Willms & Shier

Environment
Indigenous
Energy Law

Sent by email to: registrar@oeb.ca

Direct Dial: 416.862.4827
File: 11195

October 3, 2025

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Mr. Murray:

Re: Joint Stakeholder Session Questions of the Low-Income Energy Network and the Vulnerable Energy Consumers Coalition re Consultation on the Regulatory Treatment of Local Electricity Demand-side Management (Stream 2) Programs - OEB File No. EB-2025-0156

Willms & Shier Environmental Lawyers LLP is counsel for the Low-Income Energy Network ("LIEN"). LIEN is a participant in the above referenced consultation along with the Vulnerable Energy Consumers Coalition ("VECC").

LIEN and VECC intend to pose the enclosed joint questions to the Working Group at the Stakeholder Session scheduled on October 8, 2025, and on October 9, 2025, if necessary.

LIEN'S CO-ORDINATION WITH VECC

To promote efficiency in this proceeding, LIEN and VECC have made reasonable efforts to co-ordinate their questions for the Working Group to the extent that LIEN's interests align with those of VECC, resulting in the enclosed joint questions.

Bill Harper will be asking the questions on behalf of both LIEN and VECC at the Stakeholder Session. Mr. Harper would require up to two hours if the intent is for stakeholders to ask and the Working Group to respond to each of the questions during the Stakeholder Session, rather than to respond in writing, with a possible additional 30 minutes for new questions arising from new points raised during the responses to these questions or as a result of new questions arising from the questions of other stakeholders. In total, LIEN's and VECC's questioning is expected to take a maximum of 2.5 hours.

Yours truly,

Ali Naraghi
Associate Lawyer

cc: LIEN Legal Subcommittee
Judy Simon – Consultant for LIEN
William Harper – Consultant for VECC
Mark Garner – Consultant for VECC

1380-3307-3689, v. 3

Consultation on the Regulatory Treatment of Local Electricity Demand-side Management (Stream 2) Programs (EB-2025-0156)

LIEN's & VECC's Written Stakeholder Session Questions

1.0 Reference: Working Group Report (WG Report), page 7

Preamble: The WG Report states:
"The lack of successful cases of distribution-funded eDSM can be attributed to the following barriers, amongst others:

- Regulatory and Financial Risk.
- Underutilization of IESO Expertise and Duplication Concerns.
- Incomplete Benefit Stacking
- Infrequent Filing Intervals."

1.1 Are there any other key barriers that the Working Group considered in preparing its Report?

1.2 Regarding barriers to LDCs for current filings for eDSM approvals please explain

a) which of these barriers, the Delegated Authority recommendation is addressing.

b) what other features of the proposed framework for Stream 2 approvals address this barrier.

2.0 Reference: WG Report, pages 9. 11 and 20

Preamble: The WG Report states:
"The framework proposed in this Report is designed to produce a durable evidentiary record, thereby supporting prudence in cost recovery. By leveraging the IESO's technical review and the OEB's streamlined approval approach established via the requested Consultation, LDC eDSM program funding requests can be processed under Delegated Authority where appropriate—minimizing the need for an OEB Commissioner adjudicated proceeding." (page 9)
"The OEB amends its NWS Guidelines to accommodate Stream 2 program funding requests under IRM, Annual Update processes, or Cost of Service application. This streamlined approach leverages the IESO's confirmation to establish cost-effectiveness and non-duplication, enabling Delegated Authority reviews for routine cases." (page 11)
"The Working Group proposes a streamlined review process for Stream 2 applications under Delegated Authority. Under this approach, OEB staff would evaluate the completeness and correctness of the LDC's filing—verifying the cost-

effectiveness tests (EST, DST) and cost-allocation split between distribution rates and the GA, as well as confirming that the distribution need is substantiated. However, whether the OEB ultimately adopts Delegated Authority for all or part of these eDSM funding requests will depend on the outcome of the initial proceeding examining this policy proposal." (page 20)

2.1 What are the Working Group's views as to the pros and cons of applying Delegated Authority to eDSM Stream 2 approvals from a) an LDC perspective, and b) a ratepayer perspective?

2.2 Can the Working Group more fully explain, with examples, why it believes that the eDSM approvals will primarily be mechanistic and administrative such that they can be approved via Delegated Authority?

2.3 Can the Working Group please provide some examples of an eDSM project application that would not be mechanistic and administrative?

2.4 What, in the Working Group's view, are the characteristics of an eDSM application that the OEB could use in determining whether an application is suited to:

a) Delegated Authority?
b) A Commissioner Panel?

2.4.1 In particular, if there are elements of the eDSM program application that the IESO is unable to independently confirm (e.g., expected number of program participants or the avoided cost of the alternative "wires solution"), does the WG consider it appropriate for the approval of the eDSM program to be assigned to a Delegated Authority and, if so, under what conditions?

3.0 Reference: WG Report, pages 16-17

3.1 Please explain why there are neither mandatory nor suggested consultations the LDC should carry out in developing eDSM program designs and applications.

4.0 Reference: WG Report, page 17

Preamble: The WG Report states:
"These needs are substantiated through publicly available sources, such as Distribution System Plans (DSPs), capacity maps, or regional planning documents."

4.1 Since Regional Plans are only prepared periodically and DSPs are generally only prepared once every five years to support a cost of service filing, what is the WG's recommendation as to how "current" such plans need to be in order for them to reliably demonstrate that there is a distribution system need that could be met in whole or part by targeted eDSM measures?

4.2 What is meant by “regional planning documents”? Would this just be the Regional Plans issued by the IESO or would it include all documents submitted by parties to be considered in the development of the plan? If the latter, what assurance is there that the identified needs are reasonable?

4.3 As DSPs are not currently approved by the OEB, would it be reasonable to require LDCs to identify (in their DSPs) those investments that may/will be considered for replacement by future eDSM programs so as to ensure they are sufficiently scrutinized such that the DSP can be relied on as justification for need?

5.0 Reference: WG Report, page 17

Preamble: The WG Report states:
“The design may involve Leveraging Known Measures from the IESO’s MAL, validated pilot programs, or evaluated initiatives from analogous jurisdictions.”

5.1 In the Working Group’s view, can the savings estimates per participant as documented in the MAL or obtained through pilot programs and the evaluation of initiatives from analogous jurisdictions always be relied on when developing an LDC specific eDSM program or will they need to be adjusted in certain instances to account for issues such as: i) differences expected in local heating and/or cooling degree days if the program is related to a heating or cooling end use or ii) the timing of critical local peaks if the program is mean to address a local capacity requirement?

5.1.1 If such refinements are required, will the IESO be able to confirm the appropriateness of such adjustments?

6.0 Reference: WG Report, page 17

Preamble: The WG Report states:
“Following these steps, the LDC prepares preliminary budgets, energy savings forecasts, and projected program participation rates. These data points serve as inputs into the IESO-provided online cost-effectiveness calculator.”

6.1 Key to establishing expected participation in a proposed eDSM program will be assumptions regarding the eligible pool of participants (i.e., number based on the program’s design and eligibility requirements) and the expected participation rate. In the Working Group’s view are these assumptions that the LDC will need to develop itself (i.e., there are likely to be no readily available sources that could be relied on for such information)?

6.1.1 If yes, what are the Working Group's views as to how an LDC should be expected to substantiate such assumptions (e.g., to what extent should the LDC be permitted to rely on "judgement")?

7.0 Reference: WG Report, page 18

Preamble: The WG Report states:
"The IESO examines the submission to confirm that all underlying assumptions—such as measure lives, savings values, and avoided costs—are consistent with established sources (e.g., MAL, IESO-endorsed supply-side avoided costs)."

7.1 Clearly the IESO is in the best position to provide/confirm the supply side avoided cost data with respect to Generation and Transmission to be used in the EST calculations. However, is it the WG's expectation that the IESO will be able to verify (i.e., provide confirmation as to the reasonableness) LDC- specific inputs/assumptions used in an eDSM application with respect to the avoided cost of the wires solution being displaced by the eDSM program?

7.2 Should the IESO be required to identify in its Confirmation Letter any elements of the Application where it was not in a position to confirm the inputs/assumptions used?

8.0 Reference: WG Report, pages 19-20

8.1 There is no reference to the application including request for approval of an LRAMVA. Is it the WG's views an LRAMVA will not be required for eDSM Stream 2 programs?

9.0 Reference: WG Report, pages 10 and 11

Preamble: The WG Report states:
"Following OEB approval, LDCs implement the program, track costs and benefits, and report progress annually." (page 10)
"Through annual Evaluation, Measurement, and Verification (EM&V), the IESO verifies actual savings achieved by Stream 2 programs, comparing measured results to the original estimates. These findings will be published and provide the OEB and LDCs with results relating to eDSM program performance." (page 11)

9.1 What is the anticipated timing for the LDCs' annual progress reports?

9.2 What is the anticipated timing for publishing the IESO's annual EM&V for LDC eDSM programs?

9.2.1 Will the timing be such that the results can be included in the LDC's annual report to the OEB?

10.0 Reference: WG Report, page 28

Preamble: The WG Report states:

"Unless the LDC proposes a material program change or early closure (e.g., significantly exceeding the approved budget or fundamentally altering the scope), the LDC is expected to proceed under its existing approval. Should such a significant revision be necessary, the LDC would file an updated application to obtain OEB approval for the change. Otherwise, the program will continue through the approved term without formal re-adjudication."

10.1 Regarding an eDSM program material change, how should a program material change be defined?

10.1.1 Please provide examples of an eDSM program material change.

11.0 Reference: WG Report, pages 11-12
OEB's May 2024 Benefit Cost Analysis Framework ("BCA Framework), pages 21 and 34-39

Preamble: The BCA Framework identifies (e.g., page 21, Table 2) various costs and benefit that are required to be included in the EST. In some instance the determination of the relevant cost and benefits relies on inputs (e.g. avoided energy costs, avoided generation costs and kW/kWh savings per participant) to be provided by the IESO. However, for other inputs the values will need to be determined by the LDC. Furthermore, the BCA Framework identifies a number of additional benefit and cost categories that LDCs are "permitted" to include in the EST.

11.1 For those bulk system cost and benefit categories in the BCA Framework where values are not regularly provided and published by the IESO, will the IESO be in a position to confirm the reasonableness of the inputs used by the LDC?

11.2 Given the discretion that LDCs have under the current BCA Framework as to not only the benefits and costs categories to be included in the EST but also how they are to be determined, what are the Working Group's views as to the need for the OEB to ensure greater consistency in how LDCs calculate the EST and, ultimately the sharing of costs between the LDCs' customers and the Global Adjustment by specifying: i) those bulk system benefit and cost categories that are to be included in the EST and ii) in conjunction with the IESO providing clear direction as to the basis on which each is to be valued?

12.0 Reference: WG Report, pages 17 & 18
WG Response to Staff Question #2
BCA Framework, pages 19 and 23-30

Preamble: The WG Report states:
"Following these steps, the LDC prepares preliminary budgets, energy savings forecasts, and projected program participation rates. These data points serve as inputs into the IESO-provided online cost-effectiveness calculator. This tool generates the expected EST and DST results that establish the proposed cost allocation between the bulk and distribution systems." (page 17)
"This submission includes Quantitative outputs from the IESO's cost-effectiveness calculator, demonstrating compliance with the EST ≥ 1.0 threshold and alignment with the DST expectations." (page 18)

The WG Response to Staff Question #2 states:
"To allay concerns of OEB Staff with eDSM applications being approved by Delegated Authority, the Working Group proposes that it will develop a "Base eDSM Model" for calculation of distribution system benefits in collaboration with OEB Staff. The information included in the Base eDSM Model will ensure consistency of approach related to the OEB's assessment of need, and valuation of distribution service benefits."

12.1 Please confirm that the purpose of the Base eDSM Model would be to enable LDCs to calculate the values for the various benefit categories which would then be used in the IESO's DST calculator?

12.2 Is it the Working Group's intention that the Base eDSM Model would enable the calculation of values for <u>only</u> those DST benefit categories that are classified as quantitative in Table 1 (page 19) of the BCA Framework (i.e., Distribution Capacity (Deferral or Avoidance Benefit))?

12.2.1 If not, what other benefit categories does the WG envision the Base eDSM Model to be able to allow LDCs to calculate a value and would LDCs have a discretion as to whether or not to include these other benefit categories in the DST calculation?

12.3 The Base eDSM Model will require input to be provided by the LDC. Will the documentation supporting the Base eDSM Model specify the required quality for the input data to be used by the LDC?

12.4 For purposes of determining the Distribution Capacity (Deferral or Avoidance Benefit, what degree of substantiation does the WG suggest should be required in order to support the cost of the "wires solution" that the eDSM program would be replacing (e.g., should the OEB require that the cost estimate have a particular AACEI Class rating)?

12.5 How will the Base eDSM model (and subsequently how should the IESO and OEB) address those circumstances where the LDC is unable to provide required inputs or is unable to provide sufficient substantiation for the inputs it does provide?

13.0 Reference: WG Report, page 12

Preamble: The WG Report states:

"Although a BCR of >1.0 is generally expected, LDCs may still seek OEB approval if the BCR (prior to consideration of qualitative benefits) falls between 0.7 and 1.0, provided there is a clear and substantiated qualitative rationale (e.g., improved reliability or operational flexibility). In this circumstance, a notional benefit will be assigned that brings the BCR up to 1.0."

"Where the LDC is substantially relying on qualitative benefits at the local level, the LDC may assign a notional benefit to the distribution level. By assigning these benefits in the BCA, commensurate costs will also be allocated to distribution funding; thereby preventing bulk system customers from unduly subsidizing local ratepayers."

"Exception for Low-Income and First Nations Programs: In line with IESO's eDSM program principles, Stream 2 initiatives primarily targeting low-income and First Nations, may proceed based on a lower EST and DST threshold."

13.1 For programs targeting low-income and First Nations that have a DST of less than 1.0, is it the Working Group's proposal that they too would be assigned a notional benefit so as to increase the DST's BCR to 1.0 such that the costs allocated to distribution funding would increase?

14.0 Reference: WG Response to Staff Question #17

Preamble: Staff Question #17 includes the following statement as part of the question:

"OEB staff clarifies that under the Benefit-Cost Analysis Framework, any utility incentives are not considered a cost for the purpose of cost-effectiveness testing."

In its response the Work Group states:

"The Working Group would like to highlight the distinction between the BCA's EST/DST ratios being considered as a decision-making tool and the use of the framework for cost allocation purposes. The eDSM program's EST/DST ratios that are used to evaluate its cost effectiveness will not include performance incentive amounts. When the framework is being leveraged to allocate costs between local ratepayer funding and the global adjustment, and to establish eDSM program rate riders, the Working Group's proposal is that the full program costs should be included (i.e. including any LDC performance incentive)."

14.1 A review of the OEB's May 2024 Benefit Cost Framework did not uncover any reference to the EST or DST tests not including utility incentive payments. Indeed the only reference with respect to incentive payments deals with incentive payments to third parties and indicates that they are to be included in the NWS acquisition costs. Does the Working Group agree with the Staff's view that utility incentive payments should be excluded from the DST? If so, why, given that incentive payments to third parties and the LDC both represent costs that will be paid by the LDC's rate payers?

15.0 Reference: WG Response to Staff Question #5

Preamble: Staff Question #5 notes that the BCA Framework includes deferral/avoidance of transmission capacity as a benefit in the EST and not the DST, and does not explicitly distinguish between transmission connection investments and network investments.

15.1 Is it the Working Group's proposal that any system benefits related to avoided transmission connection investments would be treated as a bulk system benefit for purposes of assigning the eDSM program costs?

15.2 If yes, would this apply even in situations where the LDC owns the transformation connection assets?

16.0 Reference: WG Response to Staff Question 10 d)

Preamble: The Response states:
"Confirmed that the intent is that funding will be made available on a first-in-first-out (FIFO) basis."

16.1 Please confirm that, if required in order to remain within the $150 million cap over the three year period 2025-2027, the IESO will prioritize both: i) spending on Stream 1 versus Stream 2 initiatives and ii) requests for Stream 2 funding via the Global Adjustment on a first-in-first-out (FIFO) basis?

16.2 With respect to prioritizing between Stream 1 and Stream 2 initiatives, how would the FIFO rule apply (i.e., when would a Stream 1 initiative be deemed as being "in" and when would a Stream 2 initiative be deemed as being "in")?

17.0 Reference: WG Report, page 14

Preamble: The WG Report states:
"LDCs include proposed eDSM rate riders in their applications, derived from the projected distribution portion of the Stream 2 budget (as confirmed by the IESO)."

17.1 The Report calls for an eDSM rate rider to fund distributor's share of the eDSM program's costs and appears to assume that such a rider will always be required. However, if the distributor is capable of funding the traditional wires solution through its distribution rates (e.g. the traditional wires solution was included in the DSP filed as part of the LDC's most recent rebasing application and there was no ACM requested then or anticipated ICM application) and then why shouldn't it be assumed that the LDC can fund the eDSM program through its distribution rates and the LDC be required to demonstrate if it cannot and an eDSM rate rider is required?

17.1.1 Even in those cases where an ACM was approved in the LDC's last rebasing and/or there is an anticipated ICM application, why is it reasonable to assume that 100% of the LDC's share of the eDSM program costs will need to be funded separately through an eDSM rate rider?

17.2 Under the OEB's ICM policy, ICM funding for the incremental capital project will not be approved if the LDC's regulated return exceeds 300 basis points above the deemed return on equity embedded in the distributor's rates. In the Working Group's view, should a similar policy be applied with respect to eDSM funding through distributors' rates?

18.0 Reference: WG Response to Staff Question #11 b)

Preamble: The WG Response to Staff #11 b) states:
"The Working Group proposes that the LDC's most recent Cost of Service approved cost allocation methodology be the default approach to allocation of Stream 2 eDSM program costs across rate classes. Given the Global Adjustment disposed of in an LDC's Group 1 accounts are allocated in this manner, it is reasonable for all eDSM program costs to follow this methodology."

18.1 Given that the Global Adjustment disposed of in an LDC's Group 1 accounts is only that associated with non-RPP customers, please clarify how the Working Group proposes that the eDSM programs costs be allocated among customer classes and the eDSM Rate Rider billing determinant(s) that would subsequently be used for each class.