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November 13, 2025

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

Dear Mr. Murray:

In the November 29, 2023 Letter of Direction¹, the Minister of Energy called on the Ontario Energy Board (OEB) to re-evaluate and prioritize electricity demand-side management (eDSM), previously referred to as Conservation and Demand Management (CDM) alongside other Distributed Energy Resources (DERs) and Non-Wires Solutions (NWSs). The Minister of Energy issued a new eDSM Directive on November 7, 2024 and an amended eDSM Directive on December 19, 2024 to the Independent Electricity System Operator (IESO)² for the period 2025-2036 which provides direction related to funding for local Stream 2 eDSM initiatives. This Directive is supplemental to the other requirements and policy related to eDSM, DERs and NWSs, including utility requirements outlined in the OEB's *Non-Wires Solutions Guidelines for Electricity Distributors* (NWS Guidelines)³.

On July 23, 2025, the OEB issued a letter initiating a consultation on the regulatory treatment of eDSM programs delivered by local distribution companies (LDCs) that provide both local and system wide benefits. A stakeholder session was held on October 8 & 9, 2025, including a presentation on eDSM Stream 2 Report by the Working Group and an opportunity for stakeholders and OEB staff to ask questions of the Working Group. Pollution Probe participated in this consultation. A wide variety of questions were asked and some were not able to be answered during the stakeholder session and were taken away in the form of undertakings. On October 30, 2025, the Working Group provided the written responses to the undertakings.

In accordance with the OEB direction, below are Pollution Probe's comments related to the eDSM Stream 2 proposal. Overall, Pollution Probe supports eDSM Stream 2 and finalizing the

¹ [04-0177](#)

² [Ministerial Directives](#)

³ [Non-Wires Solutions Guidelines for Electricity Distributors \(formerly CDM Guidelines for Electricity Distributors\) | Ontario Energy Board](#)

approach in an expedient manner. Advancing eDSM programs to target local needs not currently being addressed is of benefit to consumers, local communities and the electricity grid. Proceeding with an approach outlined by the eDSM Working Group will establish a process, but does not guarantee that actual programs will be developed by LDCs which will result in local outcomes. It is critical that an OEB approved approach is simple and expedient, while ensuring the appropriate level of oversight and prudent review. This balance is the key to this consultation. There are some critical issues that need to be resolved as the OEB considers stakeholder feedback and the Working Group response to that feedback.

As noted in the NWS Guidelines, “The September 2022 Minister’s directive also states that the government is supportive of electricity distributors taking the lead on CDM opportunities eligible for distribution rate-funding under the OEB’s CDM Guidelines (now the NWS Guidelines), and requests the IESO to support, where possible, distributors’ CDM (NWS) applications to the OEB for rate-funding that are in the best interest of Ontario electricity ratepayers and program customers.”⁴

As LDCs continue to enhance and deliver Distribution System Operator (DSO) capabilities, the local solution set to meet customer and system needs will continue to grow in impact and importance. LDCs are better positioned than the IESO to identify local benefits. Some utilities already have these competencies and others will need to develop them to enable effective DSO operations which will align with local eDSM programs. The local benefits extend beyond what the IESO typically includes in the EST and DST, which could lead to under-estimation in cost effectiveness and constrain eDSM programs that are in the interest of the public. The OEB must allow LDCs to continue to come forward directly with local opportunities (including eDSM, DERs, NWSs, etc.) separate from the eDSM Stream 2 approach, where appropriate. In other words, the eDSM Stream 2 approach is meant to be a tool to serve a specific purpose, but not restrict or replace other LDC options. The NWS Guidelines encourage LDCs to advance local solutions and Pollution Probe also supports the use of a utility incentive which embeds a performance-based incentive in the Stream 2 budgets and remunerates distribution meeting or exceeding program objectives.

In its NWS Guidelines for electricity distributors, the OEB defines NWSs as “solutions that reduce instantaneous electricity demand (measured in kilowatts or kilovolt-amperes) on a utility’s distribution system, or a portion of that system, or which reduce overall electricity consumption (measured in kilowatt-hours)”⁵. The NWS Guideline indicates that “...rate applications filed by electricity distributors are expected to be fully consistent with the NWS Guidelines, or to provide an explanation for any divergence”⁶. There is a broad range of DERs/NWSs available for implementation in a coordinated manner and eDSM is one of the options and it is complimentary to other DERs/NWSs. Maximizing eDSM results reduces energy consumption and/or peak demand which reduces the demand on the local and regional grids.

⁴ Non-Wires Solutions Guidelines for Electricity Distributors, page 5.

⁵ Non-Wires Solutions Guidelines for Electricity Distributors, page 6.

⁶ Non-Wires Solutions Guidelines for Electricity Distributors, page 6.

Restarting local eDSM program development following several years of central program delivery will take significant effort and support for LDCs. The resources that LDCs relied on in the past for CDM (NWS) program development and delivery are significantly dwindled and in some cases entirely gone. Efficient and proactive support channels (the Working Group suggest that these are largely from IESO) will be needed to get some LDCs back on track. Openly sharing application information and process learning across LDCs and related stakeholders will be a key component of the transparency needed to support a quick start approach. LDCs should not be asked to recreate the wheel if another LDC has already received approval for the same eDSM program.

Pollution Probe has been a strong supporter for maximizing the significant and broad benefits of energy efficiency and demand response across all sectors in Ontario. This includes new construction which presents a unique opportunity to build right the first time, rather than needing to go back and conduct more costly retrofits later. Some areas of the Province and LDCs have higher levels of new construction forecasted and will attract higher focus on those areas to avoid the lost opportunities of status quo development. Lost opportunities refer to a situation where a cost-effective energy-saving measure could have been implemented but wasn't—and future chances to implement it will be more difficult, expensive, or impractical. Minimizing lost opportunities is a goal that supports maximizing eDSM results for Ontarians and is complimentary to the local approach intended by eDSM Stream 2. The Province and the OEB have recognized that energy efficiency is far more cost-effective than generating incremental energy. Energy efficiency also directly relates to economic benefits for local communities⁷.

It is important to remember that the core purpose of eDSM is to deliver tangible results to ratepayers, Ontario communities and the grids that serve Ontario. Although appropriate controls need to be in place to ensure prudence and real outcomes, excess administrative complexity and delays restrict achieving the intended end goal. There are significant local eDSM opportunities available that are not currently being captured and it will be important to ensure that LDCs are effectively engaged and commit to pursue those results for the communities that they serve. Overly complex or burdensome processes will be a barrier to LDC participation.

In many communities eDSM results are effectively aligned with local municipal energy and climate emission plans, but greater opportunity for alignment exists. Combined (ideally one-window) programs are the most cost-effective and easiest for consumers to engage with. It is highly recommended that the OEB encourage program development that provides a one-window approach from energy consumers. This includes coordination with municipal climate programs and gas DSM programs, where practical. The IESO has already entered into an agreement to combine gas DSM incentives for the residential sector in a one-window program⁸ which could be looked at as an example for all sectors. Consolidated programs are the most effective and minimize duplication of administrative costs (e.g. outreach and marketing).

⁷ One of the drivers for the Provincial energy plan program - [Municipal Energy Plan Program | ontario.ca](https://www.ontario.ca/municipal-energy-plan-program)

⁸ EB-2024-0198, Exhibit JT1.6, Attachment 1 updated 20250902.

Creating programs from scratch and in a silo is more costly and less efficient. Collectively sharing consolidated program info through multiple channels will reach more customers, contractors and related stakeholders. Associations, municipalities and local community groups should be leveraged by the LDCs to enhance outreach. The OEB and IESO has previously confirmed the importance of aligning eDSM/NWSs with local municipal energy and emissions planning and the current NWS Guidelines reference related documentation and recommendations from the Regional Planning Process Advisory Group (RPPAG)⁹. A collective and integrated approach will ensure the greatest eDSM results while also delivering the greatest results aligned with local municipalities' goals.

Pollution Probe agrees that there is a clear opportunity for LDCs to develop localized programs that capitalize on their unique customer relationships and local knowledge of the distribution system. Local programs will also enable local coordination with customers, community organisations and municipalities. Similarly, augmenting existing province-wide programs (e.g., enhancing with local incentives or tailored marketing in areas requiring targeted attention) lets LDCs tap into established delivery channels and proven strategies, further mitigating the risk of not achieving expected outcomes. This incremental approach was not identified or considered in the Working Group report. The current IESO eDSM program suite provides a menu of options that have been designed to work independently or in isolation from other policy tools. For example, eDSM incentives for the solar/battery programs restrict customers from also using the full range of rate plan options (i.e. net metering is excluded). Administrative restrictions placed on programs create barriers for customers that already struggle with the complexity of the electricity market. Reducing restrictions and consolidating benefits into one-window program offerings will deliver greater results than siloing them into separate offerings. For example, if greater results for the solar/battery eDSM program is desired, the net metering restriction could be removed instead of just increasing program incentives.

The Working Group proposed a streamlined approvals process to enable shared distribution-rate and Global Adjustment (GA) eDSM funding. This approach centers on IESO confirmation of expected program efficacy, cost-effectiveness and non-duplication, followed by expedited OEB review and approval of distribution funding; typically, within an LDC's annual Incentive Rate-setting Mechanism (IRM), Annual Update process, or Cost of Service application. Pollution Probe supports a streamlined and principled approach that leads to expedient and effective local eDSM programs and real results for energy consumers and Ontario communities. There are changes to the Working Group proposal that would reduce duplication, increase efficiency and decrease timelines. The OEB should seek to streamline any part of the process where the IESO would be duplicating a review or verification that will be done by the OEB.

Pollution Probe supports leveraging Delegated Authority review, as appropriate, for routine cases (expected to be most of the applications). Where practical, including eDSM programs in an LDC Cost of Service application would be the most efficient and help the OEB understand

⁹ RPPAG Report and sub-report including enhanced municipal planning coordination available here - [Regional Planning Process Review | Ontario Energy Board](#)

how the program(s) aligns with the broader Distribution Service Plan. The OEB's NWS Guidelines indicate that distributors on Price Cap IR or Custom IR rate-setting methodologies are strongly encouraged to make funding requests for any proposed NWSs as part of cost-based (rebasing) rate applications, where possible¹⁰. However, as proposed by the Working Group, LDCs should have the flexibility to file an eDSM application at any time to avoid delay in launching a local program.

The Working Group Report¹¹ attempts to draw from the OEB's BCA Framework, the IESO's Measures and Assumptions List (MAL), and established province-wide programs and evaluation expertise. Pollution Probe supports the Working Group recommendation that the OEB amend the NWS Guidelines to accommodate Stream 2 program funding requests under IRM, Annual Update processes, or Cost of Service application. The OEB NWS Guidelines review and update will need to be comprehensive and include updates related to eDSM, NWSs, DERs, and other current and relevant issues such as DSO linkages. There are a large number of on-going initiatives that relate to the NWS Guidelines and it does not make sense to undertake a consultation to update such an important guideline without considering all of the elements that may be implicated.

Pollution Probe supports the recommendation that the OEB grants final approval of program budget and distribution funding, authorizes new or updated eDSM rate riders, and oversees the eDSM Variance Account (eDSMVA) for tracking any revenue and cost variances. Under the proposal, the LDC remains the primary respondent to any information requests regarding the program details requested by OEB Staff as part of its review of the eDSM program funding request. Much of the process can be prescriptive in nature (e.g. eDSMVA disposition). Where possible, Delegated Authority is an approach that can speed up the process while providing an opportunity for public review. Transparency and sharing of information will be of heightened importance during the first few years while the process is still new.

One of the Working Group underlying principles was Proportional Cost Allocation, i.e. costs must follow benefits proportionately. This ensures equitable rate impacts and fosters an environment where local solutions can properly account for the additional value created for the bulk system, warranting funding through the GA in addition to local rates. Pollution Probe agrees with this as a general principle, but it is important that programs do not get stuck in an overly complicated or restrictive approach. The OEB typically applies this principle at a general level with appropriate flexibility to ensure it is applied in a balanced manner to achieve policy outcomes and ensure that the broader public interests are served. In some cases, the OEB has determined that there are broader benefits that were not included and has accounted for those in its decisions (including socializing costs where appropriate). Local programs create broader system and societal benefits that are not well modelled or understood in today's complex system. Adders or approximations have served the OEB well when it comes to simplifying processes related to DERs/NWSs. As a NWS, eDSM also has the ability to provide grid services,

¹⁰ Non-Wires Solutions Guidelines for Electricity Distributors, page 12.

¹¹ DSM Working Group_Local eDSM Ltr_Report_20250611.

reduced costs and increasing reliability at a local and aggregate level. Although IESO does not currently include all these benefits in its cost-effectiveness screening, the importance of recognising the value of local benefits is important. As the Provincial/OEB focus on growing the DSO model proceeds, the importance of including all the local benefits will grow. Enabling these to be included for local eDSM program approvals is aligned with the Province's policy direction.

The Working Group's recommendation is that the Stream 2 framework rely on the OEB's BCA Framework for the purpose of cost-effectiveness testing. The current BCA Framework is currently narrow and restrictive (i.e. does not include all the benefits), which could cause eDSM Stream 2 programs to be overly restricted. The OEB has identified that updates are required to make the BCA Framework more flexible and inclusive of broader benefits that occur. In order to recognise the portion of benefits missing (local, system and societal), the OEB could use a 15% benefits adder like currently done for similar gas DSM. Application of the societal costs of carbon is also being considered by the OEB for energy efficiency programs. A more permanent adjustment can be considered by the OEB once the BCA Framework updates are completed.

The BCA Framework is slowly evolving to become more flexible and aligned with industry best practices (e.g. National Standard Practice Manual for DERs¹²). Ensuring that eDSM and the NWS Guidelines provide the flexibility to adopt those best practices is important. BCA and cost-effectiveness for NWSs/DERs is a focus far beyond Ontario and being able to leverage industry best practice, continuous improvement and industry tools (including case studies) is much more effective and efficient than an isolated approach. The electricity grid and supply of energy is for the benefit of the ratepayers and communities being served. Excluding societal net benefits from eDSM programs is ignoring the very purpose of why energy (and energy efficiency) investments are made. Where IESO may be bound by a restricted set of program rules, these restrictions should not be carried over to rate regulated LDC programs.

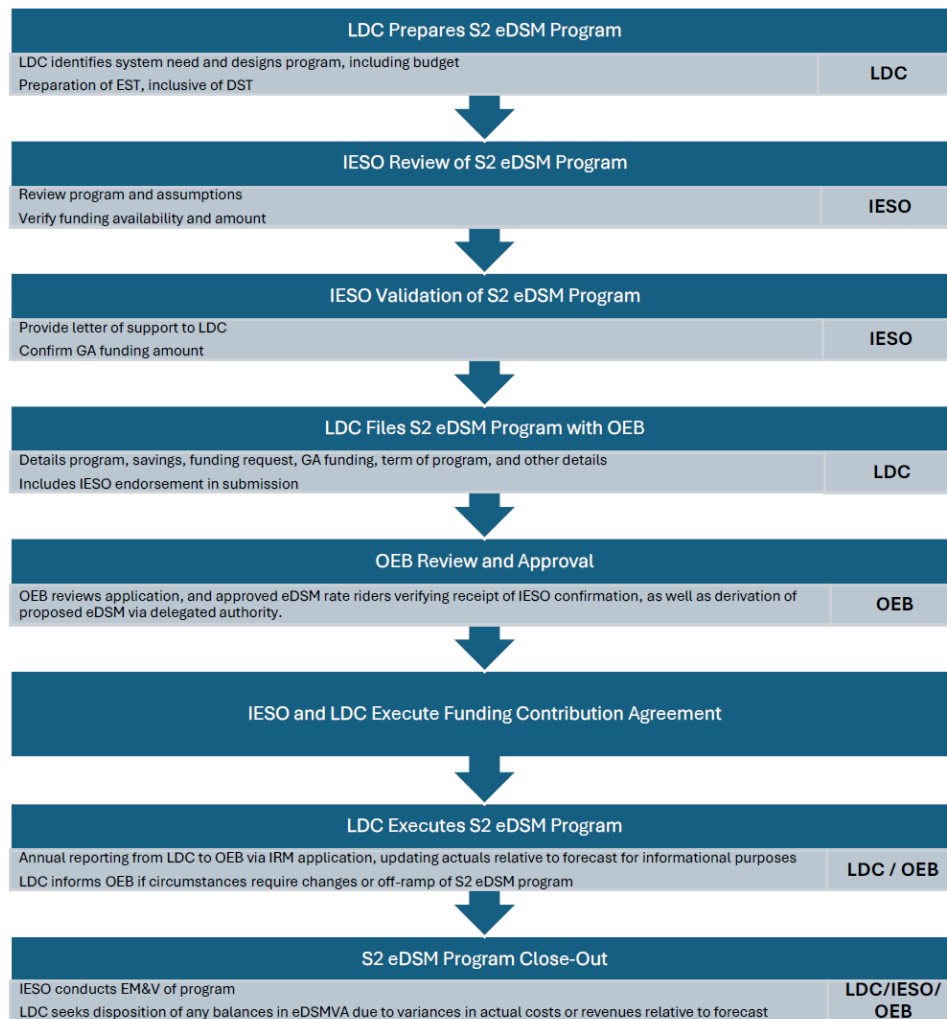
Given the complexity associated with the energy transition and large number of initiatives underway, it is important that expectations are clear. The OEB already expects LCDs to consider cost-effective DER/NWS solutions as part of their regular utility planning and execution. The category of eDSM Stream 2 opportunities is simply a subset of the broader DER/NWS opportunities that LDCs should consider as part of their Distribution Service Plan and ongoing program options. This is already the case, but explicitly noting this in the eDSM guidance would help reinforce the point and avoid ambiguity.

The Working Group outlined its proposed steps associated with the eDSM application as noted below¹³. This includes eight major buckets of steps that each include many details and sub-steps not represented on the diagram. It is interesting to note that four of these steps relate to the LCD and three of the steps relate to IESO. There are no targeted timelines for each step and it is recommended that these be included to provide clarity on the expected administrative timeline. Without this information it is not known how long this process is expected to take.

¹² [National Standard Practice Manual - NESP](#)

¹³ EB-2025-0156 DSM Working Group_Local eDSM Ltr_Report_20250611, Page 16.

Where possible, a checklist approach should be used for each stage of review and validation to increase transparency and efficiency.



It appears that the Working Group is proposing that IESO conduct review and validation activities which could duplicate what the OEB may review during the process. The Working Group notes that the IESO review and validation is “non-binding” and is not meant to replace the reviews conducted by the OEB. It is recommended that any duplication be removed. Working through a duplicative review and validation process linked to eDSM program approvals would not be efficient and will extend the administrative timelines.

The Working Group recommends that the IESO be responsible for creating a centralized cost-effectiveness testing tool which incorporates the BCA Framework policies, and LDCs will be responsible for completing it as part of submissions to the IESO and OEB. Providing a common toolset for LDC use has value, but as previously noted by the Working Group, the LDC must own the cost-effectiveness for the programs they are proposing to the OEB. Having the IESO own or validate the cost-effectiveness required by the OEB could be considered duplicative, inefficient

and may confuses responsibility over who owns the information in the OEB eDSM application. It is not practical to suggest that the LDC own the eDSM application while mandating responsibility for portions of the application to IESO. If tools and checklists developed by the IESO are efficient and simplistic, they can reduce the burden on LDCs. Prescriptive elements conducted by IESO that are clearly laid out by the OEB may provide added value, but they need to provide a specific list which can be accomplished within a specified timeline and provide the OEB specific evidence that is required for approval. Complex applications that extend beyond the prescriptive review and validation approach would need to go before an OEB panel for adjudication. The LDC is responsible for their application and will not be in a position to defend evidence in the application that was created by IESO.

Pollution Probe understands that this has been a long and difficult process for the eDSM Working Group. The Working Group should be as clear as possible in the details when they submit their final responses to comments and if certain IESO/OEB duplication is necessary, it should be explained why. If gaps or lack of clarity still remain, then the OEB will need to address those gaps in the final documentation. If additional challenges are identified as eDSM applications are submitted and reviewed, future adjustments to the process may be required. It could make sense to plan a review a year or two following the launch of the OEB process to ensure that the intended outcomes are being achieved. Timing for updates to related documents such as the OEB NWS Guidelines will also need be determined by the OEB.

Respectfully submitted on behalf of Pollution Probe.

A handwritten signature in black ink, appearing to read "Michael Brophy", is positioned above a horizontal line.

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