

eDSM Stream 2 Consultation

Proposed Framework for Implementation of Local eDSM EB-2025-0156

October 8, 2025

Stakeholder Day Agenda

1. Introduction
2. Section 1: Stream 2 Process
3. Section 2: Requests of OEB, IESO, LDC Obligations and Accountability Measures
4. Section 3: Summary and Next Steps

Introduction

- November 29, 2023 Letter of Direction (“LoD”) ([LINK](#)), the Minister first called on the OEB to re-evaluate and prioritize eDSM—previously referred to as Conservation and Demand Management (“CDM”)—alongside other Non-Wires Solutions (“NWS”)
- The Minister of Energy issued a new eDSM Directive on November 7, 2024 and an amended eDSM Directive on December 19, 2024 to the IESO ([LINK](#)) for the period 2025-2036 which provides explicit language regarding funding for Stream 2 eDSM initiatives, specifically:
 - Section F 1.b (“Funding Program for LDCs”): affirms the principle of beneficiary pays and endorses cost-sharing between province-wide GA and local distribution rates for local eDSM programs that deliver benefits to both the local and bulk electricity system
- These Ministerial directives underscore government’s commitment to leveraging energy efficiency as a low-cost, non-emitting resource and ensuring that LDCs have a clear pathway for designing and delivering local or regional eDSM initiatives

Introduction

- Collaboration between the IESO and representatives of LDC's facilitated by Ontario Energy Association ("OEA") and Electricity Distributors Association ("EDA") (the "Working Group"),
- eDSM Stream 2 is a proposed framework for funding and implementing Local Electricity Demand Side Management ("eDSM Stream 2") programs in Ontario that both target local distribution needs and support provincial bulk system benefits in a coordinated, cost-effective manner.
- Responsive to recent Ministerial Directives that leverage of the Ontario Energy Board's (OEB) established:
 - Non-Wires Solutions (NWS) Guidelines and
 - Benefit-Cost Analysis (BCA) Framework
- Underpinning this initiative is the principle of proportional cost allocation: local ratepayers shoulder costs aligned with local benefits, while the provincial electricity system are funded through Ontario's Global Adjustment ("GA")

Introduction

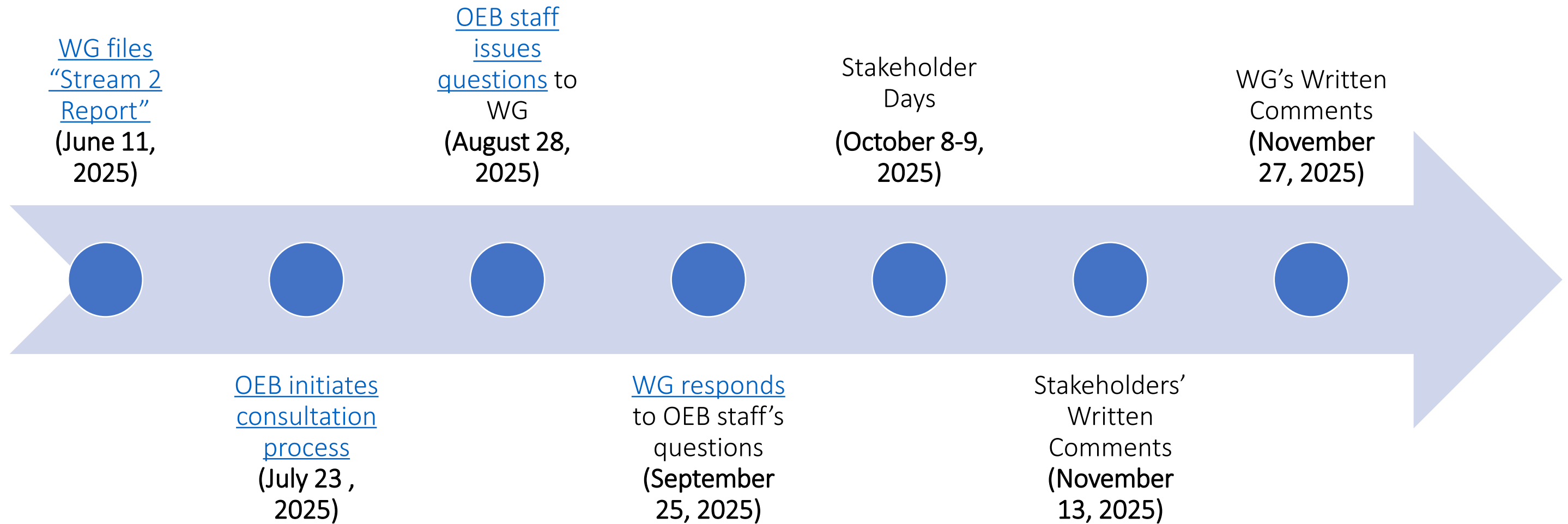
Sector coming together to leverage existing tools and expertise to propose a framework that can meet all these goals

OEB wants LDCs to consider NWS where cost effective and wants to achieve regulatory efficiency

IESO wants to expand contribution of eDSM to addressing significant bulk system growth

LDCs looking for a nimble process to implement

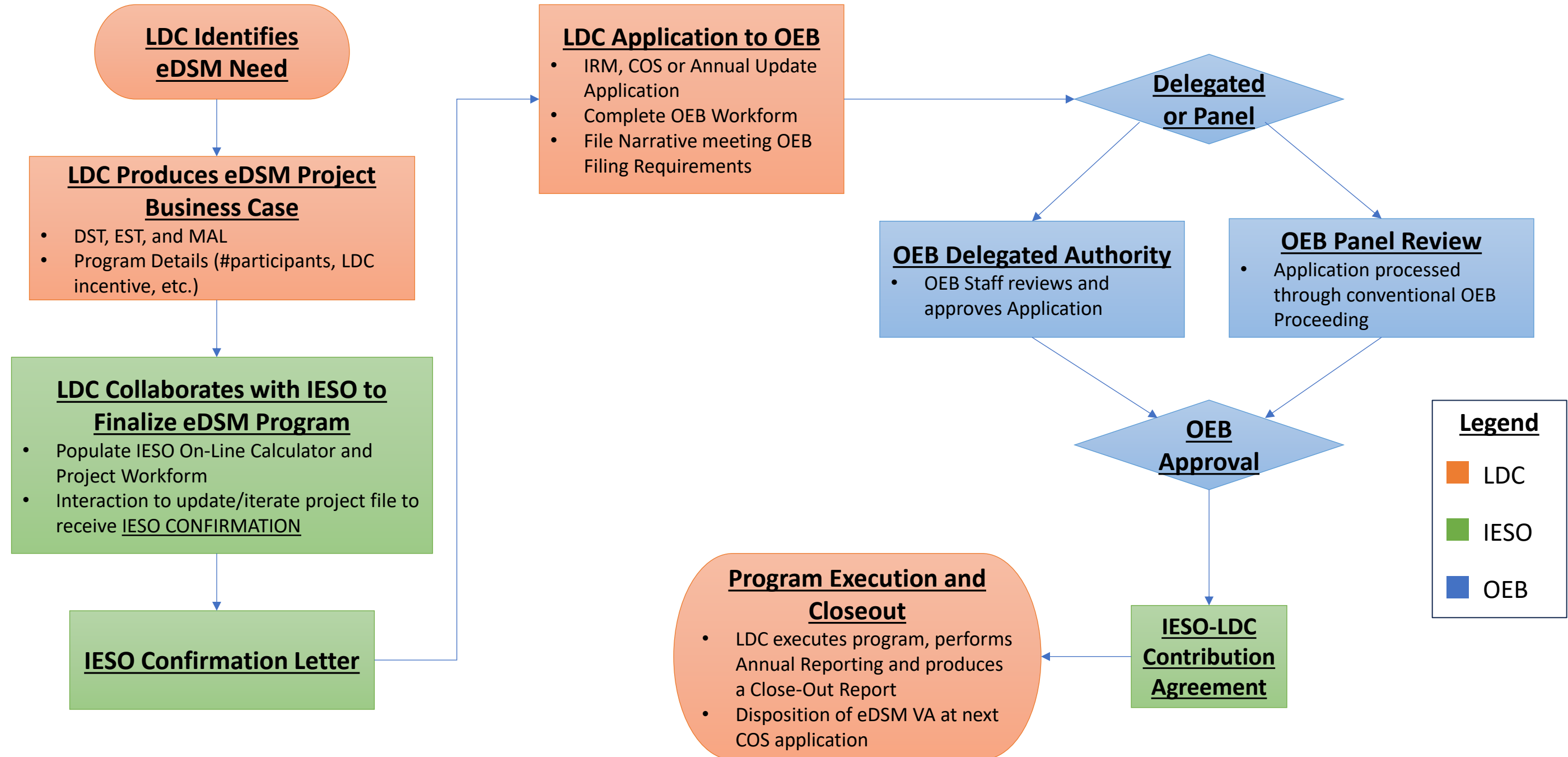
Introduction





Section 1: Proposed Stream 2 Process

Stream 2 eDSM – Process Flow



Step 1: Design

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LDC Prepares Program Proposal

- Identify need that eDSM can address (e.g., system constraint, localized reliability need)
- Design program using IESO Measures and Assumptions List (“MAL”) measures and local insight and develop budget
- Calculate distribution benefit; complete IESO On-Line form to determine EST and DST and cost allocation split
- Submit Stream 2 program to IESO for its review

Steps 2 – 3: IESO Review

2

IESO Reviews Program

- Review program details: Program design, savings assumptions and cost-effectiveness calculation
- Check for duplication with Stream 1 programs
- Determine proportions of funding allocated between GA and LDC local rates based on benefits
- Iterative collaboration with LDC to amend program if necessary

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IESO Issues Confirmation Letter

- Sets proposed funding split (GA vs. LDC Rates)
- Establishes conditions of confirmation
- Establishes budget cap for GA portion
- Validates bulk system benefits and cost-effectiveness (i.e. EST inputs and outputs)

Steps 4 – 6: Regulatory Approval

4

LDC Files with OEB

- Included in Annual IRM, CIR update or LDC Cost of Service application
- LDC completes NEW OEB eDSM Stream 2 application Workform
 - Inputs include program description, budget, participation forecasts, delivery approach, distribution benefits, rate impacts and rate rider amounts by rate class
- Attachments include IESO letter, and any additional relevant reference material

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OEB Reviews & Approves

- OEB Staff perform completeness check of Stream 2 application
- OEB Staff asks any additional questions of LDC (i.e. similar to current Annual IRM reviews)
- Verifies alignment with policy, distribution benefits, cost allocation, rate impact.
- Delegated Authority Approval of Stream 2 program application

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IESO-LDC Contribution Agreement

- IESO review of OEB Decision and approval
- Finalize contribution agreement with LDC setting out:
 - GA funding terms
 - Program Delivery and EM&V obligations

Steps 7 – 9: Program Delivery, Reporting, and EM&V

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LDC Executes Program

- Launch program, engage customers, implement measures
- Recording of costs and revenues in eDSMVA sub-account approved in OEB Decision

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Annual Reporting & Adjustments

- LDC provides yearly updates on Stream 2 program using OEB eDSM Stream 2 Workform. Updates set out:
 - Stream 2 program overview that sets out success of program in achieving objectives
 - Actual vs. Forecast participation levels and savings
 - Actual vs. Forecast cost

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Program EM&V

- IESO conducts EM&V
- Final IESO EM&V true-up of LDC actual incentive vs. approved forecast

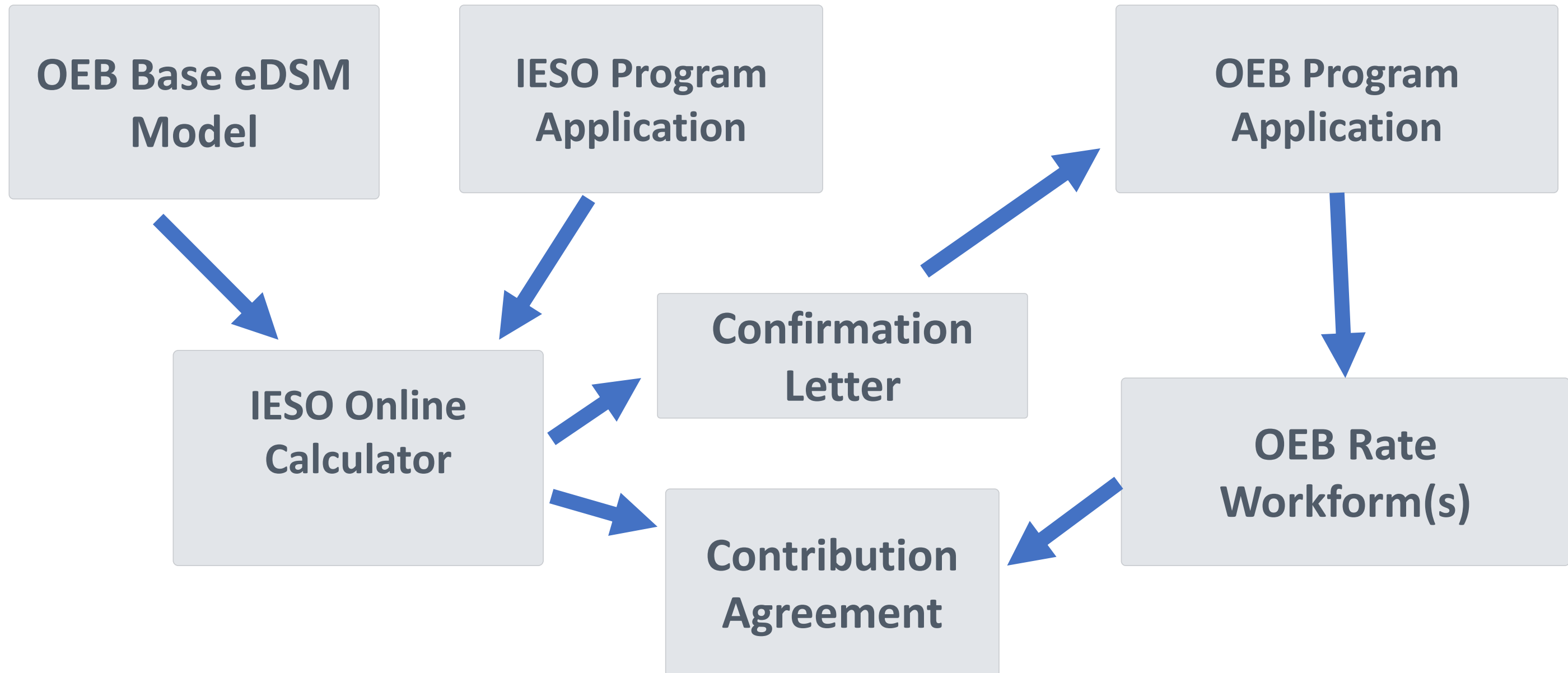
Step 10: Close-out and Disposition

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Disposition of eDSMVA

- LDC files close-out report or Stream 2 program using OEB eDSM Stream 2 Workform. Close out report includes program results, actual vs. forecasted costs and collected revenue, and amounts in eDSMVA sub-account for disposition

Process Tools & Forms: Working Group Identified Builds





Section 2: Requests of OEB, IESO, LDC Obligations and Accountability Measures

Requests of OEB and IESO

Requests of the OEB:

- Revise NWS Guidelines to include eDSM Stream 2 program consideration
- Revised Chapter 2 and Chapter 3 Filing Requirements to include eDSM Stream 2 application filing requirements
- Build in collaboration with IESO, a new Stream 2 Workform (standard Excel template).
- Provide guidance on standards for calculation of distribution benefits
- Develop a form for calculation of stream 2 rate rider
- Support use of Delegated Authority for approvals.

Requests of the IESO:

- Maintain and publish measure savings assumptions in MAL, expanding as appropriate over time
- Develop and maintain on-line cost-effectiveness calculator (EST/DST) using MAL and most recent avoided cost data
- Develop eDSM Stream 2 program application submission document
- Develop standardized Letter of Confirmation and eDSM Stream 2 Contribution Agreements.
- Undertake review of program proposals and issue letters of confirmation
- Conduct EM&V and publish performance results.

LDC Obligations

- Consider eDSM opportunities to defer capital investments in planning processes
 - Design cost-effective eDSM Stream 2 solutions tied to local need
 - Utilize IESO and OEB tools to collaborate in development of acceptable Stream 2 program
 - Utilize OEB tools to submit eDSM 2 program for approval
 - Responsiveness to OEB Staff questions as part of Stream 2 proceeding
- Execute program with due-diligence:
 - Perform eDSM Stream 2 program management, delivery management, financial management and reporting processes
 - Identify program execution issues and develop and implement remediation plans if needed
 - File annual reports that update OEB on program execution and any remediation where required
 - Collaborate with IESO on EM&V annually and at project close-out and file disposition application with OEB

eDSM Stream 2 Accountability Measures

- IESO MAL primary reference for LDC eDSM Stream 2 program selection
 - OEB BCA and IESO avoided costs set out determination of EST and DST calculation
 - OEB Framework for Energy Innovation sets out LDC Incentive guidelines
 - OEB Workform sets out baseline information requirements for eDSM Stream 2 programs
- OEB eDSM Stream 2 approval process allows for panel of Commissioners review if warranted
 - LDC files Annual updates and variance tracking
 - IESO close-out EM&V with incentive tied to verified results
 - OEB eDSM Stream 2 review of LDC close-out disposition application: Full cost recovery only with evidence of prudence and value



Section 3: Summary and Next Steps

Summary of Requests

To the OEB

- Establish and maintain rules for Stream 2 filing requirements and approval process
- Establish variance accounts (eDSMVA) and incentive parameters
- Provide Workforms and streamlined transparent review timelines
- Approve Distribution System Benefits

To the IESO

- Produce and maintain cost-effectiveness test tools, program application templates
- Maintain an updated MAL
- Review and confirm cost-effectiveness (i.e. BCA results)
- Support LDC-led program development and evaluation
- Perform EM&V to support LDC close-out of eDSM Stream 2 program

To LDCs

- LDC obligated to consider using NWS in their capital planning process
- Lead program identification, design, and local delivery
- Compliance with OEB and IESO eDSM Stream 2 Filing Requirements in developing application
- Due-diligent program execution
- Ensure transparent ratepayer reporting and accountability
- Compliance with OEB and IESO established close-out requirements

Recap of Stream 2 Process



Program Development

LDC identifies deferral opportunity, designs local program, completes internal BCA using EST/DST, and forecasts results.



Application & Review

LDC submits Stream 2 application to OEB; OEB reviews and seeks IESO confirmation of cost-effectiveness.



Approval & Funding

Upon approval, LDC executes agreement with IESO. Funding flows from IESO (GA) and rate base (distribution).



Execution & Close-out

LDC delivers program, reports annually, conducts EM&V, reconciles results and incentive at next COS.

Thank You