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November 13, 2025

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

Dear Mr. Murray:

Re: Joint Submissions 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 enclose their joint submissions below, in response to the questions by the Ontario Energy Board ("OEB") posed to stakeholders in the OEB letter re Consultation on the Regulatory Treatment of Local Electricity Demand-Side Management (Stream 2) Programs, dated July 23, 2025.

LIEN'S CO-ORDINATION WITH VECC

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

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

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Regulatory Treatment of Local Electricity

Demand-Side Management (Stream 2) Programs

Ontario Energy Board File No.: EB-2025-0156

LIEN and VECC Joint Submissions in Response to OEB Questions posed to Stakeholders in the OEB letter Re: Consultation on the Regulatory Treatment of Local Electricity Demand-Side Management (Stream 2) Programs, dated July 23, 2025

The Low-Income Energy Network ("LIEN") and the Vulnerable Energy Consumers Coalition ("VECC") make the following joint submissions in response to the questions the Ontario Energy Board ("OEB") posed in its letter of July 23, 2025, regarding EB-2025-0156. LIEN and VECC have made best efforts to coordinate their respective intervention in this proceeding to the extent that each of LIEN's and VECC's interests align.

The collaboration for this proceeding includes: (i) filing joint questions to the Working Group for the Stakeholder Session, (ii) Bill Harper representing both LIEN and VECC in leading joint questions to the Working Group at the October 2025 Stakeholder sessions, and (iii) preparing this joint submission.

The following questions were posed to stakeholders in the July 23rd letter:

1. What is the appropriate review process for applications to the OEB for approval of Stream 2 Program funding?
   a) Are there changes to the approach described in the eDSM Stream 2 Report that could address any concerns you may have related to review by delegated authority (e.g. by further defining conditions on the nature of the applications that can be reviewed under delegated authority)?
2. Does the proposed framework to approve distribution rate funding for Stream 2 Programs (including the respective roles of the IESO and the OEB with respect to Program review, evaluation, approval and reporting) strike an appropriate balance between ensuring the prudence of ratepayer funded spending on eDSM and facilitating the development of new energy efficiency programs that would provide both system and local distribution benefits?
3. What additional changes to the NWS Guidelines (beyond those that might be needed to address the proposed framework detailed in the eDSM Stream 2 Report), if any, should the OEB consider to reduce barriers to cost effective energy efficiency program activities by rate-regulated electricity distributors?

LIEN and VECC (We) have prepared a joint response to each of these questions in the order in which they appear above.

1. **What is the appropriate review process for applications to the OEB for approval of Stream 2 Program funding?**
   a) **Are there changes to the approach described in the eDSM Stream 2 Report that could address any concerns you may have related to review by delegated authority (e.g. by further defining conditions on the nature of the applications that can be reviewed under delegated authority)?**

We agree with the high-level steps of the review process as described in the June 11, 2025 report to OEB titled: "Proposed Framework for Implementation of Local eDSM", prepared by the IESO-LDC Regulatory Working Group ("Working Group"). That is, we agree with the following steps:

- LDC identifies distribution needs and opportunities for eDSM programs that are likely to have a potential distribution benefit and a bulk system benefit
- LDC designs and proposes an eDSM program to address an identified distribution need, including detailed budgets, cost-benefit projections, and an explanation as to how the program complements and is non-duplicative of existing IESO province-wide offerings
- The IESO reviews the LDC's Stream 2 funding request and confirms savings assumptions, non-duplication of IESO province-wide programs, and the accuracy of the cost-benefit ratios (Distribution Service Test, Energy System Test) based on the LDC use of the IESO cost-benefit calculator (to be prepared by the IESO and included in the IESO cost-benefit tool)
- Upon satisfactory completion of its review, the IESO issues a standardized Confirmation Letter to the LDC, which indicates its approval of the program and its commitment to make the global adjustment ("GA") funds available to cover the costs of the bulk system cost allocation for the eDSM program, confirming an overall maximum program budget for which GA funding is being allocated
- LDC submits an application to the OEB for distribution funding via their Incentive Rate Mechanism ("IRM"), Annual Update filings, or Cost of Service application. This application includes the Confirmation Letter, any associated documentation of the IESO review, and confirmation that the expected savings and cost-effectiveness have been calculated in accordance with IESO practice including benefit and cost allocation analyses

- OEB grants final approval of program budget and distribution funding, authorizes new or updated eDSM rate riders as required, and oversees the eDSM Variance Account (“eDSMVA”) for tracking any revenue and cost variances
- Following OEB approval, LDC implements the eDSM program, tracks costs and benefits and reports progress annually
- IESO evaluates the eDSM program as part of its annual third-party independent evaluation of its eDSM program portfolio and publishes the results
- At the completion of the eDSM program, LDC submits final close-out information to both the OEB and the IESO
- IESO undertakes final annual evaluation of the eDSM program
- In the next LDC rebasing proceeding, LDC requests disposition of any remaining balance in the eDSMVA and the review, approval and disposition of any eDSM incentive the LDC has earned regarding the eDSM program

Below, we propose some clarifications and suggested modifications to this approach at the detailed level. Also, we discuss our concerns related to the proposed review by Delegated Authority and suggest modifications to the approvals process to address these concerns effectively.

Needs Identification, Assessment and Substantiation

The needs identification by the LDC should be supported by, at a minimum, distribution system capacity constraint, load growth and potential for cost avoidance related to the wires solution and include a comparison of the costs and benefits of the proposed eDSM solution (as either part of a wires solution or deferring or replacing the wires solution) with the wires solution. While this appears to be what the Working Group expects to be included in an application, this should be confirmed and included in eDSM framework guidance from the OEB.

In addition, the application should clearly define the timing of the distribution system need and describe how the need is expected to change over time. This clarification and provision of more detail regarding timing of the need will strengthen the support for need provided by the LDC. This guidance should also be included in the guidance from the OEB on the Stream 2 framework.

The Working Group suggests that needs identification, assessment and substantiation can rely on publicly available documents, such as Regional Plans prepared by the IESO in collaboration with the affected LDCs and relevant information in Distribution System Plans

("DSPs"). We note, however, that Regional Plans are bulk system plans and are not intended to identify and address distribution needs. Therefore, Regional Plans may be useful but not sufficient to support distribution system need for the Stream 2 application. Also, the IESO has made it clear that the IESO Confirmation Letter would not involve confirming assumptions regarding either the distribution system need or the Distribution Service Test ("DST") inputs such as avoided costs and resultant outputs. As the IESO would not be commenting on the distribution benefits or DST inputs, this will be the purview of the OEB.

To address the OEB purview regarding the review of the DST, the OEB should provide specific guidance on the requirements for the DST, how the inputs should be derived, how the assumptions regarding inputs should be documented, as well as any acceptable ranges for the inputs, where possible (which may evolve over time with experience with Stream 2 applications and results), to facilitate a more mechanistic review of the DST by the OEB.

Regarding the reliance on DSPs to demonstrate need for a particular eDSM program, we note that while DSPs do identify anticipated distribution system capital investments over a future 5-year period, the degree of detail varies by plan regarding current capacity, load growth and resultant needs. The variation in the level of detail arises from the fact that the OEB does not 'approve' the DSPs and the role of the DSP is primarily to provide context for the OEB consideration of capital expenditures. Also, since the data in a DSP on which the LDC intends to rely for an eDSM program could be as old as 5 years, the LDC should substantiate why the data and underlying assumptions from the DSP are still reasonable.

Benefit-Cost Ratios ("BCR")

We agree with the requirement for the Energy System Test ("EST") output from the IESO cost-effectiveness calculator being >= 1. Also, we agree with the LDC being expected to propose eDSM programs that provide a BCR of >1 for the DST and that the LDC may seek approval if the BCR is between .7 and 1, provided there is clear and substantiated rationale, with a notional benefit being assigned to bring the BCR up to 1. We understand that the Base eDSM Model to be developed would be used to calculate various distribution system benefit categories for the DST. The OEB should provide guidance to LDCs on how to calculate the values for the various DST benefit categories and on the substantiation required to be filed for the Base eDSM model inputs.

Regarding low-income and First Nations eDSM programs, we agree that these programs do not need to meet a BCR threshold. The IESO review of the program design and expected results of these programs as provided in the Confirmation Letter should suffice regarding approval of the program design and the program's ability to achieve its objectives. We agree that these programs must address a distribution system need and are expected to have some energy, non-energy or societal benefits.

The IESO has made it clear that the distribution needs assessment and the determination of the benefits – the inputs to the DST – and the output of the DST, are the purview of the OEB and will not be commented on by the IESO in its Confirmation Letter. IESO has indicated that it will be providing the cost and benefit categories and quantified values to be used in the bulk system calculation, and initially these would include avoided capacity and avoided energy. We agree with IESO providing these inputs as doing so will assist LDCs in the preparation of their applications and help to expedite the approvals process.

To assist the OEB in its review of the eDSM application, the IESO in its Confirmation Letter should clearly set out those aspects of the LDC's application that it has reviewed and is in a position to substantiate versus those it has not. This will assist the OEB in focusing its review of the application.

Notably, IESO will be confirming in its Confirmation Letter, the allocation of GA to the eDSM program based on the bulk system benefits it has reviewed and the DST benefits, which it will not review. This suggests that the IESO is assuming for the purposes of the Confirmation Letter that the inputs and outputs of the DST will meet OEB approval. In the Confirmation Letter, the IESO should elucidate any assumptions it has made regarding the OEB approval of the DST to assist the OEB in focusing its review of the application.

The OEB BCA Framework identifies 5 categories of distribution system benefits for the DST but only one, namely, distribution capacity, is classified as being mandatory and quantitative for purposes of the DST. The other 4 benefits are currently permitted but not required to be included in the DST. The potential for LDCs to choose whether to include other benefits and to provide substantiation may create inconsistent application of the DST. The OEB should provide guidance to LDCs on the inclusion of these benefits and the type of substantiation needed. With respect to the costs of the eDSM program, any proposed utility incentives should be included in the calculation of the DST.

We support the Working Group's proposal for a cost-of-service approach for quantifying the value of distribution capacity benefit and agree that the Marginal Capacity Value be a future inclusion in the Stream 2 framework. A cost-of-service approach to valuing distribution capacity benefits is a more straightforward calculation and is likely better understood by LDCs.

Funding of Distribution Component of eDSM

The Working Group is proposing that the portion of Stream 2 program costs attributable to the distribution system will come from distribution rates through an eDSM rate rider(s) that distributors will include in their applications. Each LDC would also present rate impacts, illustrating the incremental bill effect of the eDSM program and the rate riders that would reflect the forecasted costs over the entire approved term.

The Working Group is also proposing that the LDC be automatically granted a rate rider to recover its share of the eDSM program costs. We do not agree that the rate rider should be granted automatically and instead recommend that the LDC be required to demonstrate that the distribution portion of the eDSM program costs is incremental to the existing base rates of the LDC. There is a compelling case for requiring LDCs to demonstrate incremental funding through a rate rider before one is authorized. For example, the OEB's Incremental Capital Module ("ICM") requires LDC's to demonstrate that additional funding (over and above that currently available through rates) is needed and the OEB's accounting direction on the treatment of cloud computing costs requires that the associated variance account include anticipated saving due to avoided capital expenditures.

In addition, the OEB's Non-Wires Solutions ("NWS") Guidelines for Electricity Distributors indicate that distributors are required to incorporate considerations of NWS into their distribution planning process, and these may include energy efficiency programs. The Guidelines indicate that the DSP should describe how NWS were taken into consideration, including details on system need, any infrastructure investments being avoided or deferred as a result of the NWS and the prioritization of the NWS relative to other system investments in the DSP.

The Guidelines encourage distributors to make funding requests for any proposed NWS as part of rebasing applications or part of their cost-of-service application. The Guidelines also indicate that the OEB will consider applications for NWS outside of rebasing applications if the proposed NWS would have rate impacts prior to rebasing to address a system need that is currently unfunded, and in such cases the distributor should identify whether any funding to address the identified system need is already included in existing rates. This requirement of the Guidelines is consistent with requiring LDCs to demonstrate that the proposed eDSM program is unfunded by current rates and therefore requires a rate rider to recover eDSM program distribution costs.

It must be clear that the LDC requires additional funds to pay for the distribution portion of the eDSM program. Reliance on the IESO Measures and Assumptions List provides certainty regarding the inclusion of proven measures and their potential kW and kWh savings based on an appropriate set of assumptions for the eDSM program but is not related to whether the distribution portion of the eDSM costs are incremental costs for the LDC and are in the LDC's future capital or operating spending.

It may be that the eDSM program is already covered by the LDC's future spend and if the eDSM is more cost-effective than the wires solution, then these savings would accrue to customers through the infrastructure benefits achieved (e.g. infrastructure deferral). For example, by substituting eDSM Operations, Maintenance and Administration expenses for the capital related charges that would be associated with the wires solution, an LDC is creating savings from reduced depreciation, rate of return and PILs. Also, we agree that it would be reasonable to allocate any cost to be recovered by a rate rider in a manner that mirrors OEB's Cost Allocation Methodology for the types of assets/costs the eDSM program is replacing or deferring.

Delegated Authority and Board Panel

The Working Group envisions that by setting up the appropriate work forms and tools, relying on the IESO's expertise regarding eDSM and their Confirmation Letter and establishing rules and boundaries for use of Delegated Authority, an application that uses these tools and falls within the rules and boundaries of Delegated Authority should follow the delegated authority approvals process.

The OEB has noted that applications reviewed by an employee under Delegated Authority per section 6 of the OEB Act are primarily mechanistic or administrative. Whether a review can be considered mechanistic or administrative depends on the type of information that is required by the work forms and tools. While these work forms and tools will help LDCs prepare their applications and improve the efficiency of the regulatory approvals process, they do not necessarily result in a mechanistic process. Only if the values of the inputs to these tools have been pre-determined (e.g., values to be used in the work forms) and are already established or substantiated, can the review be a mechanistic or administrative one.

There is limited to no experience with OEB approval of calculations using the DST. Only the OEB will be approving the DST. There will be no judgement applied by the IESO on the DST, as IESO judgement will be applied as appropriate on bulk system benefits and costs and allocating the GA according to the expected bulk system benefits.

The justification for each input's use for the DST that would permit calculation of the DST as a mechanistic approval simply involves determining that the correct values have been used for the required inputs. However, there are no set ranges or a set value for each input of the DST and this will create uncertainty in the input values. If there is uncertainty regarding these values, Stream 2 applications without OEB-pre-approved input ranges would require judgment when reviewing and approving the DST and would therefore require a Panel Review.

Even with pre-approved input ranges, the approval of need by the OEB is not likely to be mechanistic, unless previously adjudicated and approved in another OEB proceeding. Because both need and the DST inputs (e.g., the value of the distribution benefit) are likely to require judgement, most if not all applications in the early years of Stream 2 applications are likely to require Panel Review.

We support a Stream 2 Framework that allows for Delegated Authority and Panel Review but submit that it is likely to take time beyond January 2027 when the GA funding becomes available to develop appropriate input ranges for the DST and determine the conditions under which determining need would be a mechanistic decision by the OEB, assuming setting these input ranges and conditions is possible or desirable to do.

The Working Group favours Delegated Authority as it believes that time needed for a Panel Review will create a major barrier to development of Stream 2 applications. We submit that the timing concerns of the Working Group should be resolved without the use of Delegated Authority. As has been done in other proceedings, the OEB should set standard timelines for the eDSM program approvals process and steps within it (e.g., timing of filing of evidence, IRs, written submissions, timing of decision) for the hearing and decision. With such timelines, the time required for a Panel Review could be consistent with the IRM approval time frame (i.e., 4-6-months) sought by the Working Group for Stream 2 applications being filed for the approval.

2. **Does the proposed framework to approve distribution rate funding for Stream 2 Programs (including the respective roles of the IESO and the OEB with respect to Program review, evaluation, approval and reporting) strike an appropriate balance between ensuring the prudence of ratepayer funded spending on eDSM and facilitating the development of new energy efficiency programs that would provide both system and local distribution benefits?**

In its current form, the proposed framework to approve distribution rate funding for Stream 2 eDSM programs does not strike an appropriate balance between ensuring prudence of ratepayer funded spending on eDSM and facilitating the development of new energy efficiency programs that provide both system and local benefits. The balance would be improved by (as discussed above):

- Relying on Board Panel reviews until the appropriate values for inputs/input ranges for the DST and the determination of distribution need can be treated as mechanistic approvals
- Streamlining Board Panel review and approval of Stream 2 applications by setting standard timelines for the approvals process and steps within it (e.g., timing of filing of evidence, IRs, written submissions, timing of decision) for the hearing and decision to provide the 4-6-month time frame sought by the Working Group, and
- Demonstrating the need for a rate rider, if one is being sought, by requiring the LDC to demonstrate that the distribution portion of the eDSM program costs is incremental to the existing base rates of the LDC.

We strongly support eDSM and facilitating its development with new energy efficiency programs with both system and local distribution benefits. The sooner these eDSM programs are in market, the sooner LDC customers, including low-income and other vulnerable energy consumers, can benefit from them. Therefore, we support the OEB providing expedited approvals by setting standard timelines for the approvals process for a 4–6-month process, making effective use of IESO expertise through the Confirmation Letter, setting appropriate ranges for DST and EST inputs and cost-effectiveness, and producing appropriate work forms and tools to facilitate generating approvable applications that are transparent, replicable, cost-effective and address bulk and distribution needs. These actions will improve the balance between the approvals process requirements and the need to design and implement cost effective eDSM programs to address local distribution needs and also provide bulk system benefits.

3. **What additional changes to the NWS Guidelines (beyond those that might be needed to address the proposed framework detailed in the eDSM Stream 2 Report), if any, should the OEB consider to reduce barriers to cost effective energy efficiency program activities by rate-regulated electricity distributors?**

Our responses to the above two questions provide details and rationale for suggested changes/clarifications regarding the Stream 2 framework and these changes/clarifications should be incorporated into the NWS Guidelines to help reduce barriers to cost effective energy efficiency programs by LDCs. In summary, the suggested changes/clarifications from above are:

- Rely on Board Panel reviews until the appropriate values for inputs/input ranges for the DST and the determination of distribution need can be treated as mechanistic approvals
- Streamline Board Panel review and approval of Stream 2 applications by setting standard timelines for the approvals process and steps within it (e.g., timing of filing

of evidence, IRs, written submissions, timing of decision) for the hearing and decision to provide the 4-6-month time frame sought by the Working Group needed to ensure some Stream 2 applications are being filed for the approval

- Provide guidance on the requirements for demonstrating need, including that the identified need should be supported by, at minimum, distribution system capacity constraint, load growth and potential for cost avoidance relating to the wires solution and for comparing the costs and benefits of the proposed eDSM solution (as either part of a wires solution or deferring or replacing the wires solution) with the wires solution. In addition, the application should clearly define the timing of the distribution system need and describe how the need is expected to change over time
- Demonstrate the need for a rate rider, if one is being sought, by requiring the LDC to demonstrate that the distribution portion of the eDSM program costs is incremental to the existing base rates of the LDC
- Adopt a cost-of-service approach for quantifying the value of distribution capacity benefit and indicate that the Marginal Capacity Value be a future inclusion in the Stream 2 framework
- Provide guidance on the substantiation and documentation required for each of the values to be included in the DST and calculated in the base eDSM model, including any acceptable ranges for the inputs to the DST. The LDC should substantiate why the data and underlying assumptions from the DSP are still reasonable if the DSP is relied on for substantiation of need
- Provide guidance to LDCs for the inclusion of each of the categories of distribution system benefits identified for the DST, how they should be calculated, and the type of substantiation needed for the benefits being claimed
- In addition to what the Working Group has proposed to be included in the IESO Confirmation Letter, the Letter should also clearly set out those aspects of the LDC's application that it has reviewed and is in a position to substantiate versus those it has not and elucidate any assumptions it has made regarding the OEB approval of the DST
- Low-income and First Nations eDSM programs do not need to meet a BCR threshold. The IESO review of the program design and expected results of these programs as provided in the Confirmation Letter suffice regarding approval of the program design and the program's ability to achieve its objectives. These programs must address a distribution system need and are expected to have some energy, non-energy or societal benefits

In addition, to reduce barriers to cost effective energy efficiency programs, for Stream 2 applications submitted to the OEB in 2027, the OEB should commit to a standard 4-6-month approvals process for these applications and permit LDCs to recover the prudently incurred planning costs of preparing Stream 2 applications even if the applications are not approved. This will encourage applications in 2027 as well as innovation and testing, which will contribute to experience with and enhancements regarding Stream 2 eDSM for 2028 and beyond.

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