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File No. 41054.5

January 24, 2025

BY RESS

Ms. Nancy Marconi
Ontario Energy Board
2300 Yonge Street, 27th floor
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: Essex Powerlines Corporation (“EPLC”) Cost of Service Application for 2025
Electricity Distribution Rates (“Application”)
Ontario Energy Board (“OEB”) File No. EB-2024-0022 / EB-2024-0096**

On January 14, 2024, the OEB issued a letter to the parties in the above-noted proceeding setting out a process for intervenors and OEB Staff to comment on: (1) the implications of EPLC’s request to withdraw its 2025 capital additions related to the PowerShare DSO pilot project and amend the terms of the PowerShare DVA (“**Requested Relief**”); and (2) whether additional information is required from EPLC related to its requests. This letter constitutes EPLC’s reply to those comments.

EPLC agrees with the submission of OEB Staff but disagrees with the submissions of the School Energy Coalition (“**SEC**”) and Vulnerable Energy Consumers Coalition (“**VECC**”). SEC and VECC appear to ignore the fact that the Independent Electricity System Operator’s (“**IESO**”) decision to significantly reduce funding and end the PowerShare DSO pilot project early was entirely out of the control of EPLC. The request by EPLC was to align with the OEB’s earlier determination on the PowerShare DVA to balance the interests of ratepayers with the need to incent prudent financial management by EPLC and to provide a safeguard against excessive charges to customers, while still supporting the objectives of the PowerShare pilot project.¹ The Requested Relief accomplishes this.

1. No Additional Information or Process is Required for an OEB Determination

The letter submitted by EPLC on December 17, 2024 was to provide transparency on the unexpected contract amendment presented to EPLC by the IESO. Leading up to that amendment, EPLC had been in negotiations with the IESO on an amendment that would extend the timeline of the PowerShare DSO pilot project and expected the amendment to primarily be related to removal of funding for the BESS from the project activities (as was outlined in earlier evidence and correspondence). However,

¹ Decision and Order EB-2024-0096, August 29, 2024, pages 13-14

the amendment that the IESO brought forward in December 2024 changed the PowerShare DSO pilot project to: (1) conclude trading at the end of February 2025 instead of the initially contemplated date of March 2026; and (2) reduce the quantum of Grid Innovation Fund matching funding from \$554,525 to \$255,000. Although sudden and unexpected, the IESO is within the terms of the original agreement in bringing forward this amendment.

The proposed \$255,000 cap is estimated to include the following:

Initial forecasted capacity and/or energy procurement (to February 2025)	1,700 MW
Budgeted unit price	\$300/MW
Total PowerShare DSO pilot budget	\$510,000
50% Funding from Grid Innovation Fund	\$255,000
50% Cap on PowerShare DVA	\$255,000

Regardless of the reasons, the fact is the IESO reduced the quantum and duration of Grid Innovation Fund funding. Without this funding, EPLC ratepayers would be bearing 100% of the cost for the PowerShare DSO pilot between March 2025 and March 2026. EPLC is trying to do the right thing by apprising the OEB of these new facts.

SEC and VECC fail to explain why further explanation on what “*occurred to cause the PowerShare pilot to end more than a year early*” is relevant to the OEB’s determination on the Requested Relief. Aside from any incremental information in this letter, EPLC does not have further comments or information related to reasons for the amendment by the IESO, nor can EPLC speculate on the IESO’s reasons. EPLC agrees with OEB Staff that no additional information is required from EPLC and the OEB has all the information it needs for a determination on the Requested Relief in accordance with the procedure set out in OEB Staff’s letter.

Finally, VECC requests a further one day meeting to “find a mutually acceptable agreement” on the Requested Relief. However, VECC reiterates its earlier position that ratepayers should not be responsible for any of the costs of the PowerShare DSO pilot. Considering VECC’s position, it is not clear to EPLC that attending a one-day meeting will be a productive use of time.

2. Implications of the Requested Relief

EPLC is concerned that SEC and VECC are attempting to relitigate issues that have already been determined by the OEB. The nature of the Requested Relief is very narrow and is intended to align OEB approvals with changes to matching Grid Innovation Fund funding by the IESO. The Requested Relief is ultimately to the benefit of ratepayers. EPLC is no longer requesting 2025 PowerShare Pilot project capital additions and the final determination of the prudence of amounts recorded in the PowerShare DVA will be made at the time when the OEB considers the disposition of such amounts.²

² *Ibid* at page 12.

SEC appears to suggest that a more appropriate cap is \$133,000 based on an oversimplified monthly heuristic. This approach should not be accepted by the OEB. This approach makes several assumptions that are simply not correct, such as demand, supply and electricity price being held constant each month. EPLC submits that it is in the best interests of ratepayers to maximize access to matching Grid Innovation Fund funding by setting the cap at \$255,000. This amount has been scrutinized and accepted by the IESO in the amendment.

Without rehashing reasons provided elsewhere in detail, EPLC ratepayers face the looming prospect of costly upstream transmission system upgrades and the PowerShare DSO pilot has the potential to defer or avoid those costly upgrades. Further, contrary to the submissions of VECC, the evidence in this proceeding demonstrates that capital assets installed as part of PowerShare DSO pilot (notably at a 50% discount) will continue to be used and useful even if the PowerShare DSO pilot is permanently discontinued.

Detailed information will be available once EPLC issues the complete report on outcomes and learnings, especially those with potential benefits for customers of EPLC, after the completion of the PowerShare DSO pilot project.³

Yours truly,

BORDEN LADNER GERVAIS LLP



Colm Boyle

JV/CB

³ *Ibid* at page 14.