

Elson Advocacy

November 13, 2025

BY RESS

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

Dear Mr. Murray:

**Re: EB-2025-0156: Consultation on the Regulatory Treatment of Local
Electricity Demand-Side Management (Stream 2) Programs**

We are writing on behalf of Environmental Defence to provide comments regarding the DSM Regulatory Working Group's *Proposed Framework for Implementation of Local eDSM (Report)*, dated June 11, 2025.

The development of a framework for eDSM Stream 2 programs (LDCs) is critical to ensuring cost-effective and reliable energy distribution in Ontario. Environmental Defence supports the work on this initiative thus far but submits that any framework should maximize the opportunities for cost savings and system benefits by ensuring the following elements are incorporated:

1. Eligibility for front-of-the-meter storage
2. Support for energy storage solutions
3. Flexible BCR criteria
4. Proper allocation of generation and transmission level benefits
5. No requirement for OEB approval where incremental ratepayer funding not required

Each recommendation is elaborated below.

Front-of-meter storage

The Working Group's current proposal excludes DERs that are not delivered directly to consumers, including front-of-meter batteries (FTM).¹ Environmental Defence respectfully submits that FTM storage should be included in the proposal as that is required by the Ministerial directive and will maximize cost-effectiveness and benefits for customers.

¹ EB-2025-0156, Undertaking Responses ED-1, October 30, 2025.

In Directive 1448/2024, the Minister set out high-level expectations for a 12-year eDSM Framework, and identified three overarching goals:

- Support affordability
- Support grid reliability
- Optimize customer experience to improve and maximize energy savings²

In support of those goals, eDSM is defined as “inclusive of activities aimed at reducing peak electricity demand and/or electricity consumption from the electricity system.” The examples provided include “demand response, energy efficiency upgrades and process modifications whereby similar output is achieved with less electricity, behind-the-meter consumer generation and DERs such as solar photovoltaic and battery storage.”

While the Directive states that the IESO itself shall deliver programs under the eDSM Framework directly to consumers or communities connected to IESO or LDC distribution systems,³ this does not preclude the IESO from funding local distribution company (LDC)-delivered initiatives that invest in FTM technologies. As it pertains to the funding of LDC programs, the Directive only specifies that they should “address local electricity distribution needs and also provide value to the bulk electric system.” FTM batteries represent a critical resource to achieve both goals. This is reflected in the OEB’s inclusion of such technologies in its own BCA Framework and NWS Guidelines.⁴ It seems that the only provincially approved DER list from which they are excluded is the IESO’s Measures and Assumptions List (“MAL”). However, the MAL is “a collection of electricity demand side management measures offered in the current Save on Energy programs.” That initiative was much more limited than the Stream 2 framework, as outlined in the Minister’s Directive.

It is important that FTM storage facilities aimed at addressing distribution needs can access the global adjustment (GA) in order to maximize cost-effectiveness and benefits for customers. FTM storage facilities are often the most cost-effective storage solutions as they can be located exactly where they are needed and can benefit from economies of scale through larger installations. However, they are less likely to be implemented if LDCs can access GA funding only for BTM storage and not FTM storage. Without access to GA funding, FTM storage facilities will need to be funded entirely from the distribution benefits, which are typically smaller than the bulk system benefits. This will create a distortion that works against one of the most cost-effective non-wires alternatives (FTM storage).

In addition, the OEB should direct that any new tools developed in support of the eDSM application process (such as the proposed ‘online calculator’), specifically include FTM battery inputs. If not, LDCs could be dissuaded from considering such important technologies as they develop projects to address identified local and bulk system needs.

² Minister of Energy and Electrification, Minister’s Directive 1448/2024, Nov 7, 2024, p. 3 [Link](#).

³ Ibid, p. 4

⁴ OEB, Benefit-Cost Analysis (BCA) Framework for Addressing Electricity System Needs, May 16, 2024, p. 3 [Link](#); EB-2024-0118, Non-Wires Solutions Guidelines for Electricity Distributors, March 28, 2024 p. 6. [Link](#)

Support for energy storage solutions

Given the high potential for cost and energy savings associated with energy storage solutions, the OEB should direct the IESO to work with a small number of LDCs on early battery-focused pilots. This would ensure that Ontario is developing its own local expertise and evidence base in this important area.

Storage-based DERs require additional support because of the current proposal to rely on the IESO's MAL in order to expedite IESO approvals. The MAL does not include detailed entries on battery storage systems. This is concerning in light of the great potential for storage as a non-wires alternative. As part of early pilots relating to storage, the MAL should be updated to help facilitate future approvals of battery-related measures.

Flexible BCR criteria

Environmental Defence supports the Working Group's proposal to allow LDCs to seek approval for eDSM programs whose BCR fall between .7 and 1 on the Distribution Service Test. A flexible approach to BCR calculation ensures that key qualitative benefits are captured. Mandating a strict threshold of 1 and higher would effectively require utilities to ignore qualitative benefits in decision-making, which is not rational or cost-effective.

Proper allocation of generation and transmission level benefits

The Framework should go further in working to capture all potential program benefits – in particular, bulk system benefits. The Working Group's current proposal does not assign regional generation and transmission level benefits.⁵ This is a missed opportunity and is important for two reasons:

- It undermines the 'beneficiary pays' principle; and
- Does not ensure that the most cost-effective investments are made at every level of the distribution system.

Moreover, the IESO is perfectly placed to coordinate the type of information sharing and evidence gathering that would be required to calculate generation and transmission level benefits.

No requirement for OEB approval where no incremental ratepayer funds needed

In order to get LDC-led eDSM programs up and running as soon as possible, the IESO should make GA funding available without OEB-approval in circumstances where an LDC can cover the distribution portion of a program through their existing budget. This is reflective of the Minister's Directive, which states:

1. The IESO shall create a program to:

⁵ EB-2025-0156, Undertaking Responses Staff-19.

...

- (b) Support and contribute to the funding of local eDSM programs that:
 - i) Are designed and delivered by LDCs and endorsed by the IESO;
 - ii) Address local electricity distribution needs, and also provide value to the bulk electric system; and,
 - iii) Have received approval from the OEB for the rate-funded portion of the program costs. [emphasis added]

The above direction requires only that the OEB approve rate-funded portions of the program costs. As such, if an LDC does not require additional rate-based funding to cover local distribution costs, it should be able to enter into an agreement for GA funding based on the IESO's evaluation of bulk-system benefits. This will reduce the regulatory burden of these programs on the OEB, help achieve the OEB's objective of 5% red tape reduction,⁶ as well as limit the administrative burden on LDCs. It will also minimize delays in potential cost avoidance and other customer benefits.

Conclusion

The development of a Stream 2 eDSM Framework is an important step in improving affordability and reliability in Ontario's electricity system. In order to achieve the Minister's stated objectives of "address[ing] province-wide, regional or local electricity system needs as identified in bulk, regional or distribution planning processes"⁷ the adopted Framework must include high-efficiency FTM and BTM storage solutions, provide flexible criteria, accurately capture benefits and reduce regulatory burden.

Yours truly,



Kent Elson

⁶ Ontario Energy Board, Annual Report 2023-24, p. 3. [Link](#)

⁷ Minister of Energy and Electrification, Minister's Directive 1448/2024, Nov 7, 2024, p. 4.