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June 5, 2025

EB-2025-0083 OEB Proposed Changes to the Distribution Service Code
Pollution Probe – Comments on proposed amendments to the Distribution System Code

Dear Mr. Murray:

On May 16, 2025, the Ontario Energy Board (OEB) provided notice of proposed amendments to the Distribution System Code (DSC). The proposed amendments build on existing guidance to establish a methodology for the setting of rates to include a margin on payments (MoP) incentive related to the use of third-party distributed energy resources (DERs) as non-wires solutions (NWSs) to meet a distribution system need. Pollution Probe has been actively involved in the OEB consultations related to DERs and NWSs, including as a member of working groups. Utility incentives were assessed as part of the Future of Energy Innovation (FEI) which resulted in a report and several sub-reports completed and accepted by the OEB in 2023 (under EB-2021-0118). The roadmap and related timing for implementation of the recommendations has been unclear. It would be helpful if the OEB is able to share a proposed roadmap for the FEI action items and the estimate timing for closing them out. This would not only help with FEI 2.0, but would also enable stakeholders to understand linkages and dependencies to other related policy initiatives. There are additional items that can also be added to FEI 2.0 based on current information.

There is a large number of OEB initiatives currently underway and several of these relate to advancing DERs (directly or indirectly). Filing requirements related to the BCA Framework have also been implemented. These initiatives also link to direction and/or policy initiatives being driven at the Provincial level. When viewed independently, these initiatives can appear to be siloed and not aligned to achieving the intended outcomes in the most efficient and cost-effective manner. A comprehensive and integrated plan that transparently lays out all the barriers and proposed initiative solutions would better allow all stakeholders to coordinate in an efficient manner to achieve the outcomes targeted. Pollution Probe notes that the OEB recently made some adjustments to provide more clarity and inter-link the relevant elements of

initiative in the EB-2024-0129 discussion paper and stakeholder deck. This enhancement was excellent and is encouraged across all OEB initiatives.

The OEB has made significant progress in advancing DERs and removing barriers, including through its DER Connections initiative. Measuring the real outcomes for DERs in each distributors service territory would collectively determine if tangible progress is being realised. Distributors need to design and invest in the system of the future that enables the ability to leverage vastly more DERs than previously considered. The future is distributed and Distribution System Plans (DSPs) need to align with the reality of the energy transition and customer needs. Some utilities have visibly taken action to make this a reality and that has enabled a smooth foundation for the energy transition in those service areas.

It is a baseline expectation that distributors include a thorough assessment of DERs and their benefits in their DSP. Enabling DERs is not just based on adequate utility planning and private investments, but also on have the enabling factors in place, including appropriate programs. Examples for EVs include the overnight charging rate and managed charging programs. Distributors have a requirement to apply the BCA Framework in their rates case applications. Given that identifying those options are a requirement, does the MOP simply provide an incentive to implement the options? The OEB has been assessing carrot and stick approaches for Performance Based Regulation and using a similar approach to ensure that BCA is conducted on all relevant options and then rewarding the distributor for actioning cost-effective options seems aligned. The OEB could consider sticks to go with the carrots, as appropriate.

As the OEB is aware, there are parallel initiatives underway to unlock the potential and benefits of DERs. One example is the IESO first generation DER Potential Studies for Toronto and Ottawa. Sharing information and lessons learned from those assessments will help improve future iterations of DER potential studies and allow the information to be leveraged through OEB DER initiatives and utility DSPs.

Pollution Probe agrees that codifying the requirements for a MoP incentive for the use of a third-party DER and making provision for a default MoP value will enhance regulatory predictability and preserve flexibility in appropriate circumstances. Continuing to incent and monitor the shared savings and performance target or scorecard-based mechanisms that remain available through the Filing Guidelines to distributors can continue to enhance incentive options over time. There is currently no understanding if the proposed approach will be too little, too much or just right, to achieve the intended outcomes. However, Pollution Probe believes that the Consultant Report's recommendation that a 25% MoP value, in combination

with the appropriate eligibility criteria, will be an acceptable initial approach to support consideration of third-party DERs to meet distribution system needs while protecting the interests of consumers. This approach does not need to be labelled as a pilot, but ensuring that the results are monitored and reviewed within two to three years will enable the OEB to make adjustments, as required.

The OEB suggests the following conditions be applied based on the consultant report.

1. The third-party owned solution must have a positive forecast net benefit, as calculated using the quantitative impact categories identified in the Distribution System Test (DST) set out in the OEB's Benefit-Cost Analysis Framework for Addressing Electricity System Needs (BCA Framework); and,
2. The net present value of the forecast MoP incentive amount cannot exceed 50% of the net present value of the forecast net benefit of the proposed third-party DER solution.

The DST applied in the BCA Framework is overly restrictive and has been part of the reason that there has been limited success in applying the BCA Framework to drive real project results. Pollution Probe recommended using the more holistic Societal Cost Test (SCT) as noted in the best practice National Standard Practice Manual for DERs (NSPM)¹. It is not possible to enable DERs as part of the successful Energy Transition without considering the broader societal benefit created within the service territories being impacted. SCT more appropriately and comprehensively represents the benefits and costs within the service territory of the distributor. This would increase the potential for DER and NWS success. The OEB adjusted the BCA Framework to recognise the value and use of the SCT, but retained the DST as the only mandatory test in the BCA Framework. Failing to enable the use of SCT will continue to restrict progress.

As noted above, this proposal is only one component related to the opportunities and recommendations made in the FEI report and sub-reports. It is expected that DER technologies and uses will continue to proliferate as the energy transition continues to accelerate. Broader approaches will need to be considered and enabled to support DER adoption and the abilities of distributors to leverage their benefits, even in cases where the distributor does not have direct control over the DERs use.

¹[National Standard Practice Manual - NESPM \(nationalenergyscreeningproject.org\)](http://nationalenergyscreeningproject.org)

Ontario is heading toward an inflection point which is distinctly different from the old style central planning approach. As customer centric DERs increase, the system will need to become more adept at leveraging options at a local level. Best practice jurisdiction are already doing this. Pollution Probe encourages the OEB to include consideration of these broader DER opportunities in the FEI 2.0 roadmap and associated initiatives.

Respectfully submitted on behalf of Pollution Probe.



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