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July 21, 2025

Re: Submission to the OEB in EB-2025-0060 (Distribution System Operator Capabilities – Stakeholder Consultation)

The PowerShare Group is pleased to provide this submission in response to the Ontario Energy Board's (OEB) May 20, 2025, invitation for stakeholder feedback on its Staff Discussion Paper and the DNV Energy Insights Reports addressing the development of Distribution System Operator (DSO) capabilities in Ontario.

We commend the OEB for initiating this important and timely consultation. The release of the Discussion Paper and supporting research represents a critical first step in defining the capabilities and roles required of Ontario's electricity distributors to enable a more flexible, resilient, and customer-driven grid. We appreciate the opportunity to share our collective perspectives and experience to this conversation.

We believe the time is right to evaluate the evolution of Ontario's distribution sector and the functions necessary to support our customers in the energy transition. The sector is at an inflection point: increasing electricity demand, deployment of distributed energy resources (DERs), increased electrification of transportation and heating, and heightened customer expectations for choice and reliability are placing new demands on distribution networks. These trends are driving the need for distributors to move beyond their traditional wires-only role and take on more active system management and facilitation functions to maintain the efficiency, affordability, and reliability of the distribution system.

We see this consultation as an opportunity to align the development of DSO capabilities with the Ontario government's evolving policy vision, including the "Energy for Generations" Integrated Energy Plan, released June 12, 2025, and subsequent directives from the Ministry of Energy to the OEB. The development of DSO capabilities will require clarity of roles and responsibilities, consistency of standards, and an appropriate regulatory framework to ensure that the distribution system can meet Ontario's future energy needs while enabling customer participation and choice.

About the PowerShare Group

PowerShare is a collaboration of forward-looking Ontario Local Distribution Companies (LDCs) committed to advancing DSO capabilities and enabling a more flexible, customer-driven electricity system. By aligning strategies and sharing expertise, PowerShare empowers small and mid-sized LDCs to deliver innovative, scalable solutions that benefit both the grid and the communities they serve.

Founding members include:

- Bluewater Power Distribution Corporation
- Essex Powerlines Corporation
- Greater Sudbury Hydro Inc.
- Kingston Hydro Corporation
- Lakefront Utilities Inc.
- London Hydro Inc.
- Milton Hydro Distribution Inc.
- PUC Distribution Inc.
- Welland Hydro Electric System Corp.

The group recognizes the vital role of DERs — including demand response, distributed solar and storage, and electric vehicles (EVs) — in Ontario's energy transition and is working collaboratively to develop tools and practices that support LDCs in managing these resources effectively. PowerShare is pursuing a **shared-service approach** to developing DSO capabilities, leveraging common systems, processes, and expertise to achieve economies of scale, affordability and consistency across multiple service territories.

Building on successful DER pilot projects, PowerShare is now focused on defining the operational, technical and regulatory requirements to make DSO capabilities standard practice. By developing common, replicable approaches, the group aims to enable LDCs to take on enhanced roles in DER coordination and market facilitation as part of everyday operations. PowerShare has organized this submission to the OEB so that it contains both our comprehensive views on the development of DSO capabilities by Ontario LDCs, and our specific response to the questions the OEB has posed to stakeholders in its consultation.

Ontario Context and Framing

Electricity Demands are Growing

Ontario's electricity sector is at a pivotal moment. As articulated in Energy for Generations: Ontario's Integrated Plan to Power the Strongest Economy in the G7 (IEP), the government has set out an energy vision rooted in four principles: affordability, security, reliability, and clean energy.

Both the IEP and the IESO's 2025 Annual Planning Outlook (APO) point to the same conclusion: electricity demand is rising faster and higher than previously forecast, and the system must evolve to keep pace. The APO forecasts system-level net annual energy demand growing 75% by 2050, driven by electrification of vehicles, heating, industry, the expansion of EV supply chains, data centres, and population growth. Ontario is on track to become a dual-peaking system by 2030, with winter and summer peaks converging due to EV charging and greenhouse lighting.

The IEP recognizes that past fragmented approaches to energy planning contributed to unnecessary costs and inefficiencies. For distribution networks, addressing this fragmented

approach means aligning investments, operations, and regulatory frameworks to enable the full contribution of DERs. Much of Ontario's growing load will materialize at the distribution level, underscoring the need for LDCs to evolve beyond their traditional wires-only role.

LDCs Already Required to Perform DSO-like Activities

Ontario's LDCs are increasingly called upon to support electrification, integrate DERs, and deliver customer-driven solutions. LDCs already facilitate DER connections, maintaining reliable operations, and ensuring compliance with technical standards. These ensure DERs can connect safely and reliably within the grid.

LDCs are now also required to consider non-wire solutions (NWS) as part of their planning processes. These resources continue to mature into cost-effective tools that can be used to defer or avoid traditional infrastructure investments. To fully leverage NWS, LDCs need enhanced capabilities to plan, procure, and actively operate these resources as part of an integrated distribution strategy.

LDCs have also demonstrated their ability to deliver on broader electricity system and public policy objectives through energy efficiency and demand-side management (eDSM) programs, engaging customers and mobilizing local resources to support system goals. Adopting DSO capabilities builds on these foundations and unlocks greater value for customers and the electricity system at both the local and bulk system levels.

Role of the IESO

Ontario's Independent Electricity System Operator (IESO) is unique among North American system operators in its multiple roles as a wholesale market and system operator, contract counterparty, and program administrator. This distinction is critical when considering how LDC and DSO roles should evolve in Ontario. While the IESO enables some DERs to participate directly in the wholesale market — for example, through the Capacity Auction — it also delivers a suite of out-of-market programs that support DER deployment, such as the Peak Perks residential demand response program, and directly contracts with DERs through initiatives like the proposed Local Generation Program. As a result, integration and interoperability of DERs in Ontario must account for both market-participating resources and those engaged through out-of-market initiatives — a unique context that is essential to defining the appropriate scope of DSO functionality. This evolution can build on the ways in which data is already seamlessly shared to enable necessary coordination — for example, through the Global Adjustment mechanism, the Meter Data Management/Repository (MDM/R), and regular IESO portal submissions — and can leverage work already undertaken by the Transmission-Distribution Working Group (TDWG) on data-sharing frameworks and operational coordination.

The long-standing use of centralized contracts and programs — and the resulting Global Adjustment (GA) — means wholesale market prices alone do not reflect the full system cost or value of energy resources, including DERs. This has important implications for how DERs are valued and compensated, particularly at the distribution level. Compensation for DERs using IESO wholesale clearing prices should not be expected to provide sufficient incentive for DER participation or successful development of the DSO model. As the OEB develops its DSO roadmap, it must consider how to align with the IESO's contracted resources, programs, and markets in a

way that reflects the true system value of DERs while avoiding duplication, inefficiency, or misaligned incentives. This integration challenge, resulting from Ontario's distinctive market structure, highlights the need for a thoughtful, tailored approach when defining DSO roles and IESO roles.

DER Value Stack

Ontario's current regulatory and market framework does not fully recognize or compensate the complete value stack of DERs, which includes avoided capacity and energy costs, deferred infrastructure investments, reduced losses, and improved reliability and resilience. A key challenge is Ontario's cost structure, where the commodity prices is the combination of wholesale electricity prices and the GA. Under the current Standard Supply Service Code, LDCs can only pass through the wholesale energy price for embedded generation, leaving much of the DER value to the system uncompensated. To enable fair and efficient deployment of DERs, Ontario needs to consider how their contributions to both the distribution and bulk systems are valued and remunerated. Given the prominence of out-of-market mechanisms alongside the wholesale market, alternative or complementary compensation structures will likely be necessary to fully unlock the potential of DERs within Ontario's unique context.

DSO-as-a-Shared-Services Approach

The PowerShare Group strongly encourages the enablement of a shared-services approach to delivering DSO capabilities (in addition to both "in-house" and "big-serving-small" models). Shared services build on the collaborative work already underway among Ontario's LDCs, such as shared back-office functions, joint procurement, and coordinated planning efforts, and can evolve to include deeper integration like control room consolidation, staff resource sharing (in areas such as DSO expertise, regulatory compliance, and data analytics), and joint software development in support of DSO activities. This approach aligns closely with ministerial priorities by promoting cost-efficiency, fostering cooperation among smaller and mid-sized LDCs, and ensuring that solutions are replicable and scalable across the province. It reflects the type of sector collaboration consistently emphasized in Ministry letters of direction: maximizing value for ratepayers by avoiding duplication and leveraging collective expertise.

Shared services, as envisioned by PowerShare, are peer-based and collaborative — not hierarchical. As noted above, this is not a model of "large LDCs helping small LDCs," but rather a service model where LDCs jointly develop and operate tools, platforms, and expertise that would not be efficient or practical for each utility to maintain individually. Many DSO-like functions, such as real-time DER visibility, advanced system planning, and DER coordination, are already increasingly necessary to meet today's regulatory obligations (including the enablement of NWS) and will only become more critical as DER penetration grows.

The PowerShare model enables these capabilities to be delivered in a way that is affordable, consistent, and accessible for all participants, regardless of size. The shared-services approach allows LDCs to share existing expertise and experience while also building toward more advanced DSO functions over time. It creates a pathway to cost-effectively integrate DERs today, rather than deferring progress until broader market and regulatory reforms are complete. By pooling resources, expertise, and investments, LDCs can act now to deliver the capabilities Ontario needs to achieve its broader objectives of affordability, reliability, electrification, and decarbonization.

The OEB should ensure that its roadmap for developing DSO capabilities allows DSO-as-a-service from the outset because there are DSO capabilities the deployment of which would benefit from the collaborative approach of PowerShare's DSO-as-a-service model.

Section 71 of the OEB Act – A Necessary Legislative Evolution

As noted on page 28 of the Discussion Paper, with limited exceptions, a licensed distributor may not carry on any business activity other than distributing electricity (s. 71(1) OEB Act). "Distribute," with respect to electricity, means to convey electricity at voltages of 50 kilovolts or less (s. 3(1) OEB Act), which is a notably narrow definition of "distribution". This creates uncertainty, especially as DSO roles increasingly intersect with wholesale market needs.

The Discussion Paper (p. 28) sets out, as an "indicator" of whether an LDC activity falls within "distribution," whether such activity serves a "distribution purpose as its primary objective." Further, a distributor "is generally expected to refrain from pursuing other benefits unless they are incidental to an **overarching distribution purpose**." [emphasis added]

However, at page 19, the Discussion Paper identifies as one of three types of benefits that DSOs can provide:

> *"Expanding DER Compensation Mechanisms: DSO capabilities can create new ways for DERs to be compensated for a greater portion of the value they can provide at different levels of the electricity system. This can take the form of providing program or local market mechanisms to compensate DERs for distribution-level services, and having DSOs undertake investments to facilitate greater DER participation in the* ***wholesale electricity market****."* [emphasis added]

As DSOs mature, it is foreseeable that the DSO function may, with respect to certain DERs and at certain times, have the primary objective of delivering value at the wholesale market level. Further, the DNV report raises the possibility that pursuing the DSO function may actually conflict with traditional "DNO" activities. Thus, the successful development of the DSO model would, inherently and in significant respects, no longer be incidental to an overarching distribution purpose.

Finally, neither policymakers nor the IESO would be bound by the current expansive OEB staff definition of "distribute," creating regulatory and policy uncertainty should the DSO model grow and succeed in facilitating DER deployment for bulk system needs. Therefore, PowerShare recommends that section 71 be amended to explicitly allow DSO activities, similar to existing exceptions for conservation activities and certain generation and storage activities (sections 71 (2) and (3)), thereby providing clear authority for LDCs to pursue these critical functions without future regulatory ambiguity.

Enabling Fair Remuneration

DERs provide value to both the distribution and bulk electricity systems, and a modern remuneration framework must reflect this dual benefit, including by:

- Ensuring payments to DERs reflect avoided distribution and bulk system costs, with costs fairly allocated between local ratepayers and provincial ratepayers.

- Recognizing the administrative costs of DSO functions, funded through mechanisms proportionate to the benefits realized.
- Levelling the playing field between wires and non-wires investments, and between DSO-led and IESO-led procurements.

The OEB should also explore innovative models to mitigate disincentives tied to lost regulated returns, ensuring LDCs are properly incented to pursue cost-effective DER and NWS solutions.

Transmission-distribution (T-D) coordination protocols and interoperability are key to enabling DERs to serve both levels of the grid effectively. DSO functions are needed to manage the trade-offs between bulk and distribution services while offering customers flexible options that minimize conflicts between obligations.

Customer engagement is critical to success. Program design should empower DER owners to participate in both IESO and DSO programs with transparency and choice. Mechanisms can be developed relatively easily to avoid "double counting" while providing the benefits of DERs to both the local network and the bulk system. Requiring a DER owner to choose between the IESO and the DSO is inefficient.

Funding DERs involves two distinct cost categories: payments to DERs for providing services through programs or contracts, and the costs of administering DSO functions, including program delivery, coordination, and system visibility.

Both sets of costs should be allocated fairly between distribution customers and province-wide ratepayers, since the benefits accrue to both levels of the system. For example, distribution customers should not bear the full cost when DERs help meet provincial bulk system needs. Remuneration reform is essential to enable efficient, coordinated use of DERs; without it, the system risks misaligned incentives and underutilized resources. Unlike the case of LDC-led NWS/DER investments, it should be recognized that in cases of IESO resource procurements, whether connected to the bulk system or distribution system, the benefits are deemed to accrue province-wide and the costs are allocated across all provincial ratepayers.

PowerShare suggests the following framework related to cost categories:

Cost Category	Benefit	Funding Mechanism
Payments to DERs for Services	Deferred or avoided distribution costs	Distribution Rates (e.g., OEB NWS Guidelines)
	Deferred or avoided generation and transmission	IESO Payment (e.g., Wholesale Market, Global Adjustment)
Administration of DSO Functions	Deferred or avoided distribution costs	Distribution Rates (e.g., Innovation Allowance)
	Deferred or avoided generation and transmission	IESO Payment (e.g., eDSM-like funding)

Future policy work might also investigate potential models that balance margin payments with compensation for lost regulated rate of return (RRoR), ensuring distributors have appropriate incentives to pursue cost-effective NWS alternatives. The aim of reform and policy work should be

to create an environment where DER and NWS investments are incented such that they maximize system-wide efficiency, ratepayer benefits, and customer choice.

Responses to OEB Consultation Questions

We turn our attention to providing responses to the OEB consultation questions. The prior pages of this submission contain information we trust the OEB will find helpful and supplementary to the comments we provide below. We do not wish to repeat the substance of our comments in response to the OEB questions below, but they ought to be front of mind as the OEB considers our responses to the specific OEB questions. To facilitate your consideration of those comments, we summarize the recommendations to the OEB set out above as follows:

1. The PowerShare model of DSO-as-a-service enables DSO capabilities in an affordable, efficient, consistent and accessible way for all LDCs, regardless of size; the OEB roadmap should seek to enable DSO-as-a-service from the outset.
2. Section 71 of the OEB Act should be amended to allow DSO activities.
3. A framework should be established for funding both the administration of DSO functions and the payment to DERs based on the proportionate share of the benefit between the distribution system vs. the bulk system (transmission and generation).
4. The OEB should explore regulatory policies that level the playing field between traditional wire assets and non-wires solutions, as well as between DSO-led and IESO-led resource programs and procurements.

PowerShare offers the following responses to the OEB consultation questions:

Defining Opportunities and Objectives

1. **What are your views on the opportunity and policy objectives for DSO capabilities?**

The time is right to advance DSO capabilities in Ontario. Demand growth, electrification, and increasing system constraints mean that DSO capabilities are no longer optional. They are essential to unlocking the full value of DERs by providing the interoperability, visibility, and T-D coordination needed to deliver benefits at the customer, distribution, and bulk system levels.

Policy must reflect Ontario's unique hybrid market structure, where DERs interact with regulated programs, out-of-market contracts, and wholesale markets. DSO models should therefore be flexible and inclusive, accommodating all these pathways. Similarly, LDC-led and IESO-led DER procurement must be coordinated to avoid duplication, conflicting price signals, and inefficient use of ratepayer funds.

Policy objectives should prioritize outcomes over structure by focusing on enabling core DSO functions — forecasting, control, integration — immediately, while allowing delivery models to evolve with system needs. These objectives align closely with the government's IEP, which acknowledges that:

> *"LDCs are being asked to do more than ever before [...] LDCs will need to strengthen their infrastructure, adopt new technologies, and deliver services more efficiently and affordably [...] To help position LDCs for long-term success, the government is tackling the core*

challenges they face, including identifying the type of investments that should be made to modernize the grid, integrate new technologies like distributed energy resources, and build a more resilient and responsive electricity system."

The IEP further articulates three key priorities for DERs:

> *"Strengthening grid resilience and efficiency: Ontario will guide DER deployment to enhance reliability and lower system costs — relieving local constraints, deferring infrastructure upgrades, and building resilience at the community level to help avoid outages."*
>
> *Empowering consumers: Ontario will make it easier for customers to adopt and benefit from DER — giving families, businesses, and institutions more tools to manage their energy use, reduce costs, and contribute to a smarter, more flexible grid. Attracting investment and unlocking innovation: Ontario will enable market pathways for DER providers — encouraging private investment in cost-effective solutions that deliver value to customers and the broader electricity system."*

These priorities underline the urgency of enabling DSO capabilities that can coordinate and unlock the full potential of DERs in delivering these outcomes**.**

2. **What are your views on the use cases and value of DSO capabilities for Ontario, including the importance of DSO capabilities in capturing more of the benefits DERs can provide?**

We consider three use cases, including NWS, customer-driven value, and bulk system support.

a) **Non-Wires Solutions:** NWS are already expected of LDCs under current regulatory obligations, and DSO capabilities such as forecasting, visibility, and DER coordination are essential to scaling NWS effectively. Enhanced T-D coordination and interoperability will also ensure that DERs can be procured strategically to meet both distribution and bulk system needs.

b) **Customer-Driven Value:** DSO capabilities create customer-driven value by improving the integration of customer-sited DERs through better connection processes and flexible interconnection standards. They also allow utilities to recognize and compensate for location-specific value, encouraging DER deployment where it provides the greatest impact, such as in relieving congestion or addressing high-loss areas.

c) **Bulk System Support:** At the bulk system level, DERs can play a growing role in providing capacity, energy, and ancillary services. DSO capabilities enable better coordination between the IESO and LDCs, ensuring DERs are dispatched effectively and do not receive conflicting market or operational signals. This can be done without requiring exclusive commitment to the IESO.

Without DSO capabilities, DERs risk being underutilized, undercompensated, and misaligned with overall system needs.

Distribution-level DER liquidity will be critical to enabling DERs to serve effectively as NWS. In addition, Ontario should encourage the development of programs and DER compensation mechanisms that implicitly recognize the bulk system value of DERs — including energy, adequacy, and other services — while also allowing for 'stackable' participation in both local and bulk markets to support liquidity. For example, a contract-for-difference structure for distribution-connected generation through the Local Generation Program could establish a bulk-system base case for DER generators, maintaining their market orientation. By designing these mechanisms to be explicitly stackable — consistent with Transmission-Distribution Working Group (TDWG) coordination protocols — local NWS programs and markets could then be layered on top over time to supplement the bulk value, building market liquidity at the distribution level as the system evolves.

As noted earlier, in cases of IESO resource programs and procurements, whether connected to the bulk or distribution system, the benefits are automatically deemed to accrue province-wide and the costs are allocated across all provincial ratepayers. PowerShare recommends that the development of programs and DER compensation mechanisms have the goal of levelling the playing field between DSO-led and IESO-led programs and procurements, such that investments are made at the most efficient location (e.g., bulk vs distribution system), in order to, the greatest extent possible, maximize system-wide efficiency, ratepayer benefits, and customer choice.

3. **How should the OEB's objectives (as set out in section 1 of the OEB Act) be balanced and reflected in the development of a DSO policy framework for Ontario?**

DSO capabilities directly support the OEB's mandate.

a. **Protecting Consumers**: DSOs enable cost-effective solutions like NWS; Empower customer participation and choice through DERs.
b. **Ensuring Reliability & Sustainability:** Improve grid flexibility, forecasting, and resiliency; Enable broader deployment of clean DERs to meet long-term needs.
c. **Overseeing Energy Companies:** Clarify DSO responsibilities with respect to DER integration.
d. **Promoting Public Value:** Maximize DER value across customer, local, and bulk levels; Improve system efficiency through better coordination and investment targeting.
e. **Modernizing the Sector:** DSOs are key to managing electrification, DER growth, and new technologies. Aligns with Ministerial direction on utility innovation and modernization.
f. **Accountability & Transparency:** Standardized functions and shared tools improve comparability and regulatory clarity.

Evaluating Proposals and Approaches

4. **Is an evolutionary approach to developing DSO capabilities appropriate for Ontario to pursue in order to achieve the policy objectives set out in the Staff Discussion Paper?**

Market development is inherently evolutionary, but this should not constrain the timely rollout of critical DSO functions. Many of these functions — such as DER connection, NWS enablement, and

basic T-D coordination — are already required today, and work must begin now to clarify and strengthen foundational DSO capabilities.

As described above, Ontario's current framework is complex and inefficient, and improvements are urgently needed. T-D coordination is critical as the IESO expands DER programs and LDCs pursue NWS, and interoperability cannot wait for future market-based models — it is needed immediately. The industry should shift from debating the technical details of 'how' interoperability is achieved and instead concentrate on defining the 'what,' 'where,' and 'when' of information exchange between the IESO and LDCs. To support this, we recommend developing a dedicated portal for the IESO and LDCs to share and receive information, enabling the incremental addition of functionalities while actively testing and refining Transmission-Distribution (TD) coordination protocols. This approach promotes practical progress on interoperability without delaying necessary information sharing.

PowerShare's vision is that Local Energy Markets (LEMs) represent a key goal to work toward, serving as a "representative NWS" that requires sufficiently advanced capabilities. LEMs function as a comprehensive procurement mechanism accommodating a wide range of market DER-based services. They can include separate market segments — for example, short-term flexibility markets (ShortFlex) and longer-term procurement (LongFlex) — providing a streamlined, single-window platform for DER owners. Additionally, assets within the LEM can be flagged based on their capabilities, such as voltage support or generation-only flexibility, enabling the system to efficiently categorize and leverage DERs capable of providing various services. We recommend explicitly incorporating this vision into the OEB's DSO Roadmap to guide future development and policy design.

Overall, the focus should remain on defining the required capabilities, functions, and responsibilities rather than prescribing rigid DSO models. Policy should clearly articulate the outcomes we aim to achieve: flexibility, coordination, and cost-effective DER integration. DNV's emphasis on taxonomy is too abstract; the sector needs clarity about what functions to enable, and the regulatory environment needed to support them. Ontario should build on what is already working and allow the framework to mature and evolve over time.

5. **What are your views on each of the three proposals presented in the Staff Discussion Paper?**

The OEB should recalibrate its proposals to align with the IEP, which was released after the OEB's Staff Discussion Paper. The process should also reflect new IEP-related Minister's directives and deliver on the stated objectives of roadmap development, DER-as-NWS guidance, and grid modernization. The OEB should avoid a siloed approach and focus on enabling core capabilities rather than prescribing specific models.

On **Proposal 1** – Mandatory Assessments, we support the intent, as understanding system needs and capabilities is essential. However, many LDCs, including PowerShare members, are already performing these assessments today. The OEB should consider alignment with Chapter 5 planning requirements, which already require distributors to consider system needs as part of their investment plans. A prescriptive approach risks duplicating effort and adding regulatory burden without improving outcomes. Instead, the OEB should define the functions required to support

DER integration and NWS enablement, allow LDCs to self-assess their readiness and determine their own implementation pathways, and provide streamlined tools and guidance rather than new mandates. The OEB should also explore a generic proceeding or binding decisions on foundational investments for grid modernization.

On **Proposal 2** – Simplified DSO Model, focusing on a single "model" is overly limiting. Many DSO-like functions are already required of LDCs today to deliver on their current mandates, such as NWS and eDSM programs. The priority should be enabling DSO functionality — like forecasting, interoperability, T-D coordination, and DER procurement — regardless of structure. A rigid model risks stifling innovation, particularly when shared-service initiatives like PowerShare are already proving effective. Instead, the OEB should enable flexible implementation pathways, focus on outcomes and functional requirements, and ensure remuneration and cost-sharing frameworks are addressed in the near term alongside technical capabilities.

On **Proposal 3** – Advanced DSO Model Development, Directive 17 calls for a roadmap by the end of 2025, and this should now be the focus. The OEB should work with the Ministry and the IESO to develop a coherent, cross-institutional strategy and align modernization investments (Directive 19) with policy and DER enablement (Directive 18). Customer participation and LDC engagement are critical, as LDCs are closest to end-users and must play a central role in designing solutions that work. Roadmap considerations should include role clarity between LDCs/DSOs and the IESO, remuneration mechanisms and cost allocation, and necessary regulatory reforms, including potential changes to the OEB Act and Rate Handbook.

Ministerial IEP Directives to the OEB (For reference):

> 17. Define a roadmap by December 31, 2025 for the potential development and implementation of Distribution System Operator (DSO) capabilities, commensurate with need, value, and the flexibility to adapt to evolving circumstances.
>
> 18. By December 31, 2025, explore and, where appropriate, move expeditiously to provide enhanced guidance to electricity distributors on incentive mechanisms for the use of DER as NWS.
>
> 19. Work with the Ministry and IESO to drive, through new and ongoing initiatives, prudent electricity distribution grid modernization that improves operational efficiencies, affordability and cost effectiveness, increases reliability, cyber security and resilience to severe weather events, and supports increasing electricity demand on the distribution grid. The goal of this work is to facilitate electricity distributor investment in new cost-effective technology that benefit customers and modernize the operation of the distribution grid, so that the sector could be better positioned to explore new and innovative ways to deliver on their mandate and broader government priorities.

<u>Balancing Standardization and Flexibility</u>

6. **How should the OEB best balance the benefits of a standard approach relative to the innovation and insights that could be gleaned from enabling greater flexibility and diversity through experimentation?**

The OEB should prioritize functional clarity over structural uniformity by defining the specific capabilities and outcomes required, rather than prescribing a single delivery model. The OEB should articulate the core DSO capabilities — such as forecasting, interoperability, and DER coordination — that all LDCs must be able to support, while allowing flexibility in how those functions are implemented based on each LDC's size, resources, and partnerships. The PowerShare Group demonstrates one such delivery model, using a shared-services approach to efficiently deliver DSO functions for smaller and mid-sized LDCs.

Standardization should focus on ensuring interoperability and protecting customers, but it should not stifle innovation or prevent local adaptation to unique needs. The OEB should also continue to make space for experimentation and scalable pilot programs, as it has successfully done in the past.

Specific Feedback on the OEB's Proposals

1. Mandatory Assessments:
Reiterating our comments above, we support system assessments but caution against duplicating existing Chapter 5 requirements. Focus should be on defining required functions, allowing LDCs to self-assess readiness and determine pathways suited to their size and context.

2. Simplified DSO Model:
We encourage the OEB to prioritize enabling core DSO functions — forecasting, interoperability, T-D coordination — rather than prescribing a single rigid model. This flexibility allows initiatives like PowerShare to deliver results through innovative shared-services approaches.

3. Advanced DSO Model Development:
As mentioned above, this should become the cornerstone of the roadmap process now mandated by Ministerial Directive 17. It is critical to align this work with grid modernization (Directive 19) and DER-as-NWS initiatives (Directive 18), ensuring a coherent, integrated strategy across agencies.

Conclusion

The PowerShare Group fully supports the OEB's leadership in advancing DSO capabilities as a foundational element of a modern, resilient, and customer-focused electricity system. Through PowerShare, we are already demonstrating that LDCs of all sizes can embrace innovation, collaborate effectively, and take the necessary steps to efficiently modernize the grid and unlock new DER opportunities. This work builds on what we are already doing today, focusing on near-term activities that deliver tangible benefits, and aligning with Ontario's economic development, electrification goals, and customer needs by enabling cost-effective, reliable, and flexible energy solutions. Our shared-services model reflects the principles set out in the new IEP, ensuring that investments in grid modernization are efficient, scalable, and aligned with both customer and system benefits.

As the sector moves forward, it is essential that all OEB consultations and initiatives are grounded in a coherent, aligned vision for DER integration and grid transformation — one that prioritizes capabilities, functions, and responsibilities over rigid DSO models, and stays focused on outcomes such as flexibility, coordination, and cost-effective DER integration. We appreciate the opportunity to contribute to this consultation and stand ready to support the OEB in the next steps of this important work, including roadmap development, implementation planning, and continued

stakeholder engagement to deliver affordable, innovative, and customer-driven outcomes for Ontario.

Sincerely,

PowerShare Group