

ONTARIO ENERGY ASSOCIATION

# Review of the Valuation of Distributed Energy Resources EB-2025-0268

December 2025

To shape our energy future for a stronger Ontario.



Ontario Energy Association

# ABOUT

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.

OEA takes a grassroots approach to policy development by combining thorough evidence-based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

**Together, we are working to build a stronger energy future for Ontario.**

In June 2025, Ontario’s Ministry of Energy and Mines (MEM) released its Integrated Energy Plan (IEP). The IEP sets a long-term vision for an affordable, secure, reliable, and clean energy system, and Distributed Energy Resources (DERs) are central to achieving that vision.

Along with the IEP, the MEM issued implementation directives to both the Ontario Energy Board (OEB) and Independent Electricity System Operator (IESO). The implementation directives below require the OEB to deliver a report to the Minister on the valuation of DERs by March 31, 2026.

- **Item 11:** Review the valuation of DER, in consultation with the IESO, as appropriate, to identify recommendations or provide an update on actions by the OEB regarding the overall regulatory and compensation frameworks to appropriately reflect the system value of DER.
- **Item 12:** Consult with the IESO, as appropriate, to identify roles and responsibilities for implementing DER valuation recommendations and explore opportunities for electricity distributor-led DER procurements.

In response to these directives, the OEB conducted a comprehensive review of DER valuation in Ontario and delivered a presentation on November 24, 2025, summarizing its findings and proposing recommendations to enhance DER valuation in the province.

The Ontario Energy Association (OEA) appreciates the opportunity to contribute to this initiative and to provide written comments for the OEB’s consideration. Section 1 provides the OEA’s comments on the OEB’s proposed recommendations, and Section 2 presents additional recommendations aimed at further enhancing DER valuation.

## 1- OEA Feedback on the Proposed OEB Recommendations

The list below summarizes the OEA’s comments on the list of recommendations proposed by the OEB:

- **Recommendation #01: Transitioning from Net Metering to Net Billing**

The OEA supports transitioning from a net metering scheme to a net billing scheme in which electricity injected from DERs into the distribution system is compensated at a locational and time-varying rate, reflective of their temporal value. The OEA emphasizes the importance of unbundling the temporal and locational system value of DERs—such as their ability to defer infrastructure upgrades, reduce congestion, enhance power quality, and improve reliability—to ensure that price signals reflect actual system needs and avoid over- or under-incentivizing DER deployment.

The OEA recommends removing the 12-month credit-expiry cap that applies under the net metering framework (and would apply under a subsequent net billing framework) to ensure customers can fully realize the value of their DER investments without forfeiting accumulated generation credits.

The OEA further recommends complementing the net billing compensation framework with more dynamic Regulated Price Plan (RPP) opt-in options to enhance incentives for DER adoption and efficient operation. Introducing more granular pricing options—such as real-time pricing or critical-peak pricing—for customers with DERs would enable them to actively respond to price signals through storage, generation, or load shifting. It is important to maintain multiple pricing options to ensure customers without DERs are not disadvantaged; those preferring simpler, predictable rate structures can remain on them, while customers with advanced capabilities can opt into more sophisticated plans. This approach balances equity and efficiency and supports a more responsive, modern tariff framework.

The OEA highlights the importance of the OEB establishing clear cost-recovery mechanisms that allow utilities to recover the incremental costs of implementing these recommendations.

- **Recommendation #05: Dynamic Pricing for Non-RPP Class B Customers**

The OEA advocates for the implementation of dynamic pricing for Non-RPP Class B customers, addressing the inherent inefficiency of the current Global Adjustment (GA) rates which fail to compensate DERs proportionally for the system value they provide. This would enable mid-sized commercial, industrial and institutional customers to respond to granular price signals by optimizing the use of DERs and aligning consumption with actual system needs.

With other GA options available for non-RPP Class B customers, the Industrial Conservation Initiative (ICI) risks becoming “just another option” rather than a distinct tool for managing peak demand. The OEA recommends that the OEB consider removing the minimum demand eligibility criteria for ICI, allowing both Non-RPP Class B and Class A customers to select the pricing scheme that best aligns with their operational needs and DER capabilities.

- **Recommendations #09 and #10: Enabling Value Stacking & Future-proofing Programs**

The OEA supports the OEB’s recommendations to enable value stacking for DERs capable of providing multiple services simultaneously, and to future-proof IESO and local distribution company (LDC) programs and procurements by explicitly accommodating future value-stacking opportunities. It should be noted, however, that effective value stacking relies on the implementation of several technical, organizational, and regulatory prerequisites, as well as active participation from all sector stakeholders—including the OEB, IESO, LDCs, and DER providers. The OEA recommends that the OEB establish the following foundational elements to enable the implementation of Recommendations #09 and #10.

- 1- **Facilitate Cost Recovery for Grid Modernization Investments:** Provide outcomes-based cost-recovery guidance for grid-modernization investments. This includes (a) establishing a dedicated regulatory mechanism to allow LDCs to recover costs for qualifying grid modernization investments, (b) defining eligible investments<sup>1</sup>, and (c) requiring LDCs to include grid modernization plans and progress metrics in their next Distribution System Plans.
- 2- **Enable Local Flexibility Markets:** Establish regulatory guardrails for local flexibility markets—including rules for DER procurement, neutrality, dispute resolution, and performance assurance—and create appropriate market monitoring and oversight functions.
- 3- **Establish Clear Coordination Protocols:** Implement IESO’s Transmission-Distribution Working Group (TDWG) protocols for day-ahead and real-time coordination, including sequential dispatch logic prioritizing distribution needs.

It should be noted that the implementation of these recommendations is closely tied to the outcomes of the DSO Capabilities Consultation (EB-2025-0060), through which the OEB will report back to the MEM with a DSO roadmap, as required under IEP Directive<sup>2</sup>.

## 2- Additional Recommendations by the OEA

In addition to the list of recommendations proposed, the OEA proposes the following recommendations for the OEB’s consideration.

- **Develop a Simplified Locational Tariff as Flexibility Markets Evolve**

Ontario’s tariffs currently do not reflect the locational value of DERs. The OEA proposes developing a simplified locational tariff, following New York’s Demand Reduction Value (DRV) and Locational System Relief Value (LSRV) approach, as an interim measure while flexibility markets develop liquidity. A locational tariff, informed by New York’s DRV and LSRV yet designed to be simpler to implement and deliver, could offer targeted incentives to promote DER adoption in constrained areas.

The OEA highlights the need to account for credit payments in a Deferral and Variance Account (DVA) recoverable from ratepayers that benefit from the associated demand reduction locational system relief, offset by an approved rate on the utility’s tariff sheet.

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<sup>1</sup> This includes but is not limited to advanced metering infrastructure (AMI), distribution automation, DER management systems (DERMS), and cybersecurity upgrades.

<sup>2</sup> “Item 17: Define a roadmap by December 31, 2025, for the potential development and implementation of Distribution System Operator (DSO) capabilities, commensurate with need, value, and the flexibility to adapt to evolving circumstances.” Implementation Directive, June 12, 2025. Available at: [Link](#)

- **Add a Multi-year Capacity Lane within the IESO Capacity Auction**

The one-year obligation limits options for DERs requiring multi-year certainty to make necessary investments, undervaluing the capacity attributes of more DER types. To retain dependable DERs and encourage long-term investment, Ontario should add investment-grade options in capacity procurement for a wider array of DERs than the current long-term procurements allow. Introducing multi-year lanes within the IESO Capacity Auction could provide the certainty required for DER owners to commit resources and finance new projects.

The OEA recommends a three-pillar approach to implementing this recommendation: (1) retaining the one-year track for short-term flexibility, (2) establishing a parallel track offering 3–5-year commitments for resources that meet duration and performance benchmarks, and (3) exploring pilots that procure local and bulk capacity simultaneously.

In conclusion, the OEA appreciates the efforts of the OEB to advance Ontario’s energy sector by enabling a smarter, more flexible system that better values DERs through this consultation. We appreciate the OEB’s efforts to incorporate sector stakeholder feedback throughout this process.

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Ontario Energy Association

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