

**Consultation on the Regulatory Treatment of  
Local Electricity Demand-side Management (Stream 2) Programs**

**AMPCO Comments November 13, 2025**

The Ontario Energy Board (OEB) initiated a consultation in July 2025 on the regulatory treatment of electricity demand-side management (eDSM) programs to be delivered by local distribution companies (LDCs) that provide both local and system wide benefits. This consultation is in direct response to Letters of Direction (LODs) provided to the OEB and the IESO.

**Background**

For the 2021 to 2024 period, the model for eDSM delivery in Ontario focused on centralized IESO delivery. The IESO and LDCs formed a joint IESO-LDC DSM Regulatory Working Group (Working Group) to identify post-2024 opportunities for collaborating on eDSM programs. The Working Group also worked toward defining funding sources and clarifying roles and responsibilities for the IESO, LDCs and the OEB in supporting these programs. In August 2023, the Working Group submitted a Recommendations Report to the Minister.

The Minister issued a new eDSM Directive to the IESO in November 2024 for the 2025-2036 period. Under Section F 1.b, the Directive requests that the IESO support and contribute to the funding of local eDSM programs that are:

- designed and delivered by LDCs
- endorsed by the IESO
- approved by the OEB for the rate-funded portion of their costs
- intended to address local LDC needs while also providing value to the bulk electricity system

On June 11, 2025, the IESO-LDC DSM Regulatory Working Group filed its Proposed Framework for Implementation of Local eDSM Report (eDSM Stream 2 Report) with the OEB.

The eDSM Stream 2 Report proposes a framework for funding local eDSM programs that provide both system and local distribution benefits. Stream 2 Programs would be funded from distribution rates (approved by the OEB) and the Global Adjustment, based on the beneficiary pays principle.

AMPCO participated in the Stakeholder Session on October 8 and 9, 2025. AMPCO provides the following comments on the eDSM Stream 2 Report and the proposed framework for funding local eDSM programs.

## **General Comments**

AMPCO generally supports local eDSM programs as they target local distribution needs and contribute to improved grid reliability by reducing stress on the system during peak hours and by reducing the need for expensive new power generation and transmission infrastructure, which helps to lower overall system costs for all consumers in the long run. eDSM programs that offer incentives for large industrial consumers to reduce their electricity use during high-demand periods, can lead to significant cost savings. Lower operating costs enhance global competitiveness. All of these issues are important to AMPCO members.

The Working proposes an eDSM framework with the following major stages:<sup>1</sup>

- LDC Prepares S2 eDSM Program
- IESO Review of S2 eDSM Program
- IESO Validation of S2 eDSM Program
- LDC Files S2 eDSM Program with OEB
- OEB Review and Approval
- IESO and LDC execute Funding Contribution Agreement
- LDC Executes S2 eDSM Program
- S2 eDSM Program Close-Out

In a nutshell, the Working Group's proposal is that the LDC determines need and prepares the eDSM Program; the IESO reviews and validates the Program; and the OEB reviews and approves the Program for execution including distribution funding.

AMPCO generally supports the Working Group's proposed framework and the shared oversight roles between the LDC, IESO and OEB. The framework appropriately responds to the Minister's directives. AMPCO is very supportive of the proposed role of the IESO to confirm the LDC's proposed eDSM Program meets established technical and cost-effectiveness thresholds and is not duplicative of existing province-wide programs.<sup>2</sup> The IESO has the technical expertise and relevant experience delivering province-wide programs to proficiently fulfill this role. It is important that proposed LDC eDSM programs do not duplicate province-wide programs and it is equally important that LDCs collaborate where feasible on joint eDSM programs to address common regional system needs. The proposed framework appropriately addresses these issues.

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<sup>11</sup> Report p. 16

<sup>2</sup> Report p.19

## Delegated Authority

The eDSM Stream 2 Report proposes the OEB review of applications could be conducted by an employee acting under delegated authority under section 6 of the Ontario Energy Board Act, 1998, which allows such employees to determine matters with or without a hearing. The types of applications currently delegated under this authority are for reviews that are primarily mechanistic or administrative in nature.

The OEB's consultation letter asks: Is the review of applications for approval of Stream 2 Program funding by delegated authority appropriate? 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 applications that can be reviewed under delegated authority)?<sup>3</sup>

The Working Group's proposal is that the LDC would submit the eDSM Program to the OEB in its next IRM, Annual Update, or Cost of Service application. Currently, an application for an annual rate adjustment by an electricity distributor that includes an Incremental Capital Module (ICM) or an Advanced Capital Module (ACM), Z-factor funding, or any requests for approval that require a new or further prudence review for a cost component is excluded from delegation and is to be decided by a Panel of Commissioners.<sup>4</sup> In AMPCO's view, an LDC S2 eDSM Program is akin to an ICM, ACM or Z-factor in that incremental funding is required and there are components proposed by the LDC that underpin the funding that are not yet mechanistic and could require further analysis and evaluation.

In determining whether delegated authority is appropriate, AMPCO believes it is important to consider what the LDC is going to decide independently of the IESO. Under the Working Group's proposal, the LDC is the party that is responsible for the following:

- Program design including the budget
- Local system need the program addresses and supporting information
- Categories of distribution benefits that build up the Stream 2 program DST including details of how those benefits were determined
- LDC Performance Incentive types and amounts
- Target market details, customer details and planned participation rates.<sup>5</sup>

The Working Group clarified at Day#1 of the Stakeholder Session that it expects the development of an Excel based information input and calculation tool/model to be performed after the OEB issues its approval and guidelines for Stream 2.

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<sup>3</sup> EB-2025-0156 OEB Initiation Letter July 2023, 2025 p. 3

<sup>4</sup>

[OEB Delegated Authority](#) (Schedule B)

<sup>5</sup> J1.6; Report p. 18

The Working Group provided more details on the information that could be included in the eDSM Model further emphasizing that system need and benefits will be calculated by the LDC. Benefit details data should include the details that support the calculations of the OEB's Benefit-Cost-Assessment Framework ("BCA Framework") Distribution System Test ("DST"), Energy System Test ("EST") and listing of any qualitative benefits. Qualitative benefits could include: Social and economic benefits; Environmental benefits; Outputs from scan of other jurisdictions; and Non-energy benefits to participants.<sup>6</sup>

Under the Delegated Authority approach, OEB staff would evaluate the completeness and correctness of the LDC's filing, verifying the cost-effectiveness tests (EST, DST) and cost-allocation split between distribution rates and the GA, as well as confirming that the distribution need is substantiated.

While AMPCO supports regulatory efficiency and understands the Working Groups' desire to have a streamlined, timely and cost-effective review of frequent LDC eDSM applications for distribution funding, AMPCO sees the LDC Stream 2 eDSM Program in a nascent phase and not at the point where it has been sufficiently tested at the OEB to justify a streamlined process at the outset. Until the OEB has had experience reviewing and substantiating the need and DST inputs and calculations and qualitative justifications, the applications cannot yet be seen as mechanistic or administrative in nature. AMPCO ultimately supports a framework that allows for Delegated Authority to reduce regulatory burden once the input parameters to determine need and the DST are established as mechanistic or administrative in nature.

The timelines for the OEB to approve an IRM application with an ICM, ACM or Z-factor are not cumbersome, typically less than six months. One would expect similar timelines for an OEB Panel to review and approve an IRM with an eDSM proposal. The OEB's performance standard to issue a decision on a complex IRM application (or other stand-alone request) that requires a hearing is 165 days from the issue of a completeness letter to a decision.<sup>7</sup> If needed, the OEB could establish a specific performance standard for an eDSM application to provide further assurances that the OEB review should meet certain parameters.

### **Incremental to Base Rates**

Stream 2 programs that deliver both local and provincial benefits are to be funded proportionally through GA and distribution rates based on the beneficiary pays principle. The IESO confirms the GA funding amount and will deploy GA funds to cover the portion of eDSM costs allocated to the bulk system.

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<sup>6</sup> J1.1

<sup>7</sup> [OEB Performance Standard - Complex IRM](#)

The Workform consolidates forecasted costs, expected benefits, and eDSM rate rider calculations into a single format. The OEB sets new eDSM rate riders that correspond to the OEB's approved distribution-related costs.

In addition to the LDC demonstrating the need for the rate rider, the LDC must confirm that the distribution portion of the eDSM costs is not already funded through base rates.

With respect to consumer protection the Report states "Throughout each application review, the OEB ensures that rate impacts are appropriate, and that cost allocation between distribution customers and the broader provincial system is appropriate."<sup>8</sup> The OEB should also ensure costs to be funded through distribution rates are incremental.

It is important that eDSM program costs are incremental to the existing base rates of the LDC, so customers are not paying twice.

### **Consultation with Industrial Customers**

The eDSM Report indicates that by leveraging LDCs' close customer relationships and local infrastructure insights, Stream 2 enables tailored, customer-centric solutions that address distribution constraints and offer ratepayers additional options for energy efficiency, ultimately benefiting both local grids and the provincial electricity system.<sup>9</sup>

Although not explicitly described in the Report, AMPCO expects that LDCs will engage early with large customers in the development and design of any eDSM programs that target industrial customers and in particular individual AMPCO members.

### **Proposed Timeframe**

The Minister issued a new eDSM Directive on November 7, 2024 and an amended eDSM Directive on December 19, 2024 to the IESO which set the timeline of 2025-2036 for eDSM.

AMPCO supports the 12-year timeframe as it provides significant certainty to LDCs and customers. Previous eDSM plan in Ontario have been for only three to four years.<sup>10</sup>

### **Review of Framework**

To ensure the long-term success of the plan, the OEB may wish to consider a mid-point review of the framework to confirm its alignment with current policy and guiding principles.

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<sup>8</sup> Report p. 11

<sup>9</sup> Report p. 30

<sup>10</sup> IESO delivered program: 2021-2024