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

DECISION AND ORDER

EB-2026-0219

UPPER CANADA TRANSMISSION 2, INC.

Application for electricity transmission revenue requirement to be effective January 1, 2027

BY DELEGATION, BEFORE: **Kevin Mancherjee**
Vice President
Electricity Networks

Dated XX, XX, XXXX

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1 OVERVIEW

Through this Decision and Order, the Ontario Energy Board (OEB) approves changes to the transmission revenue requirement of Upper Canada Transmission 2, Inc. (UCT 2), effective January 1, 2027. UCT 2's approved 2027 revenue requirement is $78,277,044 representing an increase of 1.7% from the total revenue requirement of $76,968,578 approved for 2026[1].

As a result of this Decision and Order, there will be an estimated 0.06% increase to average transmission rates and an estimated 0.006% increase to the average monthly bill for a transmission-connected customer. The total estimated bill impact on the average monthly bill of a medium density residential customer[2] consuming 750 kWh will be an increase of $0.01 (0.01%). The total estimated bill impact on the average monthly bill of a general service customer[3] consuming 2,000 kWh and having a monthly demand of less than 50 kW will be an increase of $0.03 (0.01%).

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[1] EB-2025-0243, Decision and Order, September 23, 2025; the 2026 total revenue requirement of $76,968,578 is determined by applying the Revenue Cap Index of 1.7% to UCT 2's 2025 base revenue requirement $75,681,985.
[2] Hydro One R1 customer
[3] Hydro One GSe < 50 kW customer

2 CONTEXT AND PROCESS

UCT 2 is an OEB-licensed and rate-regulated electricity transmitter that carries on the business of owning and operating electricity transmission facilities that run between the Lakehead, Marathon, and Wawa Transformer Stations, commonly referred to as the "East-West Tie Line". UCT 2 seeks the OEB's approval of its annual revenue requirement to transmit electricity, as is required of licensed and rate-regulated transmitters in Ontario, for 2027.

The OEB sets rates for rate-regulated electricity transmitters in Ontario by approving a revenue requirement for each transmitter. These individual transmission revenue requirements are incorporated into the Uniform Transmission Rates (UTRs) that are recovered from ratepayers across the province.

In the OEB's Decision and Order on UCT 2's application for approval of electricity transmission revenue requirements for the period from April 1, 2022 to December 31, 2031[4] (2022 Application), the OEB approved a Custom Incentive Rate-setting (Custom IR) methodology and determined that this framework would be used to determine UCT 2's transmission revenue requirement for the years 2023 through 2027. The framework adjusts UCT 2's annual transmission revenue requirement by a revenue cap index comprised of inflation, less a productivity factor and a stretch factor.

UCT 2 filed its 2027 Custom IR update application on July 31, 2026 under section 78 of the *Ontario Energy Board Act, 1998* and in accordance with Chapter 2 of the OEB's *Filing Requirements for Electricity Transmission Applications.* This is the fourth application filed by UCT 2 for an adjustment to its revenue requirement using the Custom IR methodology approved by the OEB in the 2022 Application.

The application was supported by pre-filed written evidence.

[4] EB-2020-0150

3 CUSTOM IR ADJUSTMENT

UCT 2's application requested OEB approval of an adjustment to its base revenue requirement, determined using an OEB-approved 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 inflated by a Revenue Cap Index (RCI).

The RCI approved by the OEB for UCT 2 through its decision on the 2022 Application includes an inflation factor ("I") and a productivity factor ("X"), which includes a stretch factor. The RCI is expressed as:

$$RCI = I - X$$

In UCT 2's 2022 Application, the OEB approved an inflation factor of 2.0%, a productivity factor of 0.0%, and a stretch factor of 0.3% for use between 2023 and 2027.

The components of the Custom IR adjustment formula applicable to UCT 2 for the 2026 rate year are set out in Table 1. They result in a total RCI of 1.7%.

Table 1: Custom IR Adjustment Formula

Components		Value
Inflation Factor (I)		2.00%
Productivity Factor (X)	Productivity	0.00%
	Stretch	0.30%
Revenue Cap Index (RCI) = I - X		**1.70%**

UCT 2's base revenue requirement for the 2027 rate year is then determined by applying the RCI of 1.7% to UCT 2's 2026 base revenue requirement. The result is a 2027 base revenue requirement of $78,277,044, as shown in Table 2.

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Table 2: Base Revenue Requirement by Year

Year	Formula	Base Revenue Requirement ($)
2026	OEB-Approved Base Revenue Requirement	76,968,578
2027	**2026 Base Revenue Requirement x 2026 RCI = $76.968,578 x 1.017**	**78,277,044**

UCT 2 has not requested approval to dispose any deferral and variance account balances in this proceeding. Accordingly, UCT 2's total revenue requirement for 2027 is equal to its base revenue requirement for 2027.

UCT 2's requested revenue requirement is a contributor to the total revenue requirement to be collected from the provincial UTRs.

UCT 2's revenue requirement is allocated to the provincial Network rate pool only, as all its assets serve the transmission network with no transformation or individual customer services. Table 3 summarizes UCT 2's 2027 revenue requirement by transmission rate pool.

Table 3: 2027 Revenue Requirement by Transmission Rate Pool ($)

Network	Line Connection	Transformation Connection	Total
78,277,044	-	-	78,277,044

As it does not have any customer delivery points supplied directly from its assets, UCT 2 does not have charge determinants for setting UTRs.

UCT 2's 2027 revenue requirement represents approximately 3.27% of the total revenue requirement across all transmitters, based on the OEB-approved 2026 UTRs[5].

[5] Per EB-2025-0232 2026 UTR Update, Schedule A dated on January 15, 2026.

UCT 2 estimated that its proposed 2027 revenue requirement would result in an increase of 0.06% to average transmission rates and a 0.006% increase to the average monthly bill for a transmission-connected customer.

UCT 2 further estimated that for a distribution-connected customer, its proposed 2027 revenue requirement, as reflected in Retail Transmission Service Rates, would result in an increase of $0.01 (0.01%) to the average monthly bill of a medium density residential customer[6] consuming 750 kWh, and an increase of $0.03 (0.01%) to the average monthly bill of a general service customer[7] consuming 2,000 kWh and having a monthly demand of less than 50 kW.

Findings

UCT 2's request for a 1.7% increase to its base revenue requirement for 2027 is in accordance with the Custom IR methodology and parameters approved by the OEB in its Decision and Order for the 2022 Application. The OEB approves a 2027 revenue requirement of $78,277,044 with an effective date of January 1, 2027.

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[6] Hydro One R1 customer
[7] Hydro One GSe < 50 kW customer

4 IMPLEMENTATION AND ORDER

IT IS ORDERED THAT:

1. The 2027 revenue requirement of $78,277,044 for Upper Canada Transmission 2, Inc. is approved, with an effective date of January 1, 2027. Upper Canada Transmission 2, Inc.'s 2027 revenue requirement will be included in the OEB's determination of the 2027 Uniform Transmission Rates for Ontario.

DATED at Toronto, September 29, 2026

ONTARIO ENERGY BOARD

Ritchie Murray
Registrar

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