



December 3, 2025

By E-Mail: registrar@oeb.ca

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

Dear Mr. Murray:

RE: EB-2025-0156 – Consultation on the Regulatory Treatment of Local Electricity Demand-side Management (Stream 2) Programs: Written statements

Thank you for granting an extension to December 3, 2025, for the DSM Regulatory Working Group (Working Group) to file its written reply comments. These attached statements respond to stakeholder written comments submitted on November 13, 2025, through November 19, 2025.

The Working Group looks forward to OEB's consideration of information obtained through this proceeding and its determination of next steps regarding DSM Stream 2 programs.

Please contact the undersigned should you have any questions.

Sincerely,

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The Independent Electricity System Operator (IESO) works at the heart of Ontario's power system. The IESO delivers key services across the electricity sector including: managing the power system in real-time, planning for the province's future energy needs, enabling conservation and designing a more efficient electricity marketplace to support sector evolution.

The Electricity Distributors Association (EDA) represents Ontario's local hydro utilities, the part of our electricity system closest to customers. Publicly and privately owned utilities, otherwise known as local distribution companies, deliver electricity to residential, commercial, industrial, and institutional customers—powering every community in the province. The sector owns more than \$30 billion in electricity system infrastructure and invests more than \$2.5 billion annually in the electricity grid—that is the Power of Local Hydro.

The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

1. Introduction and Overview

1.1. Purpose of this Reply Submission

This Reply Submission is filed by the **eDSM Stream 2 Working Group** (the “*Working Group*”) as part of the Ontario Energy Board’s (“OEB”) consultation in response to stakeholder submissions received on the proposed Stream 2 framework (“Stream 2 Proposal”)¹. The purpose of this submission is to address comments, recommendations, and objections raised by participating stakeholders, to clarify areas of misunderstanding, and to set out the Working Group’s position on the key issues raised through the consultation.

1.2. Submissions Received

A total of **12** written submissions were received from the following stakeholders:

- Association of Major Power Consumers in Ontario (AMPCO)
- Building Owners and Managers Association (BOMA)
- Canadian Charging Infrastructure Council (CCIC)
- Consumers Council of Canada (CCC)
- Distributed Resource Coalition (DRC)
- Energy Probe Research Foundation (Energy Probe)
- Energy Storage Canada (ESC)
- Environmental Defence Canada (Environmental Defence)
- Low-Income Energy Network / Vulnerable Energy Consumers Coalition (LIEN / VECC)
- Minogi Corporation / Three Fires Group (Minogi / TFG)
- Pollution Probe Foundation (Pollution Probe)
- School Energy Coalition (SEC)

These submissions were filed between **November 13, 2025, and November 19, 2025**.

1.3. High-Level Summary of Stakeholder Support

Eleven of twelve stakeholder submissions expressed **broad support** for the general direction and objectives of the Stream 2 Proposal. One party, the Consumers Council of Canada, expressed fundamental disagreement² with the concept of enabling eDSM as proposed under the Stream 2 Proposal. In the opinion of the Working Group, the CCC submission stands as a clear outlier relative to all other stakeholder views.

¹ Proposed Framework for Implementation of Local eDSM

² Submissions of the Consumers Council of Canada, pp. 4-5.

The majority of stakeholders expressed agreement with the Working Group's approach, including its focus on enabling local demand-side options, alignment with the Independent Electricity System Operator's ("IESO") bulk system benefit analysis and DSM program design principles, and reliance on transparent benefit-cost analysis.

A few stakeholders proposed refinements or alternative approaches. These comments related primarily to cost allocation, the timing of when the OEB should use Delegated Authority versus a Panel of Commissioners to adjudicate LDC eDSM Stream 2 Applications, and some specific policy or process elements tailored to the interests of the proponent's organization. These and other alternative approaches are addressed in the subsequent sections of this Reply Submission.

To support the Ontario Energy Board's review of the consultation record, the Working Group has organized its Reply Submission into the following categories of stakeholder submissions:

- Section 1: Stakeholders that supported the Stream 2 Proposal
- Section 2: Stakeholders that Rejected Elements of the Stream 2 Proposal
- Section 3: Stakeholders that supported the proposal but recommended modifications
- Section 4: Consumers Council of Canada as the sole stakeholder rejecting the underlying premise

This structure is intended to support efficient review by the OEB, by grouping similar positions, identifying where consensus exists, and providing clarification, where necessary.

1.4. Interpretation and Defined Terms

For clarity and consistency throughout this Reply Submission, the following terms are used in a defined and standardized manner:

- **"Application"** refers to an LDC's Stream 2 filing submitted to the OEB for approval under the Stream 2 framework.
- **"BCA Framework"** refers to the OEB's approved benefit-cost analysis methodology used for assessing non-wires solutions, including the Distribution Service Test (DST) and the Energy System Test (EST).
- **"DA"** refers to Delegated Authority, when authority is appointed by the OEB and a Panel of Commissioners is not needed.
- **"DST"** refers to the Distribution Service Test as set out in the BCA Framework.
- **"EST"** refers to the Energy System Test as set out in the Stream 2 Proposal.
- **"GA Funding"** means funding eligible to be provided through the Global Adjustment as determined and confirmed by the IESO in the IESO Confirmation Letter.
- **"Guidelines"** refers to the OEB's final Stream 2 Guidelines to be issued following this consultation.

- “**ICM**” or “**ACM**” refer to Incremental Capital Module or Advanced Capital Module, respectively. They are OEB policies allowing for utilities operating under a Price Cap Incentive Rate Mechanism to request approval for rate recovery of additional capital investments in years 2 to 5 of their rate term.
- “**IESO Confirmation Letter**” refers to the letter issued by the IESO confirming technical inputs, system benefits, and GA funding eligibility for an Application.
- “**PoC**” refers to Panel of Commissioners, who review the Application.
- “**Stream 2 Proposal**” refers to the Working Group’s proposed framework for enabling local eDSM, as filed June 11, 2025.
- “**Working Group**” refers to the eDSM Stream 2 Working Group of LDCs and IESO.

2. Stakeholders that Supported the Stream 2 Proposal

This section identifies stakeholders that expressed clear support for the Stream 2 Proposal. These parties agreed with the overarching objectives, the proposed process, and the role of eDSM in addressing both local distribution and Ontario wide system needs. None of the stakeholders listed below rejected any element of the Working Group’s proposal.

Eleven of twelve stakeholder submissions³ expressed broad support for the Stream 2 Proposal. The parties summarized below endorsed the Working Group’s overall direction, including the proposed governance model, the focus on LDC-led identification of local needs, and the proposed alignment with IESO savings assessment and bulk system benefit-cost analysis. Their submissions reinforced the record of broad support for enabling local demand-side options through a structured, transparent framework.

Stakeholders that expressed full support for the proposed Stream 2 framework emphasized its consistency with the Ministerial Directive⁴, alignment with LDC leadership in identifying local needs, and confidence in the IESO-confirmation step. Several of these parties viewed Stream 2 as an appropriate mechanism to advance transparent, cost-effective local demand-side options⁵. The following section summarizes these parties’ support for the Stream 2 Proposal:

Distributed Resource Coalition (DRC) expressed clear support for the Stream 2 Proposal⁶. DRC agreed that LDCs are well positioned to identify local system needs and supported a framework that advances scalable non-wires solutions (NWS). DRC also agreed with the Working Group’s

³ CCC being the lone outlier amongst submissions.

⁴ IESO directed to launch new eDSM Framework: Ministerial Directives dated November 7, 2024 and December 19, 2024

⁵ Distributed Resource Coalition Submission, p. 1., Energy Storage Canada (ESC) Written Comments, p. 1., CCIC Written Comments on Proposed Framework for Implementation of Local eDSM, p. 1.

⁶ Distributed Resource Coalition Submission, pp. 1

94 focus on transparency, standardized tools and evidence requirements, and alignment with IESO
95 technical review⁷.

96 **Energy Storage Canada (ESC)** supported the Working Group's overall proposal and the intent of
97 Stream 2 to enable local solutions which enhance reliability⁸. ESC agreed that storage resources
98 can play a role in meeting distribution system needs and supported clear, coordinated roles
99 between each of the OEB, LDCs, and the IESO⁹. ESC's comments focused on ensuring that the
100 process remains transparent and predictable for emerging technologies.

101 **Canadian Charging Infrastructure Council (CCIC)** expressed general support for Stream 2 and
102 acknowledged the value of integrating distributed demand-side resources into local planning¹⁰.
103 CCIC sought clarification on how certain EV charging programs would fit into Stream 2¹¹. The
104 Working Group's view is that these matters pertain to issues of program design and therefore
105 are out of scope for this Reply.

106 **Three Fires Group (TFG) and Minogi** expressed support for the Stream 2 Proposal and agreed
107 that LDCs can play a meaningful role in advancing local solutions that align with community
108 needs.

109 **Pollution Probe (PP)** expressed broad support for the Stream 2 Proposal and agreed that LDCs
110 are well positioned to identify local system needs and deliver localized demand-side solutions.
111 PP additionally recommended enhancements to the Stream 2 Proposal process, including
112 benefit-cost testing flexibility, reducing duplication between OEB and IESO reviews, and updating
113 the OEB's Non-Wires Solutions Guidelines (NWS Guidelines). Although some of PP's
114 recommendations relate to program design¹² and are not included in the scope of this
115 Consultation, the Working Group addresses recommendations relating to BCA adders and
116 checklist requirements related to the process in Section 4 below.

117 **Environmental Defence (ED)** expressed support for the objectives of Stream 2 and agreed that
118 local demand-side resources can defer or avoid distribution system investments¹³. ED also
119 proposed several enhancements relating to front-of-the-meter storage, inclusion of storage in
120 the Measures and Assumptions List (MAL), and the level of OEB approval required when no

⁷ Distributed Resource Coalition Submission, pp. 2

⁸ Energy Storage Canada (ESC) Written Comments, p. 1.

⁹ Energy Storage Canada (ESC) Written Comments, p. 2.

¹⁰ CCIC Written Comments on Proposed Framework for Implementation of Local eDSM, p. 1.

¹¹ CCIC Written Comments on Proposed Framework for Implementation of Local eDSM, p. 4.

¹² Ministry of Energy and Electrification Letter of Direction, pp. 1-3.

¹³ Environmental Defence Submission, p. 1.

incremental funding is sought¹⁴. The Working Group addresses these proposed enhancements in Section 4.

3. Stakeholders that Rejected Elements of the Stream 2 Proposal

This section summarizes stakeholder submissions' views that diverged in some aspect from the Stream 2 Proposal and which suggested alternative approaches.

3.1. Use of DA as the Primary Review Mechanism

Stakeholder Objections

Five stakeholders raised concerns regarding the Working Group's proposal to use DA as the default approval pathway for Stream 2 Applications: AMPCO, SEC, BOMA, LIEN/VECC, and Energy Probe. The following listing summarizes their respective concerns:

1. DA is premature for early Stream 2 Applications

- SEC stated that it believes that the use of DA for eDSM Applications will eventually, be a viable end-point in many cases¹⁵. SEC submitted that DA was designed for standardized applications requiring limited judgment¹⁶. SEC argued that early Stream 2 Applications would require decisions about program design, innovation, incentive levels, affiliate arrangements, valuation of distribution system benefits, and rate impacts¹⁷.
- AMPCO similarly argued that Stream 2 was analogous to ICM, ACM, or Z-factor applications, none of which are eligible for DA¹⁸. AMPCO submitted that Stream 2 was not mature enough for a delegated process¹⁹. AMPCO supports a framework that allows for DA to reduce regulatory burden once the input parameters to determine need and the DST are established as mechanistic or administrative in nature²⁰.
- BOMA supports a streamlined and efficient review process under DA²¹. BOMA stated that given this proposed review process is new and untested, the OEB may want to consider starting the process with Board Panel review only. BOMA concluded that once the process is better understood, tested and becomes more mechanistic, then

¹⁴ Environmental Defence Submission, pp. 2-4

¹⁵ School Energy Coalition Submissions, p. 2.

¹⁶ School Energy Coalition Submissions, p. 2.

¹⁷ School Energy Coalition Submissions, pp. 2-3.

¹⁸ AMPCO Comments, p. 3.

¹⁹ AMPCO Comments, p. 4.

²⁰ AMPCO Comments, p. 4.

²¹ Building Owners and Managers Association Toronto's Submissions, p. 1.

a DA review process can take over to shorten timelines and improve regulatory efficiency²².

2. DA should be limited to Applications with BCR \geq 1

- Energy Probe supports DA but argued that it should apply only to Applications achieving a DST benefit-cost ratio of at least 1. Energy Probe submitted that programs with a BCR below 1 should be reviewed by a PoC²³.

Working Group Response

The Working Group notes that all of these stakeholders accept DA as a viable long-term pathway. Those concerns that were raised related primarily to the first set of Applications. The Working Group submits these concerns could be resolved by providing requisite criteria and boundaries within the final OEB-issued guidelines in order to facilitate the initial Applications being approved via DA.

In fact, some of the stakeholders' alternative proposals set out the path for a mechanistic DA approval of Applications. The alternative proposals that would allow for mechanistic or limited judgement for adjudication include requiring the proposal produce a BCR greater than 1, the provision of boundary ranges for LDC incentive amounts, and articulation of the parameters to support the identified distribution need and to determine distribution benefit.

The Working Group has advocated that a successful launch of the eDSM Stream 2 program should be facilitated by updates to the NWS Guidelines, which set out specific criteria allowing for initial Applications to be processed via DA. The Working Group's proposal in fact sets out the scope of programs initially encompassing measures that are on the IESO's MAL or can be substantiated from external data.

The Working Group's response to Undertaking JT1.1 represents a first comprehensive view for the establishment of these requisite criteria. The Working Group does not believe it would be difficult to amend or enhance its proposed process by enhancing its list of Application criteria to address the few concerns raised by stakeholders with the DA process. Some interveners listed out areas of judgement that preclude DA for initial Applications. The Working Group believes that this consultation has identified that the Stream 2 Proposal contains a foundation of specificity that allows for mechanistic approval of Applications by the OEB.

The Working Group believes that this solution is consistent with the 2024 Ministerial Letter of Direction, which directed the OEB to identify new opportunities to use non-adjudicative regulatory tools to implement government policy objectives.²⁴ The following section addresses

²² Building Owners and Managers Association Toronto's Submissions, p. 2.

²³ Energy Probe Comments, p. 1.

²⁴ Letter of Direction, Ministry of Energy & Electrification, December 19, 2024, p.8.

181 the question of areas of judgement and the proposal for the OEB to set out a standardized 4 to 6
 182 month Application adjudication schedule, as proposed by some Stakeholders:

183 **1. SEC Identified List of Areas of Judgement in OEB’s Decision Making Process**

184 SEC identified several areas that, in their perspective, require standardization. The Working
 185 Group does not agree with SEC’s characterization of the Working Group’s proposal and addresses
 186 this in the following table²⁵:

Item #	SEC Position	Working Group Response
1	Incentive levels, marketing assumptions, and program cost assumptions require judgement.	These elements are based on market research and financial analysis, subject to IESO review and rely on standardized assumptions.
2	Program innovations and new technologies require case-by-case judgment.	These are not considered in the initial scope of programs that can be reviewed through DA. Further, they can be addressed over time through updates to the MAL.
3	Affiliate arrangements introduce non-mechanistic considerations.	Affiliate arrangements are no different from other mechanisms to procure program delivery services and are subject to ARC.
4	Valuation of distribution system benefits involves judgment and uncertainty.	Under the BCA Framework, valuation is mechanistic when LDCs use approved inputs.
5	Gas–electricity interactions and non-monetary benefits introduce qualitative considerations.	These factors are not determinative of the approval pathway under the Stream 2 Proposal. If included in the BCA they will be subject to standardized inputs provided by the IESO. If a proposed Stream 2 program’s BCA yields a ratio less than 1, it may be diverted to PoC.
6	Cost-effectiveness calculations require judgment in early Applications.	Cost-effectiveness calculations are standardized and mechanistic where approved inputs are used.

²⁵ School Energy Coalition Submissions, pp. 2-3.

Item #	SEC Position	Working Group Response
7	Cost allocation and beneficiary-pays analyses may involve judgment.	Applications must apply each LDC's last OEB-approved cost allocation model, ensuring consistency. Beneficiary-pays means analysis of cost sharing between local rates and GA will be based on benefits calculated through a standardized model.
8	Determining the split between bulk and distribution benefits involves judgment.	The split is developed mechanistically, and determined as a proportional ratio of the bulk vs. distribution benefits generated through the BCA model's valuation of both the DST and EST. The IESO will confirm that the measures are in accordance with the bulk cost-effectiveness tests and note the same in its Confirmation Letter.
9	Shareholder incentive ranges lack predefined boundaries.	The Working Group proposed that defined ranges for incentives could be codified in the revised NWS Guidelines.

187

188 In summary, each of the areas raised as requiring judgment can be addressed through
189 standardized criteria, or existing OEB-approved methodologies, thereby supporting the Working
190 Group's view that DA is appropriate where Applications meet defined thresholds.

191 Where an Application proposes inputs that fall outside of defined ranges, the OEB would have
192 the purview to have it reviewed by a PoC. Where the Application meets all criteria, DA would be
193 deemed appropriate.

194 2. Response to proposals for a four- to six-month standard process

195 The Working Group agrees with stakeholders that a fast-track approach should be implemented
196 by the OEB for Applications that are adjudicated by a PoC. The Working Group does not support
197 establishing a fixed four- to six-month process for initial Applications as suggested by
198 LIEN/VECC²⁶. The Working Group has noted above that it sees a clear path for initial Applications
199 being approved by DA.

200 The Working Group's position from the outset has always been that the OEB has the discretion
201 to adjudicate an Application by a PoC of its own volition. In particular, a PoC review would be

²⁶ LIEN and VECC Joint Submission, p. 9-12.

202 warranted where an Application does not meet the established criteria as set out in the
203 Guidelines.

204 The Working Group believes that Applications that are to be adjudicated by a PoC could be
205 completed within two months of the Application being filed. The Working Group notes that each
206 Application will have to meet the filing requirements in the Guidelines and the review by PoC
207 would relate to those one or more elements that fall outside of the OEB criteria. This is not
208 representative of the traditional applications the OEB adjudicates²⁷. Therefore, as part of the
209 OEB's finalizing of its Guidelines, it should endeavour to set fast track performance standards for
210 an Application adjudicated by a PoC.

211 **3.2. eDSM Rate Riders and Generic Variance Account**

212 **Stakeholder Objections**

213 BOMA²⁸ and LIEN/VECC²⁹ submitted that LDCs must demonstrate that Stream 2 costs were
214 incremental to base rates. Both parties referenced the ICM, cloud-computing approaches, and
215 the NWS Guidelines as requiring evidence that system needs were not already funded.

216 **Working Group Response**

217 The Working Group believes that a clarification is required regarding the proposal, specifically
218 that the Working Group's proposal is the OEB establish a Generic Variance Account, called the
219 eDSMVA, for use by LDCs. However, the Working Group anticipates that LDCs could only record
220 amounts in the eDSMVA when an Application is approved by the OEB, either through DA or a
221 PoC.

222 The distinction the Working Group observes is that BOMA and LIEN/VECC appear to assume that
223 there is automatic approval of rate riders. Such is not the intent. The rate riders are approved
224 when the OEB approves an Application.

225 **3.3. Rate impacts required Limits**

226 SEC recommends adopting bill-impact limits similar to natural gas DSM. SEC stated that there are
227 also limits to how much you can ask customers to pay to generate that overall net benefit. SEC
228 argued that this is why, in gas DSM, the OEB has been careful to set limits on the distribution bill
229 impacts it is willing to approve to get the overall benefits of DSM³⁰.

²⁷ i.e. Cost of Service, ICM, Z-Factor or Standalone Application

²⁸ Building Owners and Managers Association Toronto Submissions, p. 2.

²⁹ LIEN and VECC Joint Submission, pp. 7-8.

³⁰ School Energy Coalition Submissions, p. 5.

230 Working Group Response

231 The Working Group has proposed that the OEB’s 10% Total Bill Impact threshold³¹ be the limiter
232 for LDCs to propose mitigation efforts with Applications. The Working Group does not believe
233 there is a need for a specific criterion in the Guidelines setting out limits on the bill impact from
234 Applications. The process proposed by the Working Group provides the OEB transparency into
235 the bill impact from each Application at its outset. This is no different from other rate-making
236 applications the OEB adjudicates³². Such applications use the OEB’s 10% threshold as the basis
237 for determining if a mitigation plan is necessary. The Stream 2 Proposal allows the OEB to
238 similarly decide if the bill impact is an issue in the proceeding. If bill impact is deemed an issue,
239 then the OEB can adjudicate the Application via a PoC. No limiter is required for Applications.

240 3.4. Scope of Roles for the IESO and the OEB

241 Stakeholder Objections

242 SEC submitted that Stream 2 Applications engage the OEB’s rate-setting mandate and argued
243 that the IESO’s role risks becoming determinative, particularly for technical inputs and GA
244 funding³³. SEC was the only party to raise this as an issue.

245 Working Group Response

246 The IESO is the technical expert for eDSM program design and bulk system benefit calculations:
247 SEC acknowledged that the IESO is the appropriate technical authority to provide technical
248 assessment of LDC eDSM plans. The Working Group submitted that the OEB remains the decision-
249 maker on Application approvals, rate recovery, rate impacts, and consumer protection.

250 All other stakeholders support the IESO’s role: All other stakeholder support the IESO’s role and
251 did not raise a concern about the division of responsibilities.

252 Stream 2 Proposal establishes distinct roles: The Stream 2 Proposal clearly delineates
253 responsibilities. The IESO confirms technical requirements, validates bulk system benefits, and
254 determines available and eligible GA funding. The OEB assesses cost recovery and approves
255 distribution rates. The risk of overlap is mitigated by clear separation of these functions.

256 Stream 2 Proposal does not eliminate just and reasonable issues: The Working Group does not
257 assert that Applications could not raise issues pertaining to “just and reasonable” rates. Rather,
258 the Stream 2 Proposal identified which elements are suitable for mechanistic review and which
259 require a dedicated PoC for adjudication versus adjudication by DA. Applications outside input

³¹ Filing Requirements for Transmission and Distribution Applications.

³² i.e. Cost of Service, ICM and Z-Factor applications set out rate rider and bill impact tables

³³ School Energy Coalition Submissions, p. 5-6.

260 ranges or exceeding bill impact thresholds would be reviewed by a PoC. Ultimately, the OEB has
261 unfettered ability to decide which Applications are adjudicated via a POC.

262 **3.5. Cost Allocation Methodology for Stream 2 Proposal**

263 **Stakeholder Objections**

264 SEC argued that cost allocation based on GA allocation did not align with the beneficiary-pays
265 principle and recommended allocating costs based on system benefits as identified in the BCA³⁴.

266 **Working Group Response**

267 Except for LIEN/VECC, who supported the Working Group proposal to use each LDC's last
268 approved cost allocation model, all other parties were silent on this topic. The Working Group
269 has maintained its proposal to rely on the last OEB-approved cost allocation model. However,
270 during the technical conference the Working Group did suggest that it was open to alternative
271 approaches to cost allocation and invited comments in Stakeholder submissions.

272 The Working Group is open to discussing and analysing SEC's proposal during development of the
273 Guidelines. Until that analysis is completed, the existing GA-based allocation remains appropriate
274 because it is simple, transparent, and aligned with current regulatory practice.

275 **4. Stakeholders that Support Stream 2 Proposal with Suggested Modifications**

276 This section summarizes submissions from stakeholders that support the Stream 2 Proposal but
277 recommended certain refinements or enhancements. For the most part, these parties agreed
278 with the framework but proposed additions that fall outside the scope of the Stream 2 proposal
279 or pertain to program design.

280 **4.1. Canadian Charging Infrastructure Council (CCIC)**

281 **Proposed Modifications**

282 CCIC requested clarification on whether restrictions discussed³⁵ during the consultation would
283 apply to charging stations supported by government programs that provide up-front capital.

284 **Working Group Response**

285 The Working Group submits that this question relates to program design and not to the Stream
286 2 Proposal. Clarification on eligible measures would fall under implementation or subsequent
287 program-specific design.

³⁴ School Energy Coalition Submissions, p. 6-7.

³⁵ CCIC Written Comments on Proposed Framework for Implementation of Local eDSM, p. 5.

288 **4.2. Pollution Probe (PP)**

289 **Proposed Modifications**

290 PP supported the Proposal³⁶ and recommended:

- 291 • Greater flexibility in the BCA Framework, including the use of adders³⁷
- 292 • Removal of duplication between OEB and IESO review steps³⁸
- 293 • Updates to the NWS Guidelines³⁹
- 294 • Use of checklists and process timelines⁴⁰
- 295 • Continued recognition of LDC competencies in identifying local system needs⁴¹

296 **Working Group Response**

297 The Working Group submits that several of the proposed enhancements relate to program design
 298 or to the OEB's BCA Framework itself, which are outside the scope of this consultation. The
 299 Working Group supports continued collaboration with OEB Staff to update the NWS Guidelines.
 300 The OEB's process to review and/or enhance the BCA Framework, including the potential use of
 301 adders, is the subject of its own consultation. Process-clarity improvements such as checklists
 302 could be developed in the implementation phase.

303 **4.3. Minogi / Three Fires Group (Minogi / TFG)**

304 **Proposed Modifications**

- 305 • That the Stream 2 framework more fully integrate First Nations' interests and expand
 306 consultation.⁴²
- 307 • Mandatory Indigenous Participation Plans and Indigenous advisory committees for all
 308 Stream 2 Applications⁴³.
- 309 • Required participation plans outlining equity, benefit-sharing, community engagement,
 310 and capacity building⁴⁴.
- 311 • Annual reporting by LDCs on First Nation participation metrics⁴⁵.

312 **Working Group Response**

³⁶ Pollution Probe Comments, pp. 1-2.

³⁷ Pollution Probe Comments, p. 6.

³⁸ Pollution Probe Comments, pp. 4-7.

³⁹ Pollution Probe Comments, p. 5.

⁴⁰ Pollution Probe Comments, pp. 6-7.

⁴¹ Pollution Probe Comments, p. 2.

⁴² Three Fires Group & Minogi Submission, pp. 1-2.

⁴³ Three Fires Group & Minogi Submission, pp. 3-4.

⁴⁴ Three Fires Group & Minogi Submission, p. 3.

⁴⁵ Three Fires Group & Minogi Submission, p.5.

313 The Working Group acknowledges the importance of Indigenous perspectives and notes that the
 314 IESO has a clear mandate and budget to consider First Nations eDSM programming from the
 315 Minister's Directive⁴⁶. The Working Group submits that the Minogi/TFG proposed mandatory
 316 requirements extend beyond the scope of the Stream 2 Proposal and are more appropriately
 317 addressed by the IESO's province-wide eDSM programs.

318 The engagement by an LDC will be transparent in its Application and First Nation's participation
 319 will be visible through the LDC's eDSM Stream 2 annual reporting.

320 **4.4. Energy Storage Canada (ESC)**

321 **Proposed Modifications**

- 322 • Including behind-the-meter storage to the IESO's Measures and Assumptions List to
 323 streamline inclusion in Stream 2 eDSM programs⁴⁷.

324 **Working Group Response**

325 The Working Group submits that updates to the MAL falls under the IESO's current purview. The
 326 Working Group confirms to the OEB that the IESO intends to publish its process for updating of
 327 the MAL alongside the implementation of the NWS Guidelines.

328 **4.5. Environmental Defence (ED)**

329 **Proposed Modifications**

- 330 • That the OEB and IESO incorporate front-of-the-meter storage, run early battery pilots,
 331 and update the MAL⁴⁸.
- 332 • The IESO should make GA funding available without OEB approval in circumstances where
 333 an LDC can cover the distribution portion of a program through their existing budget⁴⁹.
- 334 • Ensuring all tools include battery storage inputs to avoid disadvantaging storage
 335 resources⁵⁰.

336 **Working Group Response**

337 The Working Group submits that front-of-the-meter resources were not included in the scope of
 338 eDSM under the current Ministerial Directive, and therefore fall outside the scope of the current
 339 Stream 2 Proposal. The Working Group notes that MAL updates are within the IESO's

⁴⁶ Ministry of Energy's Letter of Direction to IESO dated November 7, 2024 and updated December 19, 2024

⁴⁷ Energy Storage Canada (ESC) Written Comments, pp. 1-2.

⁴⁸ Environmental Defence Submission, pp. 1-3.

⁴⁹ Environmental Defence Submission, pp. 3-4.

⁵⁰ Environmental Defence Submission, p. 2.

responsibilities and as noted above, that the IESO will publish its process for updating the MAL alongside the implementation of the Guidelines.

Regarding ED's proposal that 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, the Working Group submits that OEB approval would always be required to support the IESO granting GA funding to an LDC for eDSM Stream 2 programs. This is set out in the Ministers Directive in section F1.b) iii) which says that for the IESO to contribute to the local eDSM program delivered by the LDC, it must "have received approval from the OEB for the rate funded portion of the program costs".

5. Consumers Council of Canada as Standalone Outlier

CCC was the only stakeholder that opposed the underlying premise of the Stream 2 Proposal. CCC disagreed with the role of LDCs in delivering local eDSM, the cost-recovery approach proposed for Stream 2, and the use of DA for review of eDSM Applications⁵¹. CCC also disputed the use of the Distribution Service Test and Energy System Test, and questioned the benefit-cost framework that underpins the Stream 2 Proposal. These objections placed CCC outside the consensus position reflected in the consultation record.

5.1. Summary of CCC's Position

CCC raised the following concerns⁵²:

- The Stream 2 framework represents an inappropriate expansion of LDC responsibilities.
- Ratepayer funding for local eDSM initiatives should not proceed even where a distribution system need is identified.
- The Minister's Directive should not be interpreted as requiring the establishment of Stream 2 mechanisms.
- All Stream 2 Applications should be brought before a full OEB panel.
- Streamlined review would reduce consumer protection and limit scrutiny of LDC proposals.
- The benefit-cost model used in Stream 2 is not appropriate and does not reflect the interests of consumers.
- CCC disputed the validity or use of the DST, EST, avoided cost methodologies, and the application of the beneficiary-pays principle.
- CCC opposed any cost recovery through rate riders or incremental rate mechanisms.

Working Group Response

⁵¹ Submissions of the Consumers Council of Canada, pp. 3-5.

⁵² Submissions of the Consumers Council of Canada, pp. 4-5.

CCC's position differs materially from every other stakeholder submission. Eleven parties expressed broad support for the Stream 2 framework, including support for LDC leadership in identifying local system needs, the alignment with the IESO confirmation process, and the use of the DST and EST as the benefit-cost tests for evaluating eDSM proposals. CCC's position is not aligned with the Ministerial Directive⁵³, the consultation objectives established by the OEB⁵⁴, or the evidence submitted throughout the record. The Working Group highlights the following key points that should allow the OEB to reject CCC's assertions:

1. Alignment with the Ministerial Directive

The Ministerial Directive requires the OEB⁵⁵ to enable local demand-side solutions to meet distribution and bulk system needs where cost-effective. The Stream 2 Proposal implements this mandate by creating a structured, transparent pathway for distributors to bring forward eDSM proposals that defer or avoid infrastructure investment. CCC's view that the Directive does not require such a framework is inconsistent with the Directive's explicit text and purpose.

2. Alignment with the consultation record

No other stakeholder disputed the need for a framework to enable cost-effective local demand-side resources. CCC is the only party that rejected the premises that LDCs should be permitted to advance eDSM Stream 2 projects and that ratepayers should fund such projects even when they demonstrably reduce infrastructure costs and improve reliability. This position diverged from the broad consensus that the OEB should enable cost-effective NWS, consistent with its statutory objectives.

3. DST, EST, and avoided cost methodologies

Eleven of twelve stakeholders accepted these tests as appropriate for assessing the cost-effectiveness of eDSM Stream 2 Applications, subject to refinements that are addressed in Sections 3 and 4 of this Reply Submission.

4. Review pathways and consumer protection

The Stream 2 Proposal contemplates both DA and PoC review, with clear mechanisms ensuring that Applications requiring judgment proceed to a PoC. Applications that meet the Guidelines, such as approved DST inputs, and LDC incentive ranges, are suitable for mechanistic approval under DA. This approach strengthens consumer protection by ensuring that approval pathways correspond to the level of complexity in the Application.

⁵³ Ministry of Energy and Electrification Letter of Direction, pp. 1-3.

⁵⁴ OEB Notice of Consultation, p. 1-2.

⁵⁵ Letter of Direction to OEB, December 19, 2024 page 6: "Reduce barriers to LDC energy efficiency program activities by taking actions such as updating its Non-Wires Solutions Guidelines for Electricity Distributors or otherwise acting to support such programs"

5. Cost recovery and the beneficiary-pays principle

Eleven of twelve stakeholders accepted that cost recovery is appropriate where the DST and EST demonstrate cost-effectiveness. The Stream 2 Proposal applies the beneficiary-pays principle, using existing OEB-approved cost-benefit methodologies, and follows the IESO methodology for allocation of GA funding.

CCC's position does not align with the Ministerial Directives to the IESO or OEB⁵⁶, the Stream 2 consultation objectives, or the regulatory record submitted by the other eleven stakeholders. The Working Group submits that the issues raised by CCC were fully considered during development of the Stream 2 Proposal and this Consultation. The proposed framework, with the refinements identified in Sections 3 and 4, appropriately balance consumer protection, deliver customer benefits, and meet the broader mandate of eDSM established by the Province.

6. Conclusion

6.1. Overall Support for the Stream 2 Proposal

The consultation record shows broad and consistent support for the Stream 2 Proposal. **Eleven of twelve** stakeholders agreed with the Working Group's objectives, including the role of LDCs in identifying local distribution system needs, the alignment with the IESO's confirmation process, and the use of the Distribution Service Test and Energy System Test to assess cost-effectiveness. Stakeholders also supported the creation of a structured pathway for the majority of Applications to be adjudicated by DA.

Stakeholder recommendations focused primarily on implementation details, clarification of roles, and calibration of review processes. These recommendations have informed the Working Group's proposed refinements set out in this Reply Submission, and support a transparent, predictable Stream 2 framework, and efficient set of Guidelines.

6.2. Working Group Additional Proposals for DA Pathway and Cost Allocation

Based on stakeholder submissions, the Working Group has identified the following refinements that improve clarity, enhance transparency, and strengthen consumer protection.

1. DA Pathway

⁵⁶ Letter of Direction to OEB, December 19, 2024 page 6, and IESO directed to launch new eDSM Framework: Ministerial Directives dated November 7, 2024 and December 19, 2024

431 The Working Group recommends that the Guidelines enhance the record in this proceeding to
432 set out greater specificity for Applications. The Working Group strongly believes that through
433 collaboration between it and the OEB, the final Guidelines can narrow potential areas of
434 judgement to enable DA approval of the majority of Applications.

435 **2. Cost Allocation**

436 The Working Group supports continued use of each LDC's last Board-approved cost allocation
437 model for assigning eDSM costs. However, as part of the above proposed collaboration with the
438 OEB to produce final Guidelines, the Working Group is open to evaluating implementation of
439 SEC's cost allocation proposal in collaboration with the OEB.

440 **6.3. Closing Statement**

441 The Working Group submits that the Stream 2 Proposal, with the refinements set out in this Reply
442 Submission, provides a practical and effective framework to enable cost-effective local eDSM
443 resources. The framework aligns with the Ministerial Directive, reflects stakeholder input, and
444 provides for consumer protection. The Working Group encourages the OEB to adopt the Stream
445 2 Proposal with the amendments identified above and commence the timely implementation of
446 local demand-side solutions that provide benefits for all Ontario ratepayers.