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December 12, 2025

Ritchie Murray
Acting Registrar
Ontario Energy Board
2300 Yonge Street, P.O. Box 2319
Toronto ON, M4P 1E4

Dear Mr. Murray,

**RE: EB-2025-0268 Review of the Valuation of Distributed Energy Resources
Feedback Comments of Energy Probe**

At the stakeholder meeting on November 24, 2025, the OEB Staff invited stakeholders to provide written feedback comments on the DER Valuation Review presentation. Attached are the feedback comments of Energy Probe Research Foundation (Energy Probe).

Respectfully filed on behalf of Energy Probe.

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Patricia Adams (Energy Probe)
Nicola Charles (OEB Staff)

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DER Valuation Review
Feedback Comments of Energy Probe
December 2025

Part 1 DER Compensation Mechanisms

Analysis of DER compensation mechanisms

Please elaborate on any feedback you may have on the assessment of the system value of DERs, specifically with regards to:

- whether the value stack is an appropriate methodology for assessing the system value of DERs:
- are the components in the value stack sufficient to assess system value of DERs?

Energy Probe Feedback Comment

The proposed value stack is an appropriate methodology.

Are the identified compensation mechanisms for which each DER type is eligible exhaustive? If not, please elaborate.

Energy Probe Feedback Comment

The identified compensation mechanisms are exhaustive.

Are the identified misalignments of DER compensation relative to system value comprehensive? Please describe any gaps in DER compensation where DERs can provide value that were not identified.

Energy Probe Feedback Comments

DER's that can provide the system with some level of demand response such as batteries or hybrid systems consisting of solar and batteries are of greater value than DER's that cannot provide demand response and should be compensated accordingly. The level of compensation should be related to the level of demand response.

Proposed Recommendations

For each proposed recommendation, please discuss:

- Whether the recommendation is appropriate for the misalignment for which it is proposed.
- The recommendation sufficiently addresses the identified misalignment.
- Any unforeseen impacts of the recommendation on DER providers, ratepayers or Ontarians in general.
- Whether the assessment of recommendation for system value, accessibility to DER providers and implementation considerations are appropriate.

1. Consider transitioning to net billing, in which electricity injected into the distribution system is compensated at its market-reflective value. This value should be a function of the time and location electricity is injected to protect ratepayer equity and support the prudent expansion of DERs. This rationale has driven reforms in jurisdictions such as Hawaii, California and New York, which have adopted frameworks in which electricity injected is valued differently than electricity consumed. British Columbia is actively reviewing net billing. Net billing frameworks are often paired with TOU tariffs to encourage self-consumption and battery use to increase system utilization.

Energy Probe Feedback Comments

In general, the recommendation is appropriate and sufficiently addresses the identified misalignment. There may be unforeseen impacts of the recommendation on DER providers, ratepayers or Ontarians in general if the “market-reflective-value” does not actually reflect the market. The assessment of recommendation for system value, accessibility to DER providers and implementation considerations are appropriate.

2. Review restrictions on net metering within the Distribution System Code (e.g., requirement to connect up to 1% peak load threshold) to ensure DERs are enabled while protecting distribution customers from increased costs due to technical impacts of increased bi-directional electricity flow.

Energy Probe Feedback Comments

Energy Probe believes that protecting distribution customers from increased costs due to technical impacts of increased bi-directional electricity flow is of paramount importance. If the 1% peak threshold is to be increased it should be done gradually, such as to 2% and technical impacts monitored. Increasing the threshold to a high level may result in reduction in reliability. The recommendation is appropriate and sufficiently addresses the identified misalignment. There are no unforeseen impacts of the recommendation on DER providers, ratepayers or Ontarians in general. The assessment of recommendation for system value, accessibility to DER providers and implementation considerations are appropriate.

3. Amend Community Net Metering Regulation

Subject to local distribution system conditions, consider the following amendments to O. Reg. 679/21:

- Remove requirement that each community net metering project be explicitly listed in the regulation.
- Reflect any changes made to net metering if a transition to net billing is made (see recommendation #1).

The above amendments would require revised eligibility requirements for community net metering projects. These requirements should be developed to facilitate community net metering while not increasing costs for other customers. Examples of eligibility requirements may include

local distribution system conditions as well as potential restrictions on components within a project (e.g., located on the same feeder).

Energy Probe Feedback Comments

The recommendation is appropriate and sufficiently addresses the identified misalignment. There are no unforeseen impacts of the recommendation on DER providers, ratepayers or Ontarians in general. The assessment of recommendation for system value, accessibility to DER providers and implementation considerations are appropriate.

4. Explore ways to make more efficient use of ICI resources outside of bulk system peak periods, including consideration of opportunities to provide transmission and/or distribution capacity value where local or regional needs are identified.

Energy Probe Feedback Comments

The recommendation is not appropriate because most ICI resources are gas powered generators which are excluded from definitions of what is a DER in this document. The definitions of DERs should be changed to include gas powered generators. If gas powered generators are included then there are no unforeseen impacts of the recommendation on DER providers, ratepayers or Ontarians in general. Also, if gas powered generators are included then the assessment of recommendation for system value, accessibility to DER providers and implementation considerations are appropriate.

5. Encourage efficient use of DERs by implementing dynamic pricing for Non-RPP Class B electricity customers.

Energy Probe Feedback Comments

The recommendation is appropriate and sufficiently addresses the identified misalignment because it identifies a problem with the Class B GA rate. There could be unforeseen impacts of the recommendation on DER providers, ratepayers or Ontarians in general, depending on how GA is determined and charged. Energy probe suggests that this not be implemented until there is a comprehensive review of the GA.

6. Establish a cost allocation and delivery framework for front-of-meter and market-participating DERs that have both distribution and bulk value, building on eDSM Stream 2. Stream 2 eDSM is expected to address challenges in compensation mechanism stacking for BTM resources by providing funding mechanisms for LDCs to design and deliver BTM programs. Stream 2 eDSM is expected to compensate for distribution capacity value, generation capacity value and energy value, through the Distribution and Energy System tests. Future enhancements to Stream 2 eDSM may also include transmission capacity costs and benefits identified through the Energy System Test.

Energy Probe Feedback Comments

Although the recommendation attempts to deal with misalignment, it creates problems by recommending that monopoly utilities to participate in the competitive BTM market. There are easily foreseen unintended impacts of the recommendation on DER providers, ratepayers or Ontarians in general. The recommendation is likely to result in unfair competition in BTM market between monopoly utilities and non-monopoly businesses. The assessment of recommendation for system value, accessibility to DER providers and implementation considerations are not appropriate.

7. Where appropriate, leverage procurements and/or programs within the IESO's resource adequacy framework to secure transmission non-wires solutions when they are identified as preferred solutions through the Regional Planning Process.

Energy Probe Feedback Comments

The recommendation is appropriate and sufficiently addresses the identified misalignment if non-wires solutions are rigorously assessed. There are unforeseen impacts of the recommendation on DER providers, ratepayers or Ontarians in general if the non-wires solution that is approved fails to meet resource adequacy needs and must be replaced with a wires solution sooner than expected. The assessment of recommendation for system value, accessibility to DER providers and implementation considerations are appropriate if the assessment is independent and rigorous. EP is concerned that proponents of non-wires solutions are likely to attempt to manipulate the assessment process.

8. Incorporate a transmission avoided cost framework in demand-side management (DSM) cost-effectiveness tests when needs are identified in the Regional Planning Process.

Energy Probe Feedback Comments

The recommendation is appropriate and sufficiently addresses the identified misalignment if DSM cost effectiveness tests are rigorous and unbiased. DERs are supply side alternatives while this recommendation deals with demand side alternatives. There are unforeseen impacts of the recommendation on DER providers, ratepayers or Ontarians in general if there is not a clear distinction between demand side and supply side alternatives. The assessment of recommendation for system value, accessibility to DER providers and implementation considerations may not be appropriate.

9. Enable value stacking by developing consistent and transparent approaches for distribution programs and/or procurements to support interoperability with the bulk system and compatibility with the IESO's resource adequacy framework.

Energy Probe Feedback Comments

The recommendation is appropriate and sufficiently addresses the identified misalignment. There are no unforeseen impacts of the recommendation on DER providers, ratepayers or Ontarians in general. The assessment of recommendation for system value, accessibility to DER providers and implementation considerations are appropriate.

10. Programs and procurements by the IESO and LDCs should explicitly allow for future value stacking opportunities, when resources are capable of providing multiple services.

Energy Probe Feedback Comments

The recommendation is appropriate and sufficiently addresses the identified misalignment. There are no unforeseen impacts of the recommendation on DER providers, ratepayers or Ontarians in general. The assessment of recommendation for system value, accessibility to DER providers and implementation considerations are appropriate.

11. Develop simplified process or tool for DER providers to easily understand and assess available mechanisms for their resources and identify best available pathways to compensation for the services they provide.

Energy Probe Feedback Comments

The recommendation is not appropriate because it assumes that DERs always provide beneficial services. There could be unforeseen impacts of the recommendation on DER providers, ratepayers or Ontarians in general. There are times when the excess power generated by DERs are surplus to the grid and may displace more reliable or less costly alternatives. The assessment of recommendation for system value, accessibility to DER providers and implementation considerations are appropriate if system value is objectively assessed.

Part 2 DER Delivery Rates

A: The OEB's approach to addressing DER delivery rates:

1. Is the OEB's characterization of the context for this work appropriate?

Energy Probe Feedback Comments

Characterization for this work is appropriate.

2. Are the approximate DER definitions that the OEB has outlined for purposes of this work adequate?

Energy Probe Feedback Comments

The proposed DER definitions are inadequate because they do not include gas fired load displacement generators and emergency power generators. Both are distributed at many locations on distribution systems. In the document there is a reference to Ontario Regulation 330/09 which is intended for wind farms and not DERs. Wind farms are at a specific location and are not distributed throughout the system. They are not DERs. There seems to be an attempt to define DERs as “renewable” limiting them to photovoltaic rooftop solar and BSS. Energy Probe submits that both are not perpetually renewable as they need replacement after a few years. When considering what is renewable one must consider the entire lifecycle of an energy alternative, such as a solar panel, from its manufacture to disposal.

3. Are the working rates principles that the OEB has outlined appropriate?

Energy Probe Feedback Comments

The working rates principles are appropriate.

4. Is the OEB’s approach to considering DERs from electrical and functional perspectives appropriate?

Energy Probe Feedback Comments

OEB’s approach to considering DERs from electrical and functional perspectives is appropriate if it considers the compatibility, flexibility, and reliability of DERs. Certain DERs, such as a solar panel produces DC current and can only export power to the grid through an inverter that converts DC to AC power. The power exported through the inverter must be synchronized with the 60-cps grid frequency. The frequency of the grid is maintained by large rotating generators at nuclear, hydro-electric and natural gas stations. If the grid is down, power from solar panels cannot be exported to it, nor can solar panels restart it, which is called black start. Solar panels cannot be dispatched when there is insufficient sunshine. BSS cannot be dispatched if they are not charged up.

5. Has the OEB appropriately characterized and considered the potential advantages and limitations of greater harmonization between Ontario’s transmission and distribution rates frameworks for electricity resources?

Energy Probe Feedback Comments

OEB has appropriately characterized and considered the potential advantages and limitations of greater harmonization between Ontario’s transmission and distribution rates frameworks for electricity resources.

6. Are the general rates categories identified by the OEB appropriate? (i.e., connection costs, base rates, specialized rates and behind-the-meter-related rates)

Energy Probe Feedback Comments

The general rates categories are appropriate.

7. Is the OEB's characterization of the matter of grid services appropriate as it relates to delivery rates?

Energy Probe Feedback Comments

Characterization of the matter of grid services such as such as peak load reduction, emergency support and market-based flexibility such as peak load reduction, emergency support and market-based flexibility is appropriate as it relates to delivery rates. However, if DERs are to provide such grid services there need to be DER Management Systems (DERMS) in place on the grid. It is likely that the cost of DERMS will be very high.

B: The appropriateness of the OEB's analysis and observations, and draft discussion questions related to:

8. Connection cost responsibility.

Energy Probe Feedback Comments

Ontario Regulation 330/09 was intended for wind farms and not DERs. Wind farms are at a specific location and are not distributed throughout the system. Therefore, limits on connection cost in OR 330/09 do not apply to DERs. There are also large differences in the costs of connection of exporting and non-exporting DERs. Non exporting DERs are like any other variable load. However, exporting DERs impose much higher costs on the distribution grid that must be protected from them to maintain grid reliability and safety by DER management systems or DERMS. The costs of DERMS should be the responsibility of the DER owners or aggregators and not of other customers. Energy Probe believes that owners of exporting DERs must be charged a connection cost that covers the cost of DERMS.

9. Base distribution rates for front-of-meter generation DERs

Energy Probe Feedback Comments

Front of meter generation DERs require that the utility install DERMS and the owners of those DERs should be charged a rate that recovers the cost of DERMS.

10. Base distribution rates for front-of-meter electricity storage DERs

Energy Probe Feedback Comments

Front of meter storage DERs require that the utility install DERMS and the owners of those DERs should be charged a rate that recovers the cost of DERMS.

11. Specialized DER distribution rates

Energy Probe Feedback Comments

Energy Probe believes that exporting DER owners should be charged specialized rates to recover the costs incurred by electricity distributors for processing DER metering information and settlement and DER account management and billing. The specialized rates should also recover the costs of DERMS including the costs of the Distribution System Operator (DSO). OEB should facilitate consistency in how specialized rates for DERs are developed and applied by Ontario's electricity distributors.

12. Delivery rates for behind-the-meter DERs, specifically on:

- i. Standby rates
- ii. Bypass compensation
- iii. Retail Transmission Service Rates

Energy Probe Feedback Comments

Load displacement DERs require that the utility reserve and maintain capacity for them to return to the grid when they are not generating power. The cost of that capacity must be paid by someone. If the DER owner is not charged, then other ratepayers must pay. Energy Probe believes that it is unfair to charge other ratepayers for this and therefore supports the charging of standby rates by distributors.

C: Any other matters that stakeholders feel are relevant and important to the OEB's report back to the Minister of Energy and Mines on IEP implementation directive item #11.

For example:

What questions, concerns or ideas do you have about this work?

Energy Probe Feedback Comments

Jurisdictions that were examined for this study, Australia, California and Hawaii, all have electricity rates that are substantially higher than electricity rates in Ontario. They also have reliability and grid stability issues caused by excessive DERs on the grid. If Ontario is not careful it will have similar problems and higher electricity costs.

What is your advice to the OEB as it seeks to develop its report to the Minister?

Energy Probe Feedback Comments

At certain times Ontario has excess power that it must sell at a loss to neighboring jurisdictions to maintain grid stability. Buying more power from DER owners that is not dispatchable may result in even more excess power that will have to be sold at a loss to maintain grid stability. Energy Probe believes that valuation of DERs must be commensurate to the value they contribute to the grid. That value is dependent on time, location, and price. If Ontario does not

get this right, there will be unnecessary cost increases and reduced grid stability. Compensation for DER owners will be paid by the vast majority of ratepayers who do not own DERs. Incremental costs of DERs that will be recovered from these ratepayers must not exceed incremental benefits of DERs that accrue to these ratepayers.