



DECISION AND ORDER

EB-2026-0169

HYDRO ONE NETWORKS INC.

**Application for electricity transmission revenue requirement
beginning January 1, 2027**

BEFORE: Julia McNally
Presiding Commissioner

Allison Duff
Commissioner

Vinay Sharma
Commissioner

October 13, 2026



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1 OVERVIEW

The Ontario Energy Board (OEB) approves Hydro One Networks Inc.'s request for approval of its 2027 annual transmission revenue requirement effective January 1, 2027, pursuant to section 78 of the *Ontario Energy Board Act, 1998*, along with the disposition of the balance of the Excess Export Service Revenues Variance Account as at December 31, 2025, and the change in the Export Transmission Service Rate effective January 1, 2027.

This Decision follows the methodology and parameters approved in the OEB's decision regarding Hydro One's Custom Incentive Rate-setting application for the period 2024-2027 (Custom IR decision and order)¹ and the generic proceeding on Uniform Transmission Rates-Related Issues and the Export Transmission Service Rate (ETS decision and order).²

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

As a result of the OEB's findings in this Decision and Order, Hydro One's approved 2027 revenue requirement is \$2,305.8 million. This is \$144.8 million or 6.7% higher than the revenue requirement of \$2,161.0 million approved for 2026.³

The total bill impact for a typical Hydro One Distribution medium density residential (Hydro One R1) customer consuming 750 kWh monthly will be an increase of 0.76% or approximately \$1.10 per month. The total bill change for a typical Hydro One Distribution General Service Energy less than 50 kW (Hydro One GS < 50 kW) customer consuming 2,000 kWh monthly will be an increase of 0.53% or \$2.44 per month.

¹ [EB-2021-0110, Decision and Order, Hydro One Networks Inc., Application for electricity transmission and distribution rates and other charges for the period from January 1, 2023 to December 31, 2027, November 29, 2022](#)

² [EB-2021-0243, Decision and Order, Generic Hearing on Uniform Transmission Rates-Related Issues and the Export Transmission Service Rate, November 24, 2022](#)

³ [EB-2025-0232, Decision and Order, 2026 Uniform Transmission Rates, Schedule A, January 15, 2026](#)

2 THE PROCESS

Hydro One filed this application on June 23, 2026, under section 78 of the OEB Act and in accordance with [Chapter 2](#) of the OEB's *Filing Requirements for Electricity Transmission Applications*. This is the fourth application filed by Hydro One for an adjustment to its revenue requirement using the Custom IR methodology approved by the OEB in 2022, when the OEB determined that the approved methodology would be used to determine Hydro One's base revenue requirement for the years 2024 to 2027.

Hydro One's application was supported by pre-filed written evidence. Hydro One responded to interrogatories from OEB staff. Final submissions on the application were filed by OEB staff and Hydro One.

3 CUSTOM REVENUE CAP INDEX ADJUSTMENT

In the Custom IR decision and order, the OEB approved the proposed Custom IR methodology for Hydro One's transmission revenue requirement and determined that this framework would be used to determine Hydro One's transmission revenue requirement for the years 2024 to 2027. The framework adjusts the transmission revenue requirement by a revenue cap index (RCI) comprised of custom capital, inflation, and productivity factors. Consistent with the Custom IR decision and order, the productivity factor of 0.15% is fixed during the term. Hydro One's capital factor changes each year and has been approved for each year as part of the Custom IR decision and order. Hydro One's inflation factor is updated annually by the OEB.

Hydro One requests 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 current year, inflated by the RCI.

The RCI approved by the OEB for Hydro One through its Custom IR decision and order includes an inflation factor ("I"), a productivity factor ("X"), which includes a stretch factor, and a custom capital factor ("C"). The RCI is expressed as:

$$RCI = I - X + C$$

The Inflation Factor is 2.90%, which is the OEB-approved industry-specific inflation rate for 2027 applications, effective January 1, 2027. The Inflation Factor is updated annually.⁴

In the Custom IR decision and order, the OEB approved a productivity factor of 0.15% and a custom capital factor to be updated by the Inflation Factor for 2027.⁵

The components of the RCI adjustment formula applicable to Hydro One are set out in Table 1. They result in a total RCI of 3.54%.

⁴ [OEB Letter re: 2027 Inflation Parameters, June 11, 2026](#)

⁵ [EB-2021-0110, Decision and Order, Hydro One Networks Inc., Application for electricity transmission and distribution rates and other charges for the period from January 1, 2023 to December 31, 2027, November 29, 2022](#)

Table 1 - 2027 RCI

Components	Amount
Inflation Factor	2.90%
Productivity Factor	(0.15%)
Custom Capital Factor	0.79%
Total RCI	3.54%

Hydro One's base revenue requirement for the 2027 rate year is determined by applying the RCI of 3.54% to Hydro One's 2026 base revenue requirement, which was \$2,282.5 million. The result is a revenue requirement of \$2,363.3 million, as shown in Table 2. This 2027 requirement is \$80.8 million or 3.54% higher than Hydro One's 2026 base revenue requirement. As given in Section 6 of this decision, the 2027 base revenue requirement is subsequently adjusted for other revenues to set the 2027 revenue requirement for incorporating them in the UTRs for 2027.

Table 2 - Hydro One's Base Revenue Requirement by Year

Year	Formula	Base Revenue Requirement (million)
2026	OEB-Approved 2026 Hydro One Base Revenue Requirement	\$2,282.5
2027	2026 Base Revenue Requirement x 2027 RCI = \$2,282.5 million x 1.0354	\$2,363.3

Findings

The OEB finds that Hydro One's proposed base revenue requirement is in accordance with the methodology and parameters set by the OEB in the Custom IR decision and order. The OEB approves the base revenue requirement of \$2,363.3 million.

4 DISPOSITION OF THE EXCESS EXPORT SERVICE REVENUES VARIANCE ACCOUNT

Hydro One is seeking approval from the OEB to clear the balance of its Excess Export Service Revenues Variance Account as of December 31, 2025, including interest forecast through December 31, 2026, reflecting carrying charges anticipated through to the proposed effective date. Hydro One's forecasted credit balance is \$3,655,406.

Hydro One's request is made following the ETS rate decision and order which ordered annual disposition of the balance.⁶ This account is part of the Network rate pool. The total for disposition in the account is calculated by adding the total interest on the balances for the years in question to the remaining principal balance in the account.

A change 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.

Findings

The OEB finds that the balance of the Excess Export Services Revenue Account was calculated in accordance with the methodology and parameters set by the OEB in the ETS decision and order. The OEB approves the disposition of the \$3,655,406 credit, which is the balance as of December 31, 2025, with interest forecast through December 31, 2026.

⁶ [EB-2021-0243, Decision and Order, Generic Hearing on Uniform Transmission Rates-Related Issues and the Export Transmission Service Rate, November 24, 2022](#)

5 APPROVAL OF THE 2027 EXPORT TRANSMISSION SERVICE RATE

Hydro One is requesting the OEB to approve an update to the ETS rate for 2027, consistent with the ETS decision and order which ordered that the rate be escalated annually based on Hydro One's RCI for its transmission business⁷.

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

Findings

The OEB finds that the proposed ETS rate was calculated in accordance with the methodology and parameters approved in the ETS decision and order. The OEB approves the ETS rate of \$2.02/MWh effective January 1, 2027.

⁷ [EB-2021-0243, Decision and Order, Generic Hearing on Uniform Transmission Rates-Related Issues and the Export Transmission Service Rate, November 24, 2022](#)

6 2027 REVENUE REQUIREMENT AND OTHER ADJUSTMENTS

Hydro One is requesting approval of its revenue requirement for 2027.

The 2027 revenue requirement for Hydro One is allocated among the three rate pools (Network, Line Connection and Transformation Connection) using the OEB-approved percentage allocation for Hydro One Transmission.⁸

The 2027 revenue requirement is the base transmission revenue requirement, adjusted for other revenues, including external revenue, wholesale meter service revenue, ETS revenue, low voltage switchgear credit, and disposition of deferral and variance accounts.⁹ Inclusion of these revenue offsets results in a revenue requirement of \$2,305.8 million for 2027 as shown in Table 3.

Table 3 - Hydro One's 2027 Revenue Requirement (million)

	2027
Base Revenue Requirement	\$2,363.3
External Revenue	(\$37.9)
Wholesale Meter Service (WMS) Revenue	\$0.0
ETS Revenue	(\$37.2)
Low Voltage Switchgear (LVSG) Credit	\$21.3
Disposition of Deferral and Variance Accounts	(\$3.7)
2027 Revenue Requirement	\$2,305.8

The resulting pool allocation of Hydro One's 2027 revenue requirement is shown in Table 4.

⁸ [EB-2021-0110, Decision and Order, Hydro One Networks Inc., Application for electricity transmission and distribution rates and other charges for the period from January 1, 2023 to December 31, 2027, November 29, 2022, Schedule A, Attachment 1, Schedule 2.2, Table 1](#)

⁹ [EB-2026-0169, Exhibit A, Tab 4, Schedule 1, pg.1, Table 1](#)

Table 4 - Hydro One's 2027 Revenue Requirement by Rate Pool (million)

Transmitter	Network	Line Connection	Transformation Connection	Total
Hydro One	\$1,375.2	\$241.5	\$689.1	\$2,305.8

In accordance with the Custom IR decision and order, the charge determinants for 2027¹⁰ are shown in Table 5.

Table 5 – 2027 Charge Determinants (in MWs)

Transmitter	Network	Line Connection	Transformation Connection
Hydro One	230,328	223,591	190,199

Hydro One's proposed 2027 revenue requirement of \$2,305.8 million is \$144.8 million or 6.7% higher than its approved 2026 revenue requirement of \$2,161.0 million.

Hydro One's 2027 revenue requirement represents 90.4% of the total revenue requirement across all transmitters, based on the 2026 UTRs.¹¹ Hydro One estimated that its proposed 2027 revenue requirement will result in a 5.7% increase to average transmission rates and a 0.7% increase to average transmission customer bills, as shown in Table 6.

¹⁰ [EB-2021-0110, Decision and Order, Hydro One Networks Inc., Application for electricity transmission and distribution rates and other charges for the period from January 1, 2023 to December 31, 2027, November 29, 2022, Schedule A, Attachment 1, Schedule 2.1, Table 1b](#)

¹¹ Hydro One Transmission revenue requirement divided by all transmitters' revenue requirement (\$2,161.0M / \$2,389.6M = 90.4%) per [EB-2025-0232, Decision and Order, 2026 Uniform Transmission Rates, Schedule A, January 15, 2026](#)

Table 6 – Comparison of Hydro One’s 2026 and 2027 Revenue Requirement, Average Bill Impacts on Transmission Connected Customers

	2026	2027
Hydro One Revenue Requirement	\$2,161.0 million	\$2,305.8 million
% Change in Revenue Requirement over prior year		6.7%
% Impact of load forecast change		-0.4%
Net Impact on Average Transmission Rates		5.7%
Transmission as a % of Tx-connected customer’s Total Bill		12.8%
Estimated Average Transmission Customer Bill impact		0.7%

Hydro One estimated that its proposed 2027 revenue requirement will result in an increase of 0.76% for a typical Hydro One Distribution medium density residential customer (Hydro One R1) consuming 750 kWh monthly and an increase of 0.53% for a typical Hydro One Distribution General Service Energy less than 50 kW customer (Hydro One GS < 50 kW) consuming 2,000 kWh monthly, as shown in Table 7 below.

Table 7 – 2027 Typical Distribution Connected Customer Monthly Bill Impact

	Typical Medium Density (R1) Residential Customer Consuming 750 kWh per month	Typical General Service Energy less than 50 kW (GS <50kW) Customer Consuming 2,000 kWh per month
Total Bill as of January 1, 2026 (A)	\$145.18	\$456.81
2026 Total RTSR Charge	\$18.16	\$40.33
2027 Estimated Change in RTSR Charge (B)	\$1.10	\$2.44
2027 Estimated Total RTSR Charge	\$19.26	\$42.78
2027 Increase as a % of Total Bill (C=B/A)	0.76%	0.53%

Findings

The OEB finds that the 2027 revenue requirement has been calculated appropriately. The OEB approves a 2027 revenue requirement of \$2,305.8 million with an effective date of January 1, 2027. The OEB finds the estimated monthly bill impacts on transmission-connected and distribution-connected customers to be just and reasonable.

7 IMPLEMENTATION

Hydro One requested that its 2027 revenue requirement be reflected in the UTR rates effective January 1, 2027. If implementation cannot occur by then, Hydro One requested an interim order making its current transmission revenue requirement and charges effective on an interim basis as of January 1, 2027.

The OEB anticipates that it will establish new preliminary UTRs or final UTRs in time for implementation as of January 1, 2027. Whether preliminary or final, these UTRs will include Hydro One's 2027 revenue requirement. As a result, no deferral account will be required to track forgone revenue. The approval of final UTRs at a later date, if necessary, should have no impact on Hydro One.

8 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Hydro One's 2027 transmission revenue requirement of \$2,305.8 million is approved, with an effective date of January 1, 2027. Hydro One's resultant revenue requirement will be included in the OEB's determination of the 2027 Uniform Transmission Rates for Ontario.
2. Hydro One's disposition of the \$3,655,406 credit balance of the Excess Export Service Revenues Variance Account is approved, the balance represents the December 31, 2025 principal balance with interest forecast through December 31, 2026.
3. The change of the Export Transmission Service rate to \$2.02/MWh is approved with an effective date of January 1, 2027.

DATED at Toronto, October 13, 2026

ONTARIO ENERGY BOARD

Ritchie
Murray

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Murray
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Ritchie Murray
Registrar