Elissar El-Hage
Senior Manager, Rate Applications
Toronto Hydro-Electric System Limited
14 Carlton Street
Toronto, ON M5B 1K5
regulatoryaffairs@torontohydro.com

August 7, 2026

via RESS

Mr. Ritchie Murray
Registrar
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Mr. Murray:

Re: Toronto Hydro-Electric System Limited ("Toronto Hydro")
Non-Wires Solution Incentive Mechanism Application
OEB File No. EB-2026-0129, Update Interrogatory Response - Minor Correction to Interrogatory Response to OEB-Staff-1

Please find attached an updated response to OEB Staff-1 with a minor correction. While the correct guidelines were referenced in the footnote, lines 10 and 11 on page 2 of the response should have referenced the *Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives* rather than the *Non-Wires Solutions Guidelines for Electricity Distributors*.

Please do not hesitate to contact us if you have any questions.

Sincerely,

Elissar El-hage

Digitally signed by Elissar El-hage
DN: cn=Elissar El-hage, email=EEl-hage@TorontoHydro.com
Date: 2026.08.07 12:09:42 -04'00'

Elissar El-Hage
Senior Manager, Rate Applications
Toronto Hydro-Electric System Limited

Cc: Andrew Sasso and Jody McEachran, Toronto Hydro; all intervenors

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

INTERROGATORY OEB STAFF-1

Reference(s): EB-2023-0195, Exhibit 1B Tab 3, Schedule 1, p.46-54
EB-2023-0195 Partial Decision and Order, Settlement Proposal, p.35-36
THESL Response to Preliminary Questions
EB-2023-0195 Benefit Cost Analysis

<u>Preamble:</u>

As part of its Custom Incentive Rate-Setting (CIR) application under EB-2023-0195, Toronto Hydro requested funding and approval of a Local Demand Response (LDR) program including a Performance Incentive Mechanism (PIM) to achieving 30 MW capacity target by 2029. This was a part of broader 2025-2029 performance incentive scorecard measures. Toronto Hydro documented consideration of other incentive mechanisms (shared savings mechanism (SSM) and margin-on-payment (MoP)) noting they were "not sufficient to level the playing field between the non-wires solution (LDR) and the conventional option (load transfers)". Although the LDR program was approved, the settlement agreement among parties eliminated the PIM.

In response to Preliminary Question No. 2 from Procedural Order No. 1, Toronto Hydro stated that the PIM and the current incentive application are not "analogous," describing the PIM as an incremental, risk-based mechanism. Toronto Hydro also notes that Section 11 of the Distribution System Code (DSC) which provides for a 25% MoP incentive, was adopted after the settlement and therefore could not have been considered in the CIR Application.

QUESTION (A) AND (B):

a) Does Toronto Hydro believe it had the opportunity to propose/request a 25% MoP incentive as part of its CIR application under the OEB's Incentive Guidelines? If no, please provide supporting rationale.

b) Please explain why Toronto Hydro did not request an MoP type incentive in its CIR Application, given that this approach was identified in the OEB's Incentive Guidelines.

RESPONSE (A) AND (B):

In proposing the EB-2023-0195 Performance Incentive Mechanism ("PIM"), Toronto Hydro assessed the three incentives options, including Margin-on-Payment ("MoP"), and established the rationale as to why the scorecard option was the most appropriate in the context of its proposal and the policy framework in place at the time. Toronto Hydro proposed the PIM as an accountability and rate mitigation mechanism as part of the integrated proposal with a number of metrics. The *Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives* ("Filing Guidelines")[1] provided the most guidance on scorecard target. /C

Toronto Hydro's application and subsequent settlement couldn't have contemplated changes to the *Distribution System Code* ("DSC") that provided greater clarity on the incentive amount and eligibility requirements over the information in the Filing Guidelines. Please see Toronto Hydro's Response to Preliminary Questions for further information on the distinction between the PIM and MoP incentive.

Although the Filing Guidelines came out in March 2023, the evidence in 2025 CIR application was actively being developed at that time and Toronto Hydro's Custom IR Framework had already been developed based on existing policies and OEB requirements. When Toronto Hydro filed its 2025-2029 CIR application on November 17, 2023, neither the *Non-Wires Solutions Guidelines*[2] nor the *Benefit Cost Analysis ("BCA") Framework for Addressing Electricity System Needs*[3] were released. They were subsequently issued in March and May 2024 respectively, while the application was being adjudicated. Toronto Hydro filed its settlement proposal in the CIR Application in August

[1] Ontario Energy Board, *Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives* (March 28, 2023)
[2] Ontario Energy Board, *Non-Wires Solutions Guidelines for Electricity Distributors (*March 28, 2024)
[3] Ontario Energy Board, *Benefit Cost Analysis (BCA) Framework for Addressing Electricity System Needs* (May 16, 2024)

2024. The final DSC amendments, codifying the MoP incentive and prescribed eligibility requirements, were not released until November 2025, more than a year later.

At the time Toronto Hydro filed its application, the BCA, which provides a methodology to assess the economic feasibility of using Distributed Energy Resources ("DERs") as Non-Wires Solutions ("NWS"), had not been released. Toronto Hydro created its own BCA to demonstrate that its Local Demand Response ("LDR") Program was cost effective.

Both the DSC and the Filing Guidelines permit a stand-alone application for an incentive, without a request for rate funding.[4] Toronto Hydro's application for the MoP incentive is in alignment with the OEB's current policy framework and advances the policy objectives set out in the FEI and section 11 of the DSC.

QUESTION (C) – (E):

c) Had the proposed PIM scorecard been agreed upon by all parties to the settlement, and assuming all associated targets were met, please:

i. Quantify the incremental cost to customers attributable to the system capacity component of the PIM scorecard related to the LDR Program.

ii. Provide the LDR Program net benefits as per the Benefit-Cost Analysis (BCA) Toronto Hydro filed as part of EB-2023-0195 including incentive payments for each of the incentive types as considered as part of its CIR Application (PIM, SSM, MoP).

d) Please explain what Toronto Hydro considers to be "sufficient to level the playing field" for a non-wires solution (NWS) incentive.

e) Had the PIM scorecard been agreed upon by all parties to the settlement as proposed by Toronto Hydro:

---

[4] DSC section 11.2; Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives, at p. 3.

- Please confirm whether Toronto Hydro would have applied for a MoP incentive following the adoption of Section 11 of the DSC, and provide rationale for the response.

RESPONSE (C) – (E):

Toronto Hydro cannot speculate about what would have occurred under a different settlement and how a hypothetical settlement would have been implemented. The PIM incentive as proposed in EB-2023-0195 was based on certain assumptions around the productivity, efficiency and performance factors proposed as part of the rate framework. Toronto Hydro cannot speculate about what performance factor would have been agreed to as part of a hypothetical settlement, and thus is unable to calculate the incremental cost of the system capacity component.

Toronto Hydro is also unable to provide an updated BCA as it does not know what costs and other assumptions would have been approved regarding its capital program.

QUESTION (F):

f) Should the 25% MoP incentive be approved as part of this application, does Toronto Hydro's intend to submit any further NWS incentive applications during the rate period?

RESPONSE (F):

Toronto Hydro does not intend to submit a further incentive application for its approved LDR program during the 2025-2029 rate period, if the OEB approves the proposed MoP incentive.