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BY EMAIL and WEB POSTING

January 28, 2025

To: **All Rate-Regulated Electricity Distributors**
Independent Electricity System Operator
All Other Interested Parties

Re: **EB-2025-0060: Distribution System Operator Capabilities – Stakeholder Consultation**

The Minister of Energy and Electrification's 2024 Letter of Direction to the Ontario Energy Board (OEB) requested that the OEB “develop and assess local and market opportunities for Distributed Energy Resources (DERs), including through alternative energy business models (e.g., Distribution System Operator capabilities).” In response to this direction, the OEB is initiating a consultation to consider and define a policy framework to set expectations for electricity distributors regarding the development of Distribution System Operator (DSO) capabilities, which can provide new means for ensuring reliable and cost-effective distribution services at the same time as enhancing opportunities for DERs.

The Letter of Direction also asked for the OEB to examine the regulatory landscape, including the potential need for legislative or regulatory changes to enable future utility business models, to support the Ministry's broader DER strategy.

Background

A DSO is an entity with advanced capabilities to integrate, manage and optimize DERs for distribution and transmission services. These capabilities, often envisioned to be achieved through creation of local electricity markets, allow DSOs to take advantage of the opportunities provided by distributed generating capacity, distribution-connected energy storage and dynamic customer loads to address system requirements.

Several parties in the Ontario electricity sector have undertaken their own studies of DSOs to understand the benefits and drawbacks of differing arrangements of responsibilities and functions. Some utilities have tested or otherwise piloted DSO implementations. Various DSO and DER participation models were also a focus of discussion within the IESO's Transmission-Distribution Coordination Working Group. DSOs and electricity distributors' business models were featured on the agenda at OEB Policy Day in both 2023 and 2024.

The OEB has been monitoring these and other sector developments and discussions on DSOs. In 2024, the OEB also retained a consultant, DNV Energy Insights, to assess the need and value of DSO functionality in Ontario, as well as a range of potential DSO models. This foundational work sought to better understand fundamental considerations regarding DSO implementation, such as:

- DSO functions and the advantages and drawbacks of the various ways in which roles can be organized.
- The technical and economic conditions that drive adoption of DSO functionality and use cases.
- Foundational investments and capabilities required to enable DSO functionality.

Consultation

The OEB recognizes that there exists a relatively large range of views within the sector on the approach, form and desirable pace for DSO capability development. Amid these differing perspectives, the priority for the OEB's consultation will be to define how best to ensure that the introduction of DSO capabilities and potential evolution of the distribution utility deliver optimal value to customers over time.

The OEB's engagement with the sector is intended to support greater clarity for all sector participants, including electricity consumers, DER solution providers, new sector entrants and electricity distributors. The result of the consultation will be to set out expectations, requirements and regulatory considerations regarding the introduction, pacing and scope of new functions at the distribution level, including the roles of electricity distributors.

Stakeholder Meeting

As the next step in this work, the OEB plans to publish two reports intended to serve as common points of reference for all stakeholders:

- A report from DNV Energy Insights focusing on the core drivers behind the implementation of DSOs, use cases, DSO functionality and architecture, and other matters.
- An OEB Staff Discussion Paper to set out objectives for the consultation and establish the key issues to be addressed.

These reports will be published in spring, followed by a stakeholder engagement session hosted by the OEB during which DNV Energy Insights and OEB staff will present their reports. Interested stakeholders will also be invited to deliver their own presentations on the topic of DSO capabilities, critical success factors, policy objectives as well as regulatory or other related considerations. Considerable time on the agenda will also be set aside for open discussion. Following the meeting, stakeholders will have an opportunity to provide written comments on the proposed objectives and issues for this consultation. Further detail on this event and subsequent steps in the consultation process will be provided in due course.

Participation

Stakeholders who wish to participate in this consultation are asked to email notice of their intention to registrar@oeb.ca by **February 11, 2025**. Stakeholders interested in presenting should indicate this in their email. While there will be future opportunities to sign up to give a presentation, early notice will help us better prepare.

Emails should include “**EB-2025-0060 Distribution System Operator Capabilities**” in the subject line and provide the following information:

- participant/organization name;
- name(s) of attendees to be registered; and
- a contact name, telephone number and email address.

Cost Awards

Cost awards will be available to eligible participants under section 30 of the *Ontario Energy Board Act, 1998* for participation in this consultation. Costs awarded will be recovered from all rate-regulated electricity distributors. Important information regarding cost awards, including in relation to eligibility requests, is set out in Appendix A to this letter. Appendix A also contains instructions for filing materials with the OEB.

Thank you in advance for your participation. The OEB looks forward to your feedback.

Any questions relating to this letter should be directed to **Ashley Sanasie** at ashley.sanasie@oeb.ca or at **416-544-5156**. The OEB’s toll-free number is 1-888-632-6273.

The OEB recommends interested stakeholders register to the [Distribution System Operator Capabilities](#) Engage with Us page for future updates.

Yours truly,

Brian Hewson
Vice President, Consumer Protection & Industry Performance

Appendix A Cost Award Matters

Cost Award Eligibility

The OEB will determine eligibility for costs in accordance with its [Practice Direction on Cost Awards](#). Any person intending to request an award of costs must file with the OEB a written submission to that effect by **February 11, 2025**. The submission must identify the grounds on which the person believes that it is eligible for an award of costs (addressing the OEB's cost eligibility criteria as set out in section 3 of the *Practice Direction on Cost Awards*). An explanation of any other funding to which the person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known. All requests for cost eligibility will be posted on the OEB's website.

If a licensed rate-regulated electricity distributor has any objections to any of the requests for cost eligibility, such objections must be filed with the OEB by **February 18, 2025**. Any objections will be posted on the OEB's [website](#). The OEB will then make a final determination on the cost eligibility of the requesting participants.

Eligible Activities

Cost awards will be available to eligible participants for participation in consultation activities. Details on cost-eligible activities and events will be provided at a later date.

Cost Awards

When determining the amount of the cost awards, the OEB will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the Cost Awards Tariff will also be applied. The OEB expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process. In accordance with section 12 of its *Practice Direction on Cost Awards*, the OEB will act as a clearing house for all payments of cost awards in this process. For more information on this process, please see the OEB's *Practice Direction on Cost Awards*.

How to File Materials

Stakeholders are responsible for ensuring that any documents they file with the OEB **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-2025-0060** 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 email 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.

- Stakeholders 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.
- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

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.

Email: registrar@oeb.ca

Tel: 1-877-632-2727 (Toll-free)