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

PARTIAL DECISION AND ORDER

EB-2026-0129

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED

Application for a proposed Non-Wires Solution Incentive Mechanism effective May 1, 2026 to December 31, 2029

BEFORE: Allison Duff
Presiding Commissioner

James Sidlofsky
Commissioner

Vinay Sharma
Commissioner

November 24, 2026

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

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1 OVERVIEW

This is a partial decision of the Ontario Energy Board (OEB) relating to an application filed by Toronto Hydro-Electric System Limited (Toronto Hydro) for approval of a proposed non-wires solutions incentive and associated deferral account to capture the incentive amounts effective May 1, 2026 to December 31, 2029.

The OEB finds that Toronto Hydro meets the requirements to apply for a Margin on Payments incentive, yet the evidence is not sufficient to demonstrate incremental benefits for customers, and the associated capital avoided or deferred, to justify immediate approval of the incentive. As set out in further detail below, the OEB may be in a position to approve the incentive subject to the filing of additional information. Toronto Hydro is invited to file this additional information, which will be considered by the OEB in reaching a final decision on this matter.

Since the OEB's *Distribution System Code* was amended on November 25, 2025, adding Section 11 with a "Margin on Payments Incentive Mechanism", a few applications have been filed with the OEB for approval of the incentive, and none has been approved to date.

The OEB has identified three main issues in this proceeding:

1. Is Toronto Hydro eligible to apply for a Margin on Payments incentive?
2. Does the decision in Toronto Hydro's Custom Incentive Rate-setting (Custom IR) proceeding affect this application?
3. Is there sufficient evidence regarding the Benefit Cost Analysis and the capital deferred or avoided?

The OEB has decided the first two questions in this partial decision. The OEB finds that Toronto Hydro is eligible to apply and that the Custom IR decision provides a benchmark for comparison of this Margin on Payments incentive application. The OEB has not rendered a decision on the third question and is providing Toronto Hydro the opportunity to clarify the evidence already filed in this proceeding.

2 PROCESS AND CONTEXT

Toronto Hydro filed an application with the OEB on April 10, 2026, under section 78 of the *Ontario Energy Board Act, 1998,* and Section 11 of the *Distribution System Code* (DSC) seeking approval for a non-wires solutions incentive mechanism and the associated deferral account effective May 1, 2026 to December 31, 2029.

A Notice of Hearing was issued on May 4, 2026. The OEB received 36 letters of comment on the application.

In Procedural Order No. 1, the OEB asked Toronto Hydro several preliminary questions. Given that the OEB's preliminary questions related to Toronto Hydro's previous Custom Incentive Rate-setting (Custom IR) proceeding for rates effective 2024-2029[1], the OEB approved the intervenors with cost award eligibility from the Custom IR proceeding as intervenors in the current proceeding. The OEB also approved intervenors who applied in response to the Notice of Application. On June 15, 2026, Toronto Hydro's filed responses to the OEB's preliminary questions.

In Procedural Order No. 2, the OEB set dates for a written interrogatory process and written submissions. Interrogatories and/or submissions were filed by the Building Owners and Managers Association (BOMA), Consumers Council of Canada (CCC), Energy Probe, Environmental Defence Canada Inc. (Environmental Defence), Pollution Probe, Power Workers' Union (PWU) and School Energy Coalition (SEC). Toronto Hydro filed its responses to interrogatories on August 6, 2026, its argument-in-chief on August 18, 2026, and its reply submission on September 17, 2026.

2.1 Regulatory Context

Toronto Hydro submitted that its application satisfies the requirements of Section 11 of the DSC and that Section 11 was implemented to address barriers to the adoption of non-wires solutions (NWS) identified in the OEB's *Framework for Energy Innovation* Report.

The OEB's *Framework for Energy Innovation* Report (January 30, 2023) summarized stakeholder feedback received through the OEB's consultation on policies and next steps for integrating distributed energy resources into distribution system planning and operations, including their use by electricity distributors as NWS.

[1] EB-2023-0195 Custom Incentive Rate-setting proceeding for rates effective 2024-2029

The *Framework for Energy Innovation* Report identified barriers to adopting Distributed Energy Resources as NWS and highlighted the potential need for incentives, as well as further OEB guidance on how distributors can seek approval for and recover those incentives. Specifically, the OEB recognized that distributors may have a financial incentive to pursue traditional capital investments rather than third-party owned distributed energy resource solutions that may not contribute to rate base growth[2]. The OEB concluded that this potential misalignment of utility and customer interests could act as a barrier to the adoption of cost-effective NWS and identified incentive mechanisms as one means of addressing that barrier.

Following the issuance of the *Framework for Energy Innovation* Report, the OEB issued the following documents, and Toronto Hydro stated that its application was prepared in accordance with them:

1. The *Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives* (March 28, 2023), which established the Shared Savings Mechanism, Performance Target or Scorecard-Based Incentive, and Margin on Payments incentive options.
2. The *Non-Wires Solutions Guidelines for Electricity Distributors* (March 28, 2024) established expectations for identifying, evaluating and documenting opportunities.
3. The *Benefit-Cost Analysis Framework for Addressing Electricity System Needs* (May 16, 2024) established a standardized methodology for assessing the economic feasibility of NWS.
4. Amendments to the DSC (November 25, 2025), which introduced Section 11 and established the framework for implementation of the Margin on Payments Incentive Mechanism.

[2] Framework for Energy Innovation: Setting a Path Forward for DER Integration, January 2023, p.24

3 PARTIAL DECISION ON THE APPLICATION

Toronto Hydro applied to the OEB pursuant to section 78 of the OEB Act and Section 11 of the DSC for approval of its proposed non-wires solutions incentive mechanism and the associated deferral account effective May 1, 2026 to December 31, 2029.

Toronto Hydro is seeking approval of a 25% incentive on payments to third-party participants in its Local Demand Response (LDR) program. Toronto Hydro forecast total payments to third-party participants of $4.82 million over the remaining 2026-2029 rate term, which equates to an incentive of approximately $1.2 million.

Toronto Hydro filed a benefit cost analysis that reflects the deployment of the LDR program across the six identified stations and forecasts a net present value of forecast benefits of approximately $14.01 million.

Toronto Hydro's LDR program has been in place since the 2015-2019 rate term. The LDR Program procures demand response capacity to be deployed to address distribution system constraints. The current LDR Program was approved as part of Toronto Hydro's previous Custom IR proceeding for the 2025-2029 rate term.

3.1 Distribution System Code – Eligibility to Apply for an Incentive

Section 11 of the DSC establishes the requirements and methodology for determining rates associated with incentives for third-party Distributed Energy Resources used as NWS to meet distribution system needs that have been approved by the OEB. Section 11 also provides that a distributor may apply for a Margin on Payments incentive either as a stand-alone rate application or as part of a broader rate application.

Toronto Hydro states in its application that this is a stand-alone incentive application without a request for rate funding. Toronto Hydro indicated that the program is expected to address constraints at six stations: Finch TS, Leslie TS, Manby TS, Horner TS, Strachan TS and Dufferin TS. In response to interrogatories, Toronto Hydro confirmed that it was not seeking approval of any changes to the LDR program approved in the Custom IR proceeding.

Intervenors supporting the application submitted that Toronto Hydro satisfied the requirements of Section 11 of the DSC and is eligible to apply for the incentive.

Intervenors opposing the application submitted that granting an incentive for an already approved and funded LDR program would be inconsistent with the policy intent underlying the *Framework for Energy Innovation* and the NWS incentive framework.

These parties argued that the incentive was intended to encourage the adoption of new NWSs and remove barriers to implementation, circumstances that they submit are absent from the current application. However, opposing intervenors acknowledged that, if Toronto Hydro has satisfied the requirements prescribed by Section 11 of the Distribution System Code, the OEB panel may have limited discretion to deny the application.

Findings

The OEB finds that Toronto Hydro is eligible and meets the requirements to apply for a Margin on Payments incentive as a “stand-alone rate application” under Section 11.2 of the Distribution System Code.

This application is considered “stand alone”, as it is not part of a broader rates application such as a cost of service. Stand-alone applications enable a distributor to apply for a Margin on Payments incentive, without waiting up to 5 years to include the request with its next rebasing application.

The OEB finds it is permissible that the application relates to an existing LDR program. Specifically, the first sentence of Section 11 refers to an NWS that “has been approved by the OEB”.

The OEB accepts this as a “rate application” to the extent Toronto Hydro filed its application pursuant to section 78 of the OEB Act which encompasses the establishment of deferral and variance accounts.

Toronto Hydro requested approval of a deferral account to capture the incentive amounts effective May 1, 2026 to December 31, 2029. If the account is approved, the implied expectation is that the account balance would be proposed for disposition (i.e. recovery from ratepayers through an associated rate rider) in a future rates application.

Toronto Hydro stated that this is a stand-alone incentive application without a request for rate funding. Toronto Hydro may not be seeking money now, but to recover the proposed 25% incentive, Toronto Hydro would require OEB approval of a new rate or rate rider, funded by customers at some point in the future, and is seeking approval to track those amounts in a deferral account now.

3.2 The Application and the Custom IR Settlement

In Procedural Order No. 1, the OEB requested that Toronto Hydro clarify whether the present application seeks to alter any aspect of the Custom IR decision and explain the relationship between this application and the approved settlement proposal, particularly

Issue 2.1, under which the parties agreed "to eliminate the proposed Performance Incentive Mechanism in lieu of a higher than proposed stretch factor and an incremental stretch factor on capital"[3].

In response to the OEB's preliminary questions issued under Procedural Order No. 1, Toronto Hydro stated that the incentive mechanism requested in its Custom IR application is not analogous to the Margin on Payments incentive mechanism sought in this proceeding. Toronto Hydro distinguished the two on the basis that the Custom IR incentive request was a risk-based incentive, whereas the currently requested Margin on Payments incentive is intended to address the barrier to NWS deployment identified in the *Framework for Energy Innovation*.

Certain intervenor submissions addressed whether the Margin on Payments incentive application revisits matters that were considered during the Custom IR proceeding.

Pollution Probe submitted that the application "is simply related" to an incentive mechanism that was not part of the previous rates proceeding.

Environmental Defence submitted that prior approval of the LDR program was no reason to deny incentives in this subsequent stand-alone application. Furthermore, Environmental Defence argued that it was not entirely accurate to say that the program was "approved" as electricity distributors have discretion to spend funds within approved envelopes.

CCC submitted that there can be no legitimate basis to incentivize activities that are already occurring and in operation for nearly a decade. CCC submitted that Toronto Hydro has misinterpreted the OEB's policy guidance with respect to the fundamental purpose of incentive payments for NWS activities. According to CCC, the obvious purpose is to incentivize the deployment of *new* NWSs.

SEC submitted that the approved settlement included a number of adjustments to the application including an agreement to eliminate the proposed Performance Incentive Mechanism in lieu of a higher than proposed stretch factor and an incremental stretch factor on capital. SEC claimed that Toronto Hydro therefore sought an incentive for the LDR program once already and gave it up as part of a negotiated trade-off. SEC concluded that approval of the application would be contrary to the spirit of the compromise reached in the Custom IR proceeding.

[3] Procedural Order No. 1, p. 2

In its reply, Toronto Hydro reiterated the fundamental differences between the Performance Incentive Mechanism proposed in the Custom IR application and the NWS incentive regime established by Section 11 of the DSC. Further, Toronto Hydro submitted that the settlement did not include any language explicitly prohibiting NWS incentives.

Findings

The DSC was amended to include Section 11 after the OEB approved the settlement in the Custom IR proceeding. Therein lies the issue the OEB must address in this application. The OEB finds that this application is complicated because Toronto Hydro's Custom IR settlement included an existing LDR program with offerings for the 2025-2029 period.

It appears to the OEB panel that Toronto Hydro's scenario was not anticipated when the DSC was amended – that is, a distributor with a Custom IR approved in 2024 that predates the DSC amendment in 2025, with a Custom IR rate term of 2025-2029 that overlaps with the proposed Margin on Payments incentive period of 2026-2029.

The DSC is silent on a distributor's current rate-setting methodology and how to apply the Margin on Payments incentive requirements when the application is not included in a rebasing application.

The OEB finds that for Toronto Hydro to qualify for the Margin on Payments incentive in Section 11, the forecast net benefits must be incremental to the approved program offerings at the time of its Custom IR. Fundamentally, the OEB finds that an incentive must "incent" a desired behaviour, something incremental, such as a new offering within an existing approved program.

It is imperative that the Margin on Payments incentive clearly identify the forecast capital investment forgone as a result of a NWS program. Specifically, the OEB needs to ensure the incentive to be received by shareholders is in compensation for shareholders forgoing the opportunity to earn a return on rate base, or traditional capital investment, from the new program offering. The OEB finds this to be consistent with the OEB's conclusion in the *Framework for Energy Innovation* and the purpose of an NWS[4].

[4] Per Section 6.1 of the *Framework for Energy Innovation* Report, the OEB recognizes that, in deploying these solutions, distributors will forgo an opportunity to earn a return by adding to their rate base, since "DERs will often, from a utility point of view, be non capital in nature." This misalignment between utilities' interests (to earn profits by building assets) and customer interests (to have the most cost-effective delivery of reliable energy services) may be a barrier to DER solutions. Providing incentives for

Without requiring something incremental, it would mean that the OEB's DSC amendment could force customers to pay Margin on Payments incentives on all previously approved programs. Every distributor in the province could apply for a Margin on Payments incentive for NWS programs without doing anything different, without providing any additional customer benefits, and an OEB panel would have to approve it. As CCC submitted, if the proposed incentive payment was approved without change, Toronto Hydro will take $1.2 million from its customers' pockets to fund its own windfall profit. The OEB agrees that it would be a perverse result, contrary to both the principle of ratemaking that benefits follow costs and the concern for customer affordability.

Further, SEC claimed that Toronto Hydro sought an incentive for the LDR program once already, and gave it up as part of a negotiated trade-off in the settlement. Submissions in the current proceeding included arguments regarding the settlement, the incentives approved at that time, and comparisons to the current application. Ultimately, the approved settlement was a package deal. As the settlement proposal stated:

> The Parties explicitly request that the OEB consider and accept this Settlement Proposal as a package. None of the matters in respect of which a settlement has been reached is severable. Numerous compromises were made by the Parties with respect to various matters to arrive at this Settlement Proposal.[5]

As a result, the OEB will not opine on specific elements of the settlement such as the inclusion, exclusion, or interplay of incentives, stretch factors or capital factors.

The evidence as filed does not enable the OEB to discern the differences between the offerings for which an incentive is sought in this application and the offerings in the program approved as part of the Custom IR settlement. The OEB finds that the benefits already considered by the OEB in the Custom IR decision should not be the basis for an incentive in this application, to avoid the risk of double counting the benefits.

Specifically, it is not clear how the capacity needs and capital avoided/deferred at the 3 stations described in the Custom IR application (Finch TS, Fairbank TS and Bathurst TS) differ from the 6 stations in this application (Finch TS, Leslie TS, Manby TS, Horner TS, Strachan TS and Dufferin TS).

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distributors to deploy third-party owned DERs as NWAs is a way of addressing this barrier in the near term, without revisiting the fundamental approach to how utilities are remunerated and the overall rate-setting framework.

[5] EB-2023-0195 Partial Decision and Order, November 12, 2025, Schedule A page 6 of 57.

The OEB considers the Custom IR settlement as a benchmark for comparison, to evaluate what is to be incrementally incented with a Margin on Payments incentive.

3.3 Benefit Cost Analysis

Sections 11.3.3 and 11.3.4 of the DSC establish the requirements for a distributor to receive a Margin on Payments incentive.

Section 11.3.4 requires (in part) a benefit-cost analysis (BCA) demonstrating a positive net present value for the forecast net benefits of the third-party Distributed Energy Resources procured through the LDR program. Section 11.3.3 requires that the net present value of the forecast incentive does not exceed 50% of the net present value of the forecast net benefits.

Toronto Hydro submitted that the current benefits for the LDR program calculated in the BCA would be achieved through the procurement of 30 MW of capacity to address system constraints at 6 transformer stations for forecast net benefits of approximately $14.01 million. This compares to the 3 stations identified in the LDR program in the Custom IR proceeding with a forecast net benefit of $3.67 million.

BOMA, Environmental Defence, and Pollution Probe supported approval of the application.

Environmental Defence submitted that it was 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 NWS.

Pollution Probe submitted that the cost effectiveness estimate was robust and the significant net benefits reduce risk even if actual results vary.

OEB staff submitted that the evidentiary record was insufficient to validate the benefits reflected in the updated BCA filed in this proceeding, and is therefore insufficient to demonstrate eligibility for the requested Margin on Payments incentive. However, OEB staff ultimately submitted that the incentive request should be approved on the basis of the evidence filed in Custom IR application, including the benefit cost analysis that supported the OEB's approval of the LDR program at that time.

CCC, Energy Probe and SEC did not support approval of the application.

CCC referred to DSC amendment as "an ill-conceived policy decision" and a potential avenue for Toronto Hydro to profit at its customers' expense. CCC submitted that the OEB's stated purpose for providing NWS incentives is forward looking. It is designed to

incent new solutions (i.e., encourage distributors *to* make greater use of cost-effective NWSs) not incent existing programs.

Energy Probe submitted that there is nothing new or innovative about the LDR program in this application. Energy Probe expected that the LDR program would be changed to encourage customers with Distributed Energy Resources to bring excess power into the Toronto Hydro distribution grid.

SEC submitted that Toronto Hydro has not provided a single reason why it requires this incentive now and had not identified any incremental aspect of the existing program that depends on receiving the Margin on Payments incentive. Alternatively, Toronto Hydro has not suggested that it would reduce, discontinue, or decline to expand the program without the incentive. Approval is more likely to undermine customer and public confidence in financial incentive mechanisms of this kind.

In its reply, Toronto Hydro stated that the parties that oppose the approval of the application invoke a variety of factors and considerations which are not articulated in Section 11 of the DSC. Toronto Hydro claims these parties are reopening the debate on the appropriateness of Section 11 and seek to alter the applicable test.

Toronto Hydro submitted that the issue before the OEB in this proceeding is not whether Section 11 was the correct policy choice, but whether the requirements have been satisfied on the facts of the application.

Further, according to Toronto Hydro, the updated BCA in this application includes up-to-date load conditions to support capacity needs as well as updated regulatory and tax parameters. Toronto Hydro referenced OEB staff's submission that supported approval on the basis of the initial BCA in the Custom IR proceeding, claiming that OEB staff acknowledged that the outcome is the same under either analysis.

Findings

The OEB is providing Toronto Hydro with the opportunity to file additional information in this proceeding. The OEB will consider approval of a Margin on Payments incentive associated with the LDR offering of 5 new transformer stations identified in the Margin on Payments application, not identified in the Custom IR proceeding. The OEB will not consider a Margin on Payments incentive on the Finch TS that were included in the LDR program offerings at the time of the Custom IR settlement approval.

Based on the evidence filed to date, the OEB cannot conclude customers should pay the cost of the Margin on Payments incentive as it is not clear how the updated BCA analysis differs from the BCA analysis in the Custom IR proceeding.

Clearly $14.02 million of forecast net benefits in the BCA filed with the application is greater than the $3.67 million in the BCA in the Custom IR, and there are 6 stations involved in this application instead of 3 stations in the Custom IR proceeding. Toronto Hydro updated the forecast net benefits to $15.38 million in response to interrogatories[6]. In this Margin on Payments application, there appears to be evidence of some incremental offerings and incremental benefits, in addition to those in the Custom IR proceeding, all within the existing LDR program that has been in place since 2015.

Toronto Hydro indicated that adjustments to the respective stations and planned capacity targets under the approved LDR Program are to be expected given the dynamic nature of customer load growth and system operations. In addition, these adjustments are also within the scope of the approved LDR Program and the underlying principles of its Custom IR framework[7]. The OEB acknowledges the LDR program approved in the Custom IR proceeding allowed for flexibility; however, the OEB is unable to discern Toronto Hydro's subsequent exercise of that flexibility in the context of the offerings proposed in this application. As a result, the OEB has identified the additional information it requires for approval of a Margin on Payment incentive for the proposed 2026-2029 period.

The OEB finds that of the 6 stations identified in this proceeding (Finch TS, Leslie TS, Manby TS, Horner TS, Strachan TS and Dufferin TS), 5 are new or incremental to the 3 stations identified in the Custom IR proceeding (Finch TS, Fairbank TS and Bathurst TS). Specifically:

1. Leslie TS
2. Manby TS
3. Horner TS
4. Strachan TS
5. Dufferin TS

The OEB finds that these 5 stations are incremental and eligible for the Margin on Payments incentive for the 2026-2029 period. The OEB will not consider the Finch TS in this Margin on Payments application as it was part of the LDR offerings identified in the Custom IR proceeding and appears duplicative. The OEB is providing Toronto Hydro

[6] Interrogatory response OEB staff-3, Table 2
[7] EB-2023-0195 Partial Decision and Order, November 12, 2025, Schedule A, page 6 of 57

the opportunity to file additional information on the new 5 stations for the 2026-2029 period as follows:

- BCA for the 5 stations (only)[8]
- Forecast load, level of capacity constraints and load transfer for each station
- Capital avoided and/or deferred for each station[9]
- Forecast MW saved and third-party payments for each station

In its reply submission in reference to the settlement, Toronto Hydro stated that it is a "fundamental principle that parties cannot contract out of their rights and obligations under the DSC, other OEB codes and policy instruments"[10]. The OEB finds it reasonable to seek additional information to identify, understand and validate the benefits of an incremental offering for which incentive is being sought even when it is a DSC requirement. An existing program that was part of the settlement between the parties (applicant and the intervenors) cannot alone be a sufficient reason to award a Margin on Payments incentive.

CCC, Energy Probe and SEC, intervenors representing consumer groups, opposed this application. These intervenors argued there is nothing new or innovative, resulting in benefits for customers to justify the cost. These submissions suggest the OEB should deny the application as there are no incremental benefits to justify approval of a Margin on Payment incentive at a cost to consumers. The OEB expects that with the additional information, focused on the 5 new stations only, the incremental benefits will be evident to support the associated Margin on Payments incentive cost to customers.

Environmental Defence submitted that it was important for the OEB to approve this application to avoid putting a chill on efforts by electricity distributors. As this is one of the first applications adjudicated subsequent to the amendment of the DSC with Section 11, the OEB appreciates the need to ensure the requirements are clarified, understood, and applied equitably to all electricity distributors. Further, the OEB needs to ensure the desired customer outcomes are achieved to justify approval of a Margin on Payments incentive.

[8] Similar to OEB staff-3. Table 2 "Revised Summary of Toronto Hydro's LDR Program Benefit-Cost Analysis (2026-2029)"
[9] Similar to OEB staff-3, Table 1 "Summary of Estimated Load Transfers Anticipated at Target Stations and Estimated Avoidance/Deferrals in 2025-2029 Period"
[10] Toronto Hydro Reply Submission, p. 12.

3.4 Requested Deferral Account

Toronto Hydro requested a new deferral account to record incentive amounts associated with their proposed 25% incentive and a sub account for the associated carrying costs. Toronto Hydro filed a draft account order and proposed that the account balance be reviewed and disposed of at its next rebasing application for 2030 rates since the proposed incentive term coincides with its rate term.

At the point of disposition, Toronto Hydro states that it will provide substantiating evidence to support the amounts captured in the deferral accounts including actual capacity payments made, actual MW procured, and actual benefits realized.

With respect to materiality, Toronto Hydro's materiality threshold is $1 million, and the incentive is forecasted to be $1.2 million. Toronto Hydro noted that the LDR program is designed to respond to evolving needs and has requested permission for the account balance to be disposed of regardless of whether the materiality threshold is met to align with the *Framework for Energy Innovation, the Filing Guidelines,* and Section 11 of the DSC.

Section 11.3.4(g) of the DSC requires an application for a Margin on Payments incentive to include "the distributor's proposed method for implementing and recovering the Margin on Payments incentive, having regard to Section 2.4 of the Board's *Filing Guidelines for Incentives for Third-Party DERs as Non-Wires Alternatives*."

BOMA, CCC and Energy Probe submitted that the OEB should defer any decision to waive the materiality threshold for the proposed deferral account.

BOMA argued that the materiality criteria be assessed in the normal course when Toronto Hydro applies to dispose of the account balance. CCC submitted that the disposition of any amounts recorded in the account are properly addressed at the time of disposition when the actual amounts are known. There is no basis for pre-approval to be granted in the current proceeding. Energy Probe indicated that no other Toronto Hydro deferral account has a materiality threshold waiver.

In its reply submission, Toronto Hydro argued that a materiality threshold directly undermines the purpose of the Margin on Payments incentive. The result would be a policy that exists on paper but fails to achieve its purpose in practice. Toronto Hydro submitted that no other account records an incentive, rather than costs, established and mandated by the DSC to advance a specific policy objective.

Findings

As the OEB is not determining the request for a Margin on Payments incentive in this partial decision, Toronto Hydro's request to establish a deferral account effective May 1, 2026, need not be decided at this time.

Should the OEB approve the application following receipt of the additional information, the OEB is contemplating a process analogous to a draft rate order process in a cost of service proceeding, whereby Toronto Hydro would file an updated draft accounting order; intervenors and OEB staff could file submissions; and Toronto Hydro could file a reply submission, after which the OEB would issue its decision on a final accounting order.

It is important that the accounting order for the proposed deferral account be clear in identifying the parameters by which accounting entries may be made to the proposed deferral account. The appropriate time to set those parameters and provide clarity is now in this proceeding. It would not be appropriate or efficient to address these issues as part of Toronto Hydro's next rebasing, three-years from now, when the proposed deferral account balance would be proposed for disposition.

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. If Toronto Hydro-Electric System Limited elects to provide the additional information described in this Partial Decision and Order, it shall file it with the OEB, copying all other parties, by **December 4, 2026**.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, do not include personal information (as that phrase is defined in the Freedom of Information and Protection of Privacy Act), unless filed in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

Please quote file number, EB-2026-0129 for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the OEB's online filing portal.

Filings should clearly state the sender's name, postal address, telephone number and e-mail address.

Please use the document naming conventions and document submission standards outlined in the Regulatory Electronic Submission System (RESS) Document Guidelines found at the File documents online page on the OEB's website.

Parties are encouraged to use RESS. Those who have not yet set up an account, or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Stephanie Cheng at stephanie.cheng@oeb.ca and OEB Counsel, Michael Millar at Michael.Millar@oeb.ca.

DATED at Toronto November 24, 2026

ONTARIO ENERGY BOARD

Ritchie Murray

Digitally signed by Ritchie Murray
Date: 2026.11.24 14:52:17 -05'00'

Ritchie Murray
Registrar