

Elson Advocacy

October 15, 2025

BY RESS

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

Dear Mr. Murray:

Re: EB-2025-0060: Distribution System Operator Capabilities

We are writing on behalf of Environmental Defence to provide comments regarding the OEB Staff Presentation entitled Distribution System Operator (“DSO”) Capabilities Consultation, October 14, 2025.

The Board Staff’s proposed approach provides a constructive and balanced path forward, so long as it is made clear to distributors that they need not wait until the various workstreams are completed before investing in DSO capabilities and DER integration. This is important to avoid lost opportunities for energy bill reduction and to ensure consistency with past OEB directions.

Avoid lost opportunities

The OEB should confirm that leading distributors can move forward with DSO capabilities before the Staff’s proposed workstreams are completed. This will ensure that energy bill reduction is achieved in the short term.

It is also responsive to the calls by some distributors to adopt DSO capabilities as soon as possible. Distributors should not be delayed in making these investments, as they are already facing decisions between wires and non-wires solutions. Moreover, the IESO is currently in the process of procuring resources without fully accounting for locational benefits, including the dual use of resources to meet distribution system needs. In both cases, opportunities may be lost to lower costs if progress on DSO capabilities lags. For instance, if the IESO procures DERs without regard to locational value, we may lose the possibility of locating those DERs where they could also provide distribution benefits. Similarly, distributors may adopt traditional infrastructure solutions over more cost-effective non-wires alternatives where the latter would require DSO capabilities that are not yet present.

Once a traditional infrastructure solution has been constructed, the opportunity to adopt cost-effective non-wires alternatives has been lost. The same is true for a DER that is not built where the greatest benefit would be captured.

Customer protection

There is nothing stopping distributors from spending on DER integration via their existing budget envelopes without seeking specific approval from the OEB. However, some LDCs may be reluctant to do so while this consultation is ongoing out of a concern that the OEB would subsequently find the spending to be imprudent merely due to it occurring before final OEB direction is provided. The OEB should make clear that distributors will be subject to the standard prudence review with respect to spending on DER integration that takes place during the consultation process.

Customers are protected regardless of whether the spending is included in an application. If a distributor includes DER integration costs in a Distribution System Plan as part of a rebasing application, the OEB is able to review the reasonableness of its proposals at that point. If a distributor simply uses its existing budget envelope, its spending is subject to the standard prudence review at the next rebasing application. In both cases, the OEB will review the spending before it is included into rates.

Consistent with past OEB direction

Confirming that leading distributors can move forward with DSO capabilities and DER integration now would be consistent with past OEB directions. In the OEB's 2023 Framework for Energy Integration Report, it directed distributors to account for DER integration. In particular, it stated as follows: "To support the cost-effective provision of distribution service that provides long-term value to customers, the OEB expects distributors to factor DER integration, consistent with the pace of DER adoption, into their planning and operations."¹ The OEB should be clear that this work and this direction is not on pause while the OEB DSO consultation proceeds.

The OEB was clear in 2023 that distributors could begin acting "now." It stated as follows:

The FEI Working Group observed, "as the sector is evolving, the role of distributors may also evolve, and may do so in ways that are not fully predictable today." The OEB is aiming to provide sufficient clarity for distributors to begin acting on now, but is prepared to provide further guidance, when needed, as the energy transition unfolds.²

The FEI Working Group also noted the issue of potential lost opportunities:

The OEB should remain open to utilities developing and seeking approvals for DERs in the interim. Major distributors are in the process of preparing rebasing applications now. Although it is preferable to provide guidance to utilities as soon as possible and to make

¹ OEB, Framework for Energy Innovation: Setting a Path Forward for DER Integration, p. 13 [\[Link\]](#).

² OEB, Framework for Energy Innovation: Setting a Path Forward for DER Integration, p. 17 [\[Link\]](#).

decisions on distributor applications based on pre-existing policy, the time required for ongoing development of policy ideally should not result in lost opportunities to pursue cost-effective non-wires alternatives or appropriately plan for customer-driven DERs.³

The subtitle for the 2023 FEI report was “Setting a Path Forward for DER Integration.” The directions and reasoning provided in that report continue to apply today and are consistent with our request for the Board to confirm that distributors can continue to work on DSO capabilities while this consultation proceeds.

Conclusion

Policy consultations can take a significant amount of time, and it is important that they consider a variety of perspectives and all of the relevant issues. By clarifying that leading distributors need not wait for any of the workstreams to be completed before investing in DSO capabilities, the OEB can take the time needed to conclude its work while avoiding lost opportunities and ensuring that leading distributors are not held back by the inevitable pace of policy development. This will also provide useful inputs for other distributors and the OEB’s consultation process.

Thank you for the opportunity to make these comments.

Yours truly,



Kent Elson

³ Framework for Energy Innovation Working Group, Report to the OEB, June 30, 2022, p. 19 [[Link](#)].