Elson
Advocacy

August 28, 2026

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

Dear Mr. Murray,

Re: Toronto Hydro-Electric System Limited ("Toronto Hydro") Non-Wires Solution Incentive Mechanism Application
OEB File No. EB-2026-0129

I am writing on behalf of Environmental Defence to make submissions on Toronto Hydro's Non-Wires Solution Incentive Mechanisms Application.

Toronto Hydro's application should be approved for the reasons set out in its Argument-in-Chief.

In addition, it is important for the OEB to approve this application to avoid putting a chill on efforts by electricity distributors to cost-effectively reduce capital spending through non-wires solutions. That work is inherently difficult and subject to significant barriers and disincentives. Most importantly, electricity distributors have a financial incentive to eschew cost-effective non-wires alternatives because those solutions reduce the capital spending on which distributors earn a rate of return, typically substituting it with operational spending, on which they earn no return.

However, the barriers go beyond the financial disincentives. It is often challenging for electricity distributors to design and implement non-wires solutions because that activity is new, and most utility staff are not well versed in it. Electricity distributors, and their staff, have deep experience with traditional capital infrastructure – wires, poles, and transformers. This includes the management-level staff, who will in many instances default to the tried and true, "old school" way of ensuring that customer needs are met. Overcoming this institutional inertia requires internal champions and hard work.

Following through with OEB policy to provide incentives for non-wires solutions is important in order to remove the financial disincentive noted above, and also to help those internal champions change institutional culture. Denying this application would be a setback for the Toronto Hydro staff that are looking to find more savings for customers through non-wires solutions, reducing their ability to advocate internally for time and resources.

As outlined by Toronto Hydro, this application meets the requisite OEB requirements. Environmental Defence supports Toronto Hydro's submissions, and need not repeat them here.

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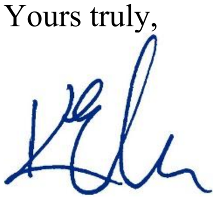
However, we anticipate one or more intervenors may argue that this application should be denied because the underlying program was already approved as part of Toronto Hydro's recent rates case. We were an intervenor in that case, and a party to the relevant settlement. We see the prior approval of the program as no reason to deny incentives in this subsequent stand-alone application. Furthermore, it is not entirely accurate to say that the program was "approved" or that it will necessarily be pursued. Toronto Hydro's rates and financial parameters were approved based on an application and a distribution system plan that included this non-wires solutions program. However, electricity distributors have discretion to spend funds within approved envelopes. Subject to a prudence review on in-service additions at the next rates case, Toronto Hydro is free to modify the program, including scaling it back or scaling it up based on revised information and opportunities.

We anticipate one or more intervenors may argue against Toronto Hydro on the basis that its program has been in place since 2018, such that incentives are not needed to ensure it continues. In other words, they may argue that incentives are only warranted for *new* programs. This is without merit. First, this would unfairly and unduly penalize forward-thinking utilities like Toronto Hydro, which have taken the lead in exploring non-wires alternatives. Second, it is wrong to argue that approval or denial of the requested incentives will have no impact. It will. If the application is approved, Toronto Hydro will be more confident in both implementing the program and expanding it over time. Denying the requested relief will do the opposite, encouraging Toronto Hydro to shrink the program, or, at best, maintain the status quo, despite clear benefits to customers.

Denying the impact will also have broader implications. The electricity distribution sector in Ontario is watching this proceeding. The sector is very aware of the denials in Hydro Ottawa's and GrandBridge Energy's cases. A further unsuccessful attempt to remove the disincentive to implement cost-effective non-wires solutions will send a message to the sector. In electricity distributors across the province, it will weaken those seeking to explore new approaches to cost-effectively reduce capital spending, while emboldening those seeking to follow the traditional wires, poles, and transformers approach. That would be inconsistent with OEB policy and the Ontario Government's support for cost-effective non-wires solutions, and more generally, for affordability for Ontario electricity customers as a whole.

Yours truly,



Kent Elson

CC: Parties in the above proceeding