

July 22, 2025

Independent Electricity System Operator

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Via Email and RESS

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Dear Mr. Ritchie Murray:

Re: IESO Submission- EB-2025-0060: Distribution System Operator (DSO) Capabilities – Stakeholder Consultation

The Independent Electricity System Operator (IESO) appreciates the opportunity to submit comments on the DSO Capabilities Stakeholder Consultation. The purpose of the consultation is to develop a policy framework to set expectations for electricity distributors regarding the development of DSO capabilities.

The IESO's objective is to maximize the value of distributed energy resource (DER) to the IESO-controlled grid (ICG) through planning, procuring, and operating cost-effective DERs for bulk and regional reliability needs. As local distribution companies (LDCs) start procuring DERs for distribution system non-wires solutions, the IESO recognizes the need to evolve mechanisms for LDC-procured DERs to provide and be compensated for services to the ICG. The IESO looks forward to collaborating with LDCs to enable these dual-purpose DERs and to advance coordination, ensuring that DERs are planned and operated to maintain both transmission and distribution system reliability.

The section below outlines IESO's comments on topics within the IESO's mandate, which were also addressed during our presentation and discussion at the OEB's DSO Capabilities Stakeholder Consultation stakeholder symposium held on June 23-24, 2025.

- The IESO is supportive of the development of DSO capabilities and associated distribution grid modernization investments required to enhance the planning, procurement, and operation of DERs for distribution system services (i.e., DERs as distribution non-wires solutions).

- The IESO supports the OEB's proposal for a graduated approach to facilitating the adoption of DSO capabilities in Ontario, beginning with a simplified model that reflects the existing regulatory framework. The IESO believes there is room for continuous innovation; functions associated with more complex DSO models can be implemented as DER penetration grows, DSOs mature, and as the value of these more complex capabilities are validated.
 - The IESO has observed that LDCs have different perspectives on their readiness, approach, and vision on DER integration. Within this landscape, the IESO supports taking incremental steps to enable implementation of no-regret actions that enable DER integration, supporting a more dynamic and bi-directional distribution system as the regulatory framework evolves and LDCs invest in grid modernization and non-wires solutions.
- The IESO is of the view that distribution-level procurement mechanisms and the associated administrative costs should be commensurate with the value of service the DER is providing.
 - Local DER markets may have some advantages over programmatic or rule-based mechanisms by encouraging innovation and competition. To help improve sector alignment, it is the IESO's view that there would be benefit in the OEB 1) further exploring what "markets" entail with varying degrees of complexity and cost proposed by stakeholders and 2) providing further guidance on procurement and activation mechanisms within a simplified DSO model.
 - Developing market liquidity in a new market is a key challenge faced in many jurisdictions; in the IESO's view, the approach to building distribution-level market liquidity should balance costs and complexity (promoting ratepayer value) while allowing for liquidity to build in a manner that is driven by distribution system needs.
- In the near-term, regardless of whether programmatic, rule-based, or market mechanisms are used, the IESO is committed to enhancing coordination with the LDCs. The IESO has a key role to play in the implementation of near-term activities such as operational- and planning-related data sharing to enable dual-purpose DERs.
 - For example, the IESO consulted several LDCs during the design of the Peak Perks program. As a result of feedback received during these discussions, in its procurement for a Distributed Energy Resource Management System (DERMS) platform, the IESO built in the requirement to facilitate access for local and regional activations. LDCs are thus able to work with the IESO to map participants to their service area to enable future local programs that could use this resource to address local distribution needs.
- As outlined in the government's Integrated Energy Plan implementation directive, the IESO will report back to the government on opportunities to advance data sharing in Ontario, focusing on high-priority near-term operational and planning data sharing needs. This is aligned with the graduated approach whereby solutions will be developed incrementally and allow for early wins within the existing regulatory framework.

- This includes static data sharing, for example DER registration data, as well as operational data sharing that supports transmission-distribution coordination, such as bi-directional IESO-LDC visibility into activation, scheduling and dispatch of DERs.
- Medium and long-term data sharing initiatives, for example related to transmission-distribution coordination, will continue to be explored by the IESO as the regulatory framework evolves and LDCs enhance their capabilities.

The IESO recognizes the importance of working with the OEB, LDCs, and the sector in support of facilitating the gradual adoption of DSO capabilities to advance DER integration across Ontario. We look forward to continuing to participate in the consultation process.

Sincerely,

A handwritten signature in cursive script that reads "Carrie Aloussis".

Carrie Aloussis

Senior Manager, Regulatory Affairs