

November 17, 2025

Ritchie Murray
Registrar
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
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Dear Mr. Murray:

EB-2025-0156 – Consultation on the Regulatory Treatment of Local Demand Side Management Programs

Please find, attached, the Submissions of the Consumers Council of Canada pursuant to the above-referenced consultation process.

Please feel free to contact me if you have questions.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All parties

SUBMISSIONS OF THE CONSUMERS COUNCIL OF CANADA

RE: EB-2025-0156

EDSM STREAM 2 CONSULTATION

INTRODUCTION:

On July 23, 2025, the Ontario Energy Board (OEB) initiated a consultation on the regulatory treatment of electricity demand side management (eDSM) programs delivered by local distribution companies (LDCs) that provide local and system wide benefits. This is in response to the 2023 and 2024 Ministerial Letters of Direction which sought input on an appropriate cost sharing mechanism from the Global Adjustment Mechanism (GA) and distribution rates that is grounded on the principle of beneficiary pays in order to advance the development of a funding stream for “Stream 2” conservation and demand management (CDM) activities.

In August 2023 the Independent Electricity System Operator (IESO) – LDC CDM Working Group (the Working Group) submitted a report to the Minister on an approach to joint delivery of energy efficiency programming. On June 11, 2025 the IESO-LDC DSM Regulatory Working Group filed with the OEB its Proposed Framework for Implementation of Local eDSM Report (eDSM Stream 2 Report or Working Group Report) with the OEB. That report proposes a framework for funding local eDSM programs that provide both system and local distribution benefits. The Stream 2 Programs would be funded from distribution rates and the Global Adjustment based on the beneficiary pays principle.

OEB Staff prepared initial questions for the Working Group and the Working Group filed its responses to the OEB on September 25, 2025. On October 8 and 9 the OEB held a transcribed stakeholder session. In addition, the OEB made provision for stakeholders to file written comments on the Working Group proposal as set out in its report and presentation. These are the comments of the Consumers Council of Canada (CCC).

OVERVIEW:

Currently, the IESO is delivering province-wide electricity energy efficiency initiatives. The Minister of Energy has now advocated for the joint delivery and funding of eDSM programs by the LDCs and the IESO. There is not a mechanism in place to allow LDCs to cost-share local eDSM initiatives between distribution rates and the GA in recognition of bulk system benefits. The Working Group has proposed a framework through its June 11, 2025, eDSM Stream 2 Report.

In its Report the Working Group has identified the relative roles and responsibilities for the LDCs the IESO and the OEB. These can be summarized as follows:

LDCS

- Identify Distribution Needs
- Design and Propose Programs
- Secure OEB approval
- Execute and Report

IESO

- Technical Validation
- Validation and Funding
- Evaluation and Oversight

OEB

- Consultation Process
- Streamlined Regulatory Review
- Rate Approval and Variance Accounting
- Consumer Protection ¹

The Working Group, in its Report, provides further details regarding each of the roles and responsibilities that will be undertaken by the LDCs, the IESO and the OEB.

The Stream 2 Framework builds on existing policies and efforts and will rely on the OEB's Benefit Cost Analysis (BCA) Framework, an OEB policy that outlines the methodology that electricity distributors are to employ when assessing the economic feasibility of using distributed energy resources (DERs) as non-wires solutions (NWS) to address defined electricity system needs.² The cost effectiveness testing proposed, like the BCA uses the Energy System Test and a Distribution Service Test³.

The Working Group has proposed an allocation of benefits – based on whether they are distribution benefits or bulk system benefits. Program costs will be shared according to the ratio of benefits. GA funding will be deployed to fund the portion of eDSM costs allocated to the bulk system. Program costs attributable to the distribution system are proposed through distribution rates⁴.

The Working Group has provided an overview of the process it proposed for approval and cost recovery of eDSM programs;

¹ ED SM Stream 2 Working Group Reports, pp. 10-11

² Ontario Energy Board Report "Benefit-Cost Analysis Framework for Addressing Electricity System Needs" dated May 16, 2024

³ ED SM Stream 2 Working Group Report, p. 12

⁴ ED SM Stream 2 Working Group Report, pp. 13-15

- LDCs prepares S2 eDSM Program;
- IESO review the S2 eDSM Program;
- IESO validates S2 eDSM Program;
- LDC S2 eDSM Program with the OEB for approval;
- OEB reviews and approves the S2 eDSM Program and rate riders through a delegated authority approach;
- The IESO and LDC execute a funding contribution agreement
- The LDC executes the program and reports annually to the OEB;
- The IESO conducts evaluation, measurement and verification of the program;
- The LDC seeks disposition of any balances in the eDSM Variance Account due to variance in actual costs or revenue to forecast.⁵

The Working Group has proposed a streamlined regulatory review process for Stream 2 applications under Delegated Authority. In the Working Group Report it was acknowledged that whether the OEB ultimately adopts Delegated Authority for all or part of the eDSM funding requests will depend upon the outcome of a generic hearing or a policy consultation which considers all of these proposals.⁶ In the Stakeholder Session held in October the Working Group was advocating for a streamline Delegated Authority approach for approval of eDSM programs.⁷

SUBMISSIONS:

CCC recognizes that the OEB, through the Ministerial Letters of Direction in 2023 and 2024, has been asked to support eDSM and propose a cost sharing mechanism to ensure that local needs are funded through distribution rates and bulk system needs are funded through the GA. CCC also recognizes that the IESO and LDCs have been working hard to propose a framework to meet this request. CCC, however, has a number of concerns:

- Ratepayer groups have not been part of the development of this Proposed Framework – and their input has not been sought up until this OEB consultation. Ultimately, it is the ratepayers that will fund a component of these programs. The lack of ratepayer input to date is troubling for CCC;
- Ontario LDCs have very little to no experience designing and delivering DSM programs. This has, in recent years, been primarily done by the IESO. CCC is of the view that a centralized model, particularly for residential programs should be maintained;
- CCC is concerned that Ontario LDCs individually developing programs will essentially be re-inventing the wheel. A centralized approach avoids this;

⁵ EDSM Stream 2 Working Group Report, pp. 16

⁶ EDSM Stream 2 Working Group Report, pp. 20

⁷ Presentation date October 8, 2025, p. 16

- The Working Group is proposing a streamlined regulatory approach, that relies on OEB Staff approval through Delegated Authority, excluding in most instances, OEB Commissioner approval and any input from intervenors/ratepayer groups.⁸ Excluding ratepayer input seems to be a central goal of the Working Group.

CCC acknowledges the extensive work undertaken by the Working Group in terms of developing an eDSM framework. We are not taking issue with many of the steps proposed. It makes sense for the IESO to essentially screen programs and determine a contribution agreement. Having said that, CCC does not support the streamlined regulatory approach proposed by the Working Group. It appears that the Working Group wants to exclude intervenor/ratepayer input throughout the process until “project closeout”, when the LDCs will seek final recovery/true up in future cost of service proceedings.⁹ An after the fact review makes it difficult to challenge program costs and benefits. In addition, the Working Group, in large measure, wants a relatively mechanistic approach for approval through Delegated Authority. This would preclude review of the proposals by OEB Commissioners.

CCC submits that in the initial stages of the development of eDSM, LDCs should be required to apply for approval of eDSM programs in their cost of service rebasing proceedings. If they can demonstrate that a system need can be addressed through eDSM then the OEB panel considering the overall Distribution System Plan (DSP), can assess whether the program and program costs are justified. Evaluating the need for a program in the absence of an overall consideration of an LDC’s DSP would be difficult.

If the OEB determines that an eDSM program can be considered and approved through an IRM proceeding, CCC is of the view that the application for approval of an eDSM program should be considered in the same way as an Incremental Capital Module (ICM) or a Z-factor application is considered. This requires an application, with supporting evidence to be considered by a panel of Commissioners. It also allows for intervenor input, which from CCC’s perspective is essential given ratepayer dollars are being expended. CCC does not support the expedited approach to rely on OEB staff for approval as proposed the working group.

The OEB should also consider whether the Working Group proposals are consistent with the Renewed Regulatory Framework for Electricity (RRFE). CCC is of the view that it is not. LDCs are now asking for funding beyond what the RRFE envisioned.

⁸ Stakeholder Meeting, Transcript, Volume 1, p. 142

⁹ Stakeholder Meeting Transcript, Volume 1, p. 143