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

FINAL RATE ORDER

EB-2026-0196

ONTARIO ENERGY BOARD

Non-Wires Solutions Variance Account

BEFORE: Vinay Sharma
Presiding Commissioner

September 3, 2026

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

TABLE OF CONTENTS

1 OVERVIEW

The Ontario Energy Board is establishing, on its own motion, a generic Non-Wires Solutions Variance Account, including the associated sub-accounts, to complement the Non-Wires Solutions Guidelines. The Non-Wires Solutions Variance Account is separate from the variance account established for Stream 2 local electricity demand-side management programs. Use of the Non-Wires Solutions Variance Account is therefore limited to non-wires solution projects included in OEB-approved rates that do not use the Stream 2 process and is not intended to duplicate the accounting treatment established for Stream 2 local electricity demand-side management programs.

The Non-Wires Solutions Variance Account may be used by electricity distributors with non-wires solution projects in OEB-approved rates to record variances between the revenue requirements of actual eligible non-wires solution costs and the amounts recovered through the OEB-approved rates related to the non-wires solution (for example, through a non-wires solution rate rider or through amounts included in base rates). Actual non-wires solution costs may include operations, maintenance & administration and capital-related costs, and any incentive mechanism approved by the Ontario Energy Board for using third-party non-wires solutions.

2 RATE ORDER

In this Rate Order, the Ontario Energy Board (OEB) is establishing a Non-Wires Solutions Variance Account (NWSVA), effective January 1, 2027.

This Rate Order is being issued by the OEB on its own motion and without a hearing pursuant to its authority under sections 19(4) and 21(4)(b) of the *Ontario Energy Board Act, 1998*.

The OEB's Non-Wires Solutions Guidelines for Electricity Distributors (NWS Guidelines) provide guidance regarding the development, evaluation, approval, implementation, and cost recovery of non-wires solutions (NWS) initiatives by electricity distributors. The NWS Guidelines require consideration of NWS as a potential alternative to traditional distribution infrastructure investments when addressing identified distribution system needs. The OEB will assess NWS proposals based on the evidentiary requirements set out in the NWS Guidelines, including evidence that the proposed NWS is a preferred approach to meeting a system need[1].

The NWS Guidelines also provide guidance regarding cost recovery considerations associated with funding requests to the OEB for NWS projects. These include:

- distributor-specific cost recovery mechanisms, where approved by the OEB, for costs associated with NWS projects[2]; and
- the ability for a distributor to apply for an incentive mechanism associated with an NWS project, if using third-party distributed energy resources, following the OEB's filing guidance for incentive proposals[3].

The NWS Guidelines do not specifically mention the use of a deferral or variance account as part of the cost recovery approach for an NWS.[4] However, some distributors have requested NWS variance accounts in respect of proposed NWS projects in rate applications[5,6]. The establishment of a generic NWSVA will provide a consistent

[1] NWS Guidelines, Section 3.2
[2] Section 3.4
[3] Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives, March 28, 2023. Section 2.1
[4] With the exception of potential establishment of a deferral account to record amounts for incentives (NWS Guidelines, Section 3.4).
[5] Hydro Ottawa Limited Custom Incentive Rate-Setting Application for 2026-2030, Exhibit 9, page 74, EB-2024-0115
[6] GrandBridge Energy Inc. Non-Wires Solutions Program Application. Page 8, EB-2025-0265

accounting mechanism to record variances between NWS costs in OEB-approved rates and amounts recovered through rates, subject to the terms of this Rate Order and any conditions established in the applicable OEB approval. The OEB establishes the generic NWSVA as a variance account and not as a deferral account.

The OEB recognizes that some distributors may have already filed or may file 2027 rate applications that include distributor-specific proposals for deferral or variance account treatment related to NWS projects. Those proposals will be considered in the context of this Rate Order. The NWSVA is a variance account and is intended to record differences between actual eligible NWS costs and the amounts recovered through rates approved by the OEB for the underlying NWS project. Where a distributor seeks a variance account for an NWS project, it should explain whether the generic NWSVA established in this Rate Order can be used as the appropriate mechanism, rather than proposing a separate account.

3 IMPLEMENTATION

The approved NWSVA Accounting Order is provided in Schedule A and shall be effective January 1, 2027.

The OEB is establishing the following generic accounts for the NWSVA[7], as well as a new related sub-account for Account 4245:

- Account 1508 - Other Regulatory Assets, Sub-Account NWSVA – Project Costs
- Account 1508 - Other Regulatory Assets, Sub-Account NWSVA - Carrying Charges
- Account 4245 – Government and Other Assistance Directly Credited to Income, Sub-account NWS third-party fund

Application of the NWSVA in Rate Applications

The NWS Guidelines enable distributors to request funding for an NWS as a stand-alone application or as part of a larger rate application. Depending on the circumstances of the application, the proposed cost recovery approach for an NWS may entail recovery through base rates or through a separate rate rider.

A distributor that seeks funding for an NWS should identify whether it proposes to use the NWSVA and explain how the account would apply in the context of the application. In a stand-alone NWS application, the distributor should explain how the NWSVA would record the variance between actual NWS cost eligible for recovery and amounts recovered through the approved NWS rate rider. In a cost-of-service application, the distributor should explain how it has reflected expected NWS cost in base rates or any proposed rate rider and identify the circumstances in which the NWSVA would record variance from eligible NWS costs included in OEB-approved rates. The OEB expects distributors to include expected NWS costs in their rates, whether through base rates or a rate rider, to the extent possible. This approach reduces the likelihood of a large balance accumulating in the NWSVA. The distributor should also describe any proposed conditions or restrictions on the use of the NWSVA, and explain how it would assess variances.

The NWS funding request may or may not involve a discrete project-specific approval; therefore, a distributor should specifically request approval to make entries in the

[7] References in this rate order to the NWSVA apply to both the NWS Variance Account and the related carrying charges sub-account, unless a specific sub-account is named.

NWSVA related to the proposed NWS. Use of the NWSVA, if approved, would be subject to any conditions identified in the OEB approval.

The OEB has also established an Electricity Demand-Side Management Variance Account (eDSMVA) for Stream 2 local electricity demand side management (eDSM) programs that were developed using the guidance in the Appendix to Non-Wires Solutions Guidelines: Stream 2 Local eDSM Programs.[8] Distributors should use the eDSMVA, not the NWSVA, for those programs.[9]

Recording of Incentives in NWSVA

If applying for an NWS incentive mechanism as part of the NWS funding request, a distributor's application should also describe the proposed approach for cost recovery for incentive costs (e.g., whether the requested rate rider/base rates would be set to include forecast incentives as part of NWS project costs, or whether cost recovery of all incentive amounts would be deferred until disposition of the NWSVA).

Where the OEB approves an incentive mechanism for an NWS, incentive amounts (both the revenues collected that relate to incentives, if any, and the incentive amounts a distributor is eligible for, which are treated as costs) should also be recorded in the NWSVA project costs accounts and not in any separate deferral or variance account. Incentive amounts should be recorded separately from the underlying NWS project costs and should not be used to reduce, offset, or net against those project costs. Unless otherwise directed by the OEB, a distributor is not required to propose a separate sub-account within the NWSVA for incentive amounts; however, the distributor should maintain sufficient supporting records to identify, explain, and support any incentive amounts recorded in the NWSVA.

Reporting

Under section 2.1.7 of the OEB's Electricity Reporting and Record Keeping Requirements (RRR), distributors are required to report annually on balances in deferral and variance accounts. The relevant RRR forms will be updated to include the deferral and variance accounts referred to in this Order. Distributors should start reporting any balances in these accounts effective for the first reporting year in which balances are recorded. This reporting requirement applies only to annual account balance reporting

[8] Appendix to Non-Wires Solutions Guidelines: Stream 2 Local eDSM Programs
[9] Final Rate Order- Electricity Demand Side Management (Stream 2) Variance Account- EB-2025-0156

through the RRR and does not establish additional project-level reporting requirements through the RRR.

Separate from the RRR, the OEB may establish additional annual project-level reporting requirements as a condition of the approval for use of the NWSVA.

Disposition Considerations

The OEB is categorizing the NWSVA as a Group 2 account as defined in the *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative*.[10]

A distributor is expected to follow the general requirements for deferral and variance accounts (DVAs), as described in Exhibit 9: Deferral and Variance Accounts of Chapter 2 Filing Requirements, with respect to the NWSVA. The NWSVA is a symmetric variance account. Amounts recorded in NWSVA may therefore result in either a recovery from, or refund to, customers. Disposition of the NWSVA is subject to prudence review.

When requesting disposition of a balance in the NWSVA, the distributor should propose an approach for allocating the NWSVA balance to rate classes that is consistent with the approved NWS rate rider and the cost allocation approach approved for the underlying NWS project or program, unless an alternative approach is justified.

A distributor using the NWSVA should report information sufficient to support the OEB's review of the account balance, including:

- the NWS project or program in OEB-approved rates to which the account relates;
- actual eligible NWS costs incurred compared to the forecast costs in the program budget in the original OEB approval;
- actual amounts recovered for the NWS (included in base rates and/or through the approved NWS rate rider);
- any third-party funding, recoveries, grants, IESO funding, or market revenues used to offset NWS costs;
- the resulting balance in the NWSVA and associated carrying charges;

[10] *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative*, July 31, 2009, p. 11

- relevant project or program performance information, including whether the NWS is addressing the system need for which it was originally proposed; and
- any other reporting conditions established as part of approval for use of the NWSVA.

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Accounting Order set out in Schedule A of this Final Rate Order is approved, effective January 1, 2027.

DATED at Toronto September 3, 2026

ONTARIO ENERGY BOARD

Ritchie Murray

Digitally signed by Ritchie Murray
Date: 2026.09.03 09:05:53 -04'00'

Ritchie Murray
Registrar

SCHEDULE A

DECISION AND ORDER

ONTARIO ENERGY BOARD

EB-2026-0196

SEPTEMBER 3, 2026

Accounting Order (002-2026)
For Electricity Distributors
Account 1508 – Other Regulatory Assets, Sub-Account Non-Wires Solutions Variance Account (NWSVA)

Effective January 1, 2027, licensed electricity distributors may establish the following generic Group 2 accounts for NWS projects developed in accordance with the Non-Wires Solutions (NWS) Guidelines, except for projects related to the IESO's Stream 2 eDSM programs [11].

A. Group 2 DVAs for NWS Project
   - Account 1508 - Other Regulatory Assets, Sub-Account NWSVA – Project Costs
   - Account 1508 - Other Regulatory Assets, Sub-Account NWSVA - Carrying Charges

B. Revenue Sub-Account for Third-party Funding
   - Account 4245 – Government and Other Assistance Directly Credited to Income, Sub-account NWS third-party fund

In the NWSVA - Project Costs sub-account, a distributor may record the variance between the revenue requirements associated with actual eligible project costs (i.e., capital and OM&A) related to the NWS project (including, if applicable, the actual eligible incentive amounts related to an OEB-approved NWS incentive mechanism) and amounts recovered through OEB-approved rates (NWS rate riders or inclusion in base rates). The amounts recorded in this sub-account will be net of any third-party funding or recoveries (e.g., IESO funding, government grants, or market revenues). Incentive amounts are to be recorded in the NWSVA only if the OEB has approved the incentive mechanism for the NWS project.

Amounts recorded in the NWSVA are limited to those related to NWS projects in OEB-approved rates, including any approved NWS incentive mechanism. Amounts related to any costs pertaining to Stream 2 eDSM programs are not to be recorded in the NWSVA. Distributors should use the eDSM Variance Account (eDSMVA) to record all the variances related to Stream 2 eDSM programs.

Distributors will record interest on the balance in the sub-account using the prescribed interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

---

[11] Accounting order for the establishment of a generic Electricity Demand-side Variance Account (eDSMVA) for approved Stream 2 local eDSM programs

Distributors are expected to maintain the records at an appropriate level of detail to permit OEB review and verification of amounts recorded therein.

Distributors should, upon seeking disposition of a balance in the NWSVA, propose an approach for allocating the NWSVA balance to rate classes that is consistent with the cost allocation approach approved for the underlying NWS project and NWS incentive mechanism, unless an alternative approach is justified.

Sample Journal Entries

The following sample journal entries illustrate the approach for recording NWS-related revenues, costs, third-party funding, variances, and carrying charges.

JE#1
Dr. Account Receivable/Cash Account
Cr. Accounts 4080 Distribution Services Revenue

To record NWS revenues (including, if applicable, any revenues related to incentive amounts for an OEB-approved incentive mechanism) that are collected through OEB-approved rates.

JE#2
Dr. Account 5085 Miscellaneous Distribution Expenses
Cr. Accounts Payable/Cash Account

To record eligible NWS project OM&A costs and the revenue requirements of actual eligible Capital costs excluding incentive amounts

JE#3
Dr. Account 5085 Miscellaneous Distribution Expenses
Cr. Accounts Payable/Cash Account

To record actual eligible incentive amounts related to an OEB-approved incentive mechanism for the NWS. This journal entry is not needed if the incentive mechanism is not approved by the OEB on the respective NWS program.

JE#4

Dr. Account Receivable/Cash Account
Cr. Accounts 4245 Sub-Account NWS third-party fund

To record third-party funds received for eligible NWS projects

JE#5
Dr. Account 4245 Sub-Account NWS third-party fund
Cr. Accounts 5085 Miscellaneous Distribution Expenses

To net third-party funding received towards actual eligible NWS project costs

JE#6
Dr. Account 1508 - Other Regulatory Assets, Sub-Account NWSVA – Project Costs
Dr. Accounts 4080 Distribution Services Revenue
Cr. Account 5085 Miscellaneous Distribution Expenses

To record the variance between the revenue requirements of actual eligible NWS project costs (including actual eligible incentive amounts), and the amounts collected through OEB-approved rates (net of any third-party funding/recoveries), if the amount collected through OEB-approved rates is <u>less</u> than the revenue requirements of actual eligible NWS project costs (including actual eligible incentive amounts)

OR

Dr. Accounts 4080 Distribution Services Revenue
Cr. Account 5085 Miscellaneous Distribution Expenses
Cr. Account 1508 - Other Regulatory Assets, Sub-Account NWSVA – Project Costs

To record the variance between the revenue requirements of actual eligible NWS project costs (including actual eligible incentive amounts), and the amounts collected through OEB-approved rates (net of any third-party funding/recoveries), if the amount collected through OEB-approved rates is <u>greater</u> than the revenue requirements of actual eligible NWS project costs (including actual eligible incentive amounts)

JE#7
Dr. Account 1508 - Other Regulatory Assets, Sub-Account NWSVA Carrying Charges
Cr. Account 6035 Other Interest Expenses

To record the carrying charges/on the monthly opening balance in Account 1508 - Other Regulatory Assets, Sub-Account NWSVA - Project Costs if the amount collected through OEB-approved rates (net of any third-party funding/recoveries) is <u>less</u> than the revenue requirements of actual eligible NWS project costs (including actual eligible incentive amounts)

OR

Dr. Account 6035 Other Interest Expenses
Cr. Account 1508 - Other Regulatory Assets, Sub-Account NWSVA Carrying Charges

To record the interest income on the monthly opening balance in Account 1508 - Other Regulatory Assets, Sub-Account NWSVA - Project Costs if the amount collected through OEB-approved rates (net of any third-party funding/recoveries)

is greater than the revenue requirements of actual eligible NWS project costs (including actual eligible incentive amounts)