Revenue Requirement

EB-2026-0169

August 28, 2026

Application Summary

Hydro One Networks Inc. (Hydro One) is seeking approval of its annual revenue requirement to transmit electricity, as is required of licensed and rate-regulated transmitters in Ontario. Hydro One filed its application with the OEB on June 23, 2026, and is requesting that its new revenue requirement be effective January 1, 2027.

In Procedural Order No. 1, the OEB confirmed that it received no requests for intervenor status in this proceeding and set deadlines for written interrogatories from OEB staff and responses from Hydro One; and for an OEB staff submission and a reply from Hydro One.

This document outlines OEB staff's submission on the following topics based on its review of the evidence and associated interrogatory responses submitted by Hydro One:

1. Revenue Cap Incentive Rate-setting Adjustment
2. Disposition of the Excess Export Services Revenue Account Balance
3. Approval of the 2027 Export Transmission Service (ETS) rate
4. Other Adjustments and 2027 Revenue Requirement

1. Revenue Cap Incentive Rate-setting Adjustment

Hydro One is requesting OEB approval of an adjustment to its base revenue requirement, determined using the Custom Incentive Rate-setting (Custom IR) methodology approved by the OEB in its Decision and Order for Hydro One's 2023 to 2027 rates.[1] In that decision, the OEB approved Hydro One's proposed Custom IR methodology in which the base revenue requirement for the prospective rate year is equal to the base revenue requirement in the year preceding the prospective rate year adjusted by the Revenue Cap Index (RCI). The OEB also ordered that this methodology be used to determine Hydro One's base transmission revenue requirement for the years 2024 to 2027 inclusive.

The components of the RCI adjustment formula applicable to Hydro One for the 2027 rate year include the OEB's 2027 inflation factor of 2.9% for electricity transmitters[2], an OEB-approved productivity factor of 0.15% for Hydro One[3], and a custom capital factor of 0.79%[4].

Table 1 shows the calculation of Hydro One's 2027 custom capital factor.

Table 1: 2027 Custom Capital Factor Calculation

	Calculation	2026	2027
Total Capital Related Revenue Requirement (including working capital adjustment and productivity adjustment)	A	1,793.9	1,861.3
OM&A	B	488.6	502.0 [1]
Total Revenue Requirement	$D = A + B$	2,282.5	2,363.3 [2]
Increase in Capital Related Revenue Requirement	$E = A_{2027} - A_{2026}$	92.1	67.4
Increase in Capital Related Revenue Requirement relative to Previous Year's Total Revenue Requirement	$F = {}^{E}/_{D_{2026}}$	4.24%	2.95%
Less Capital Related Revenue Requirement in I-X	$G = \frac{A_{2026}}{D_{2026}} \times (I - X)$	2.62%	2.16% [3]
Capital Factor (C)	$C = F - G$	**1.61%**	**0.79%**

[1] 2027 OM&A = 2026 OM&A * [1+(I-X)]
[2] 2027 Total Revenue Requirement as per Table 4
[3] The percent increase equals Previous Year's Capital Related Revenue Requirement multiplied by I-X; and divided by Previous Year's Total Revenue Requirement, as follows:

$$G = \frac{\$1{,}793.9M}{\$2{,}282.5M} \times (2.90\% - 0.15\%)$$

[1] EB-2021-0110, Decision and Order, November 29, 2022
[2] OEB Letter re: 2027 Inflation Parameters, June 11, 2026
[3] EB-2021-0110, Decision and Order, November 29, 2022
[4] EB-2026-0169, Exhibit A, Tab 4, Schedule 1, pg. 3

Table 2 summarizes the components and results of Hydro One’s RCI for 2027.

Table 2: 2027 RCI

Components	Factor
Inflation Factor (I)	2.90%
Productivity Factor (X)	0.15%
Custom Capital Factor (C)	0.79%
Total RCI (RCI = I – X + C)	**3.54%**

Hydro One’s 2027 base revenue requirement is calculated as shown in Table 3.

Table 3: 2027 Base Revenue Requirement ($M)

Year	Formula	Base Revenue Requirement
2026	OEB-approved Hydro One 2026 base revenue requirement	$2,282.5
2027	2027 base revenue requirement = 2026 base revenue requirement x 2027 RCI	$2,363.3

<u>Submission</u>

OEB staff supports Hydro One’s calculation of its base revenue requirement for 2027. The adjustment is in accordance with the Custom IR methodology and parameters approved by the OEB in its Decision and Order for Hydro One’s 2023 to 2027 rates.

2. Disposition of Excess Export Services Revenue Account Balance

Hydro One is requesting OEB approval to dispose of the balance of its Excess Export Services Revenue Account (Account 2405). In the OEB's Decision and Order in its generic proceeding on Uniform Transmission Rates-Related Issues and the ETS Rate[5], the OEB directed Hydro One to dispose of the balance on an annual basis, commencing with the balance for 2023. Hydro One last disposed of this account as at December 31, 2024, on a final basis in Hydro One's 2026 transmission revenue requirement annual update application.[6]

In its application, Hydro One noted that changes in the ETS rate and any differences between the forecast volumes and actual volumes are the primary drivers that contribute to the variances recorded in the account.

In this application, a credit balance of $3,655,406 as at December 31, 2025, which includes interest forecast through to December 31, 2026, is requested for disposition over a one-year period commencing January 1, 2027.

Submission

OEB staff supports Hydro One's request to dispose of the balance of the Excess Export Services Revenue Account. The disposition of the account balance will result in a decrease in revenue requirement of $3,655,406.

OEB staff notes that, as stated in its interrogatory responses, Hydro One does not intend to adjust the 2026 interest forecast resulting from the upcoming OEB's Q4 2026 prescribed interest rate update, as the expected change in the interest amount is immaterial[7]. OEB staff does not oppose Hydro One's proposal to not update the 2026 interest forecast due to regulatory efficiency reasons.

[5] EB-2021-0243, Decision and Order, November 24, 2022
[6] EB-2025-0159, Decision and Order, October 7, 2025
[7] EB-2026-0169, Interrogatory Responses, Exhibit I, Tab 1, Schedule 2, pg. 1 of 2

3. Approval of the 2027 ETS Rate

In the OEB's Decision and Order in the generic proceeding on Uniform Transmission Rates-Related Issues and the ETS Rate[8], the OEB ordered that the ETS Rate shall be adjusted annually, effective January 1, 2025, using the RCI methodology for Hydro One determined in the Decision and Order for Hydro One's 2023 to 2027 rates.[9]

Using the RCI factor of 3.54% and the 2026 rate of $1.95/MWh, the updated 2027 ETS rate is $2.02/MWh.

Submission

OEB staff supports Hydro One's calculation of the 2027 ETS rate. The adjustments are in accordance with the RCI methodology determined in the Decision and Order for Hydro One's 2023 to 2027 rates.

[8] EB-2021-0243, Decision and Order, November 24, 2022
[9] EB-2021-0110, Decision and Order, November 29, 2022

4. Other Adjustments and 2027 Revenue Requirement

The 2027 revenue requirement calculation submitted by Hydro One is shown below in Table 4.

Table 4: 2027 Revenue Requirement ($M)

	2027
Base Revenue Requirement	**2,363.3**
Deduct: External Revenue	(37.9)
Deduct: ETS Revenue	(37.2)
Add: Low Voltage Switchgear (LVSG) Credit	21.3
Deduct: Disposition of Deferral and Variance Accounts	(3.7)
2027 Revenue Requirement	**2,305.8**

OEB staff's submissions on the Base Revenue Requirement amount and the Disposition of Deferral and Variance Accounts amount are contained in sections 1 and 2 of this document, respectively.

The adjustments for External Revenue of $37.9M and the LVSG Credit of $21.3M are based on the amounts approved in Hydro One's 2023 to 2027 rates application.[10]

Approval of Hydro One's 2027 revenue requirement results in an increase in the total bill of 0.76% or $1.10 per month for a typical Hydro One Distribution medium density residential (R1) customer consuming 750 kWh monthly and an increase in the total bill of 0.53% or $2.44 per month for a typical Hydro One Distribution General Service Energy less than 50 kW (GS<50kW) customer consuming 2,000 kWh monthly.

The charge determinants approved for 2027 are shown in Table 5.

Table 5: Current OEB-Approved Charge Determinants[11]

Current Approved Charge Determinants	MW
Network	230,328
Line Connection	223,591
Transformation Connection	190,199

[10] EB-2021-0110, Decision and Order, November 29, 2022
[11] EB-2021-0110, Decision and Order, November 29, 2022, Schedule A, Attachment 1, Schedule 2.1, Table 1b

Submission

OEB staff supports Hydro One's calculation of its 2027 revenue requirement of $2,305.8M.

The adjustments related to External Revenue, ETS Revenue and LVSG Credit are in accordance with the methodology determined in the Decision and Order for Hydro One's 2023 to 2027 rates.

OEB staff will work with Hydro One following the OEB's decision on this annual update application to obtain the information required for the purpose of the OEB's determination of Uniform Transmission Rates.

~All of which is respectfully submitted~