

July 23, 2025  
Ritchie Murray  
Acting Registrar  
Ontario Energy Board  
2300 Yonge Street  
P.O. Box 2319  
Toronto, Ontario  
M4P 1E4

Dear Mr. Murray:

**EB-2025-0060–Distribution System Operator Capabilities - Submissions of the Consumers Council of Canada**

Please find, attached, the Submissions of the Consumers Council of Canada pursuant to the above-referenced consultation process. We apologize for the delay.

Please feel free to contact me if you have questions.

Yours truly,

**Julie E. Girvan**

Julie E. Girvan

## **SUBMISSIONS OF THE CONSUMERS COUNCIL OF CANADA**

### **RE: DISTRIBUTION SYSTEM OPERATOR CAPABILITIES**

**EB-2025-0060**

#### **INTRODUCTION:**

On January 28, 2025, the Ontario Energy Board (OEB) initiated a consultation process 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 Distributed Energy Resources (DERs). This was in response to the Minister of Energy and Electrification's 2024 Letter of Direction to the OEB requesting it to "develop and assess local and market opportunities for DERs, including through alternative energy business models (e.g. Distribution System Operator capabilities).

In May 2025, the OEB released a Discussion Paper – Distribution System Operator Capabilities. (Discussion Paper). In addition, DNV, on behalf of the OEB released a report entitled, "Considerations for Establishing DSO Capabilities in Ontario" (DNV Report).

On June 23 and 24, 2025, The OEB held a stakeholder meeting to present the Discussion Paper and DNV Report. In addition, OEB Staff made provisions for stakeholder presentations and discussion on DSO capabilities, critical success factors, policy objectives as well as regulatory or other considerations.

These are the submissions of the Consumers Council of Canada (CCC).

#### **BACKGROUND:**

As set out in the Discussion Paper DSO capabilities refer to advanced functions to integrate, manage and optimize DERs to meet system needs. DSO capabilities, enabled through investments in grid modernization, can provide new ways of providing reliable and cost-effective distribution services while also enhancing opportunities for DERs. The OEB, through this consultation process intends to develop a regulatory policy framework that enable the implementation of DSO capabilities in a manner that maximizes opportunities for unlocking DER value while ensuring that the pace and scope remained aligned with consumer interests and system requirements.<sup>1</sup>

CCC fully supports an approach that sets an appropriate pace and scope aligned with consumer interests and system requirements. Throughout the development of regulatory policy

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<sup>1</sup> Distribution System Operator Capabilities – Discussion Paper, May 2025, p. 9

framework regarding DSOs the OEB should remain focussed on electricity consumers and serving those customers in a cost-effective way.

During the stakeholder meeting it became clear that a great deal of work has already been undertaken in Ontario regarding DSO capabilities. This includes, but is not limited to:

- The OEB's Discussion Paper setting out DSO concepts, regulatory issues and proposals for moving forward;
- The DNV Report which investigated the scope, roles, requirements and value proposition surrounding the potential introduction of greater DSO capabilities on Ontario's energy sector;
- The 2022 DER Potential Study which highlighted the potential capacity and cost-effectiveness of DERs, emphasizing their role in enhancing grid reliability, efficiency and reducing system costs;
- The IESO established the Transmission-Distribution Coordination Working Group in 2022 to support the development of operational T-D coordination protocols for DER participation in the wholesale market;
- The Powershare Group was established – a new shared-services collaboration designed to accelerate delivery of DSO functions, including local energy markets, forecasting and DER coordination;
- GridSmart City was formed with 18 partner LDCs. It has recently launched a DSO readiness strategy setting out a plan for a phased roll-out new DSO capabilities;
- Some utilities in the Province have tested and piloted DSO implementations.

#### **SUBMISSIONS:**

Although CCC applauds the fact that so many parties in Ontario have been exploring DSO capabilities, it is more important than ever for the OEB to take the lead in establishing a regulatory framework for DSO capabilities. CCC has concerns that although work is being undertaken by the Powershare Group, GridSmart City, Hydro One Networks Inc., Hydro Ottawa Limited, Alectra Utilities, Toronto Hydro-Electric System Limited etc. this might be a case of utilities across the Province effectively "re-inventing the wheel." In doing so ratepayer money may be wasted.

After a considerable amount of work over the last year the OEB Staff has set out a graduated approach in the Discussion Paper to facilitating the adoption of DSO capabilities in Ontario. Beginning with DSO model design choices that reflect the existing regulatory framework,

anticipated system conditions and foreseeable DER penetration levels. A paced approach is both practical and cost-effective for customers. CCC does not support the more aggressive approaches advanced by many of the LDCs at the stakeholder meeting.

OEB Staff's approach is as follows:

- Standardize the method by which distributors assess the need for DSO capabilities as a means of using DERs to help address distribution system needs;
- Develop a simplified DSO model suitable for most circumstances expected in the nearer term;
- Explore and develop advanced models that address more complex needs as warranted, including the development of service models where a distributor contracts for DSO services from another entity.<sup>2</sup>

In the Discussion Paper OEB Staff sets out details regarding each stream of work. As noted at the Stakeholder meeting CCC is of the view that the work set out by OEB Staff should be undertaken by a broad-based working group that would include the OEB, the IESO, distributors of varying sizes and ratepayer groups.

CCC notes that the IESO is supportive of the approach advanced by OEB Staff:

- 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 distribution level procurement mechanism and the administrative costs should be commensurate with the value of the service provided;
- There is room for continuous innovation; functions associated with more complex DSO models can be implemented as DER penetration grows, DSOs mature, and as value propositions of more complex capabilities are validated.<sup>3</sup>

In addition, DNV supports such an approach:

- Ontario does not need to select a preferred model at this stage. Even in the absence of a more quantitative assessment, developing the core functionality and capabilities to forecast, manage and deploy DERs has little downside and these kinds of "low regret activities" could begin right away. Additionally, work can start on the design and

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<sup>2</sup> Discussion Paper, p. 51

<sup>3</sup> IESO Presentation, DSO Capabilities Consultation, June 24, 2025, p. 11

standardization for DER flexibility products and services. As the urgency of market signals increases, the OEB should consider funding flexibility market capabilities;

- Even amid an evolving market and a range of dynamic variables, the OEB can prepare for a DSO now without prematurely overcommitting or overinvesting. Setting long-term goals, testing strategies within the existing framework, and investing in low regret activities that support several potential futures can all balance the duelling needs of DSO development: preparation and patience.<sup>4</sup>

CCC recognizes that the OEB, through this consultation, is responding to the Minister's Letter of Direction. In addition, CCC recognizes that there can be benefits to utility ratepayers of optimizing DERs through the implementation of DSO capabilities. DER adoption is likely to vary across the Province and amongst utilities. Ontario is unique given the number of utilities and the varying sizes. As we learned at the Stakeholder meeting developing DSO capabilities is likely to be complex. Moving forward with a graduated approach will ensure that the interests of utility ratepayers will be protected. Forging ahead at a more aggressive pace may cause distribution systems to be overbuilt, at the expense of utility ratepayers. CCC commends the OEB Staff and others on their work so far regarding optimizing DERs and developing DSO capabilities. We encourage the OEB move forward with its proposals as set out in the Discussion Paper ensuring that stakeholders are engaged at each step along the way. Establishing a broad-based working group will facilitate that engagement.

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<sup>4</sup> DNV Report, May 12, 2025, p. 11