

Decision on Toronto Hydro's Proposed Innovation Fund

On December 10, 2024, the Ontario Energy Board (OEB) issued a [decision](#) on Toronto Hydro-Electric System Limited's (Toronto Hydro) proposal to establish a customer-funded Innovation Fund. The Innovation Fund would support pilots of early stage, exploratory and developmental opportunities to prepare its distribution system for increased electrification and to integrate distributed energy resources.

The OEB denied the proposal for several reasons including:

- The OEB was not satisfied that the 100% customer-funded pilot projects would be cost-effective or in the best interest of customers.
- The OEB would not pre-approve cost recovery from customers for pilot projects without sufficient specifics about the proposal.
- There was not sufficient evidence on which to approve pilots funded only by Toronto Hydro's customers without knowing how those pilots could appropriately complement the existing Independent Electricity System Operator (IESO) Grid Innovation Fund program.
- The impact of the Innovation Fund on customer rates was uncertain given the lack of clarity on the mix of funding between capital and operations, maintenance and administration.
- Adjudicating the suggestions to improve the fund made by intervenors and OEB staff, some of which were not agreed to by Toronto Hydro, would inappropriately result in the OEB effectively re-designing the program and its management through an order.

The request to approve the Innovation Fund was part of Toronto Hydro's major rates application. The [settlement proposal](#) approved by the OEB earlier this year on all other aspects of that application included Toronto Hydro's 2025-2029 capital plan. That plan includes approximately \$444 million in funding for a grid modernization strategy, an advanced metering infrastructure 2.0 platform, an advanced distribution management system and a robust non-wires solutions program.

INTERVENORS

Intervenors are individuals or groups who have permission to participate in a hearing before the OEB because they have a substantial interest in the proceeding. Of the nine intervenors that made submissions on the Innovation Fund, four submitted that the OEB should reject the proposal, two intervenors plus OEB staff were critical but offered support on the condition that specific changes be made and three supported the proposal with certain improvements.

ABOUT THE OEB

The OEB is the independent regulator of Ontario's electricity and natural gas sectors. It protects the interests of consumers and supports the delivery of clean, reliable and affordable energy for the people, farms and businesses of Ontario. Its goal is to deliver public value through prudent regulation and

independent adjudicative decision-making which contributes to Ontario's economic, social and environmental development. You can learn more about the OEB at oeb.ca.

Independence in the hearing and determination of matters is a key element of the OEB's mandate, established through legislative structures, the [Memorandum of Understanding](#) between the Minister of Energy and Electrification and the Chair of the OEB, and by-laws that set out clear lines of communication between government and the OEB. Commissioner panels hear and determine matters independently, with legislative protections and other instruments to ensure decisions are free from interference by the CEO, the Board of Directors and government. This also includes the Chief Commissioner when not assigned to the specific case.

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Ce document est aussi disponible en français.

This Backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decision and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for decision; those may be found in the Partial Decision and Order issued December 10, 2024, which is the official OEB document.