August 28, 2026

Ritchie Murray
Registrar
Ontario Energy Board
2300 Yonge Street, P.O. Box 2319
Toronto ON, M4P 1E4

Dear Mr. Murray,

RE: EB-2026-0129 Toronto Hydro Application for a proposed Non-Wires Solutions Incentive Mechanism – Argument Submissions of Energy Probe

Attached is the argument of Energy Probe Research Foundation (Energy Probe) on the EB-2026-0129 Application by Toronto Hydro for a Non-Wires Solutions Incentive Mechanism effective May 1, 2026, to December 31, 2029.

Submitted on behalf of Energy Probe.

Tom Ladanyi Digitally signed by Tom Ladanyi Date: 2026.08.28 13:15:57 -04'00'

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EB-2026-0129

Toronto Hydro Non-Wires Solution Incentive Mechanism Application

Argument Submissions of Energy Probe

August 28. 2026

Toronto Hydro's Application

On April 10, 2026, Toronto Hydro-Electric System Limited (Toronto Hydro) applied to the OEB for approval of a proposed Non-Wires Solutions (NWS) Incentive Mechanism effective May 1, 2026, to December 31, 2029. Toronto Hydro requested approval of the following items.

- Approval to apply a 25% Margin-on-Payments (MoP) incentive rate on payments made to its NWS Program participants. Toronto Hydro 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.

- Approval for a deferral account to record the MoP incentive amounts (MoPIDA) for future disposition. The deferral account would be in effect from May 1, 2026, to December 31, 2029, and would not be subject to the $1 million materiality threshold.

Toronto Hydro's current rates were approved by the OEB in November 2024, when it approved Toronto Hydro's five-year custom incentive rate application, EB-2023-0195. That application included continuation of Toronto Hydro's Local Demand Response (LDR) program, which was entirely funded by Toronto Hydro's distribution rates since 2018. In the current application Toronto Hydro is requesting OEB approval to collect from its ratepayers 25% MoP incentive payments for the LDR program. The 25% MoP incentive is the maximum incentive that is allowed by the OEB's Distribution System Code (DSC).[1]

One significant difference from what was approved by the OEB in the EB-2023-0195 proceeding is the proposed use of NWS aggregators who will act as middlemen between some participating customers and Toronto Hydro.

Submissions of Energy Probe

Energy Probe submits that the OEB should not approve Toronto Hydro's application.

Toronto Hydro does not need the 25% MoP Incentive to continue with the LDR program. The LDR program has been in effect since 2018.[2] Toronto Hydro has not provided evidence that the LDR program is failing and needs an incentive to survive. Toronto Hydro could not explain why it now needs the $1.2 million incentive for the LDR program.

[1] DSC Section 11.3.1
[2] CCC-1

Toronto Hydro has not provided a reason why the MoP incentive should be the maximum allowed 25% instead of a lower percentage. Toronto Hydro could have applied for a lower MoP incentive instead of 25%. It chose not to.[3] Toronto Hydro implies that 25% is mandated by the OEB. It is not. Another distributor reduced the MoP to15% in its application.[4]

From ratepayers' perspective, benefits of the LDR program would be the same without the 25% MoP, or with a lower MoP, but costs would be lower. The benefit cost ratio would be greater. The 25% MoP is an additional cost to ratepayers that was not included in the LDR program benefit cost analysis filed in EB-2023-0195.[5]

Except for the use of NWS aggregators as middlemen, there is nothing new or innovative about the LDR program. The LDR program has remained unchanged since 2018. Energy Probe expected that the LDR program would be changed to encourage customers with DERs to export excess power into the Toronto Hydro distribution grid. Toronto Hydro explained that this was not the case.[6]

LDR Program participants will be required to sign a contract with Toronto Hydro. Unfortunately, Toronto Hydro refused to file the standard contract that participants will be required to sign claiming that it is not relevant.[7] Energy Probe believes that the success of the LDR program will depend to a large degree on the provisions of the contract.

NWS aggregators accepted into the LDR Program would enter into an NWS aggregator agreement with Toronto Hydro. Toronto Hydro declined to disclose the contents of this agreement. Toronto Hydro claimed that the terms on which Toronto Hydro contracts with NWS aggregators are not relevant to the narrow issues in this proceeding regarding the approval of the incentive.[8] Energy Probe submits that the terms on which Toronto Hydro contracts with NWS aggregators are relevant to the issues in this proceeding as they will determine the level of participation and the total amount of incentive payments.

Energy Probe believes that the OEB should ensure that there is adequate policy protection for customers in their dealings with NWS aggregators. Based on experience with gas and electricity marketers, there are likely to be disputes between NWS aggregators and LDR participants. Toronto Hydro indicated that it does not involve itself in the private contracts that govern the relationship between NWS aggregators and customers.[9] Energy Probe is concerned that the OEB may have to resolve any disputes as it did with gas and electricity marketers and their customers.

[3] BOMA-1
[4] EB-2025-0265, GrandBridge Energy 2026-2028 Non-wires Application
[5] EP-4, Appendix A
[6] EP-3
[7] EP-7
[8] EP-8
[9] EP-8

Industrial, commercial and institutional customers eligible to participate in the Industrial Conservation Initiative (ICI) already have a large incentive for load displacement. Toronto Hydro has not explained why ICI participants need more inducement to participate in the LDR program.

Toronto Hydro has not provided a convincing reason why it needs to be allowed to ignore the $1 million materiality threshold for MoPIDA. Toronto Hydro claims that ensuring that a utility can recover these amounts, even if they are below materiality, creates an additional incentive for utilities to find and deliver customer value through DER solutions. It is not clear why Toronto Hydro needs that additional incentive now. No other Toronto Hydro deferral accounts have a similar materiality threshold waiver.

Although Toronto Hydro's evidence discusses capacity constraints in certain areas of its service territory, its LDR program covers its entire service territory.[10] Toronto Hydro has not explained how the commitment term of the LDR Program participants (June – September, 12 p.m. EST to 9 p.m. EST on business days, excluding statutory holidays) would specifically alleviate capacity constraints at the 6 transformer stations.[11]

Toronto Hydro declined to answer an interrogatory about data centres or about any moratorium on them in the service areas of the 6 transformer stations.[12] Data centres have large loads. The LDR program may not be able to offset the increased load of any new data centres the service areas of the 6 transformer stations.

[10] EP-1
[11] Staff-8, EP-2
[12] EP-3