Willms & Shier
Environment
Indigenous
Energy Law

Direct Dial: 416.862.4827
File: 11292

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March 30, 2026

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4

Attention: Ritchie Murray – Acting Registrar

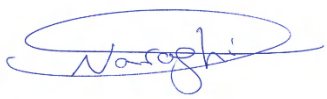
Dear Mr. Murray:

Re: Joint Submissions of the Low Income Energy Network and the Vulnerable Energy Consumers Coalition Regarding Consideration of Cost of Carbon
OEB File No. EB-2025-0295 – (2027-2030) Demand Side Management Plan

Willms & Shier Environmental Lawyers LLP is legal counsel for the Low-Income Energy Network ("LIEN").

In accordance with Procedural Order No. 2 issued March 16, 2026 in the above referenced proceeding, LIEN and the Vulnerable Energy Consumers Coalition ("VECC") enclose joint submissions below regarding whether consideration of cost of carbon for DSM cost-effectiveness testing is within the scope of this proceeding.

Yours truly,



Ali Naraghi
Associate

cc: LIEN Legal Subcommittee
Judy Simon (consultant for LIEN)
Shelley Grice (consultant for VECC)

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Joint Submission of LIEN and VECC Regarding Whether the Consideration of Cost of Carbon for DSM Cost-Effectiveness is Within the Scope of EB-2025-0295

March 30, 2026

Does the OEB have Jurisdiction to Consider the Cost of Carbon?

LIEN and VECC support and adopt the submissions by Environmental Defence (ED) and the School Energy Coalition (SEC) regarding the jurisdiction of the OEB with respect to the consideration of cost of carbon for DSM cost-effectiveness in this proceeding.

Specifically, LIEN and VECC agree with and adopt ED's position that OEB's jurisdiction is broad and expansive and certainly includes consideration of the cost of carbon as an externality in DSM planning. LIEN and VECC agree with ED's reliance on the Divisional Court decision in *Union Gas Ltd. v. Township of Dawn* where the Court clearly and unequivocally held that the OEB has exclusive jurisdiction over "all matters relating to or incidental to the production, distribution, transmission or storage of natural gas, including the setting of rates, location of lines and appurtenances, expropriation of necessary lands and easements".[1]

Given the OEB's specialized expertise as a creature of the legislature to adjudicate energy issues, it is implied that the OEB's jurisdiction expands to consideration of factors to approve energy efficiency programs funded by Ontario rate payers, including the cost of carbon.

Furthermore, that the *Union Gas Ltd*. decision is "half-century" old does not negate the fact that it is still good law. Many seminal court decisions relied on today are from the late 19th and early 20th centuries.

LIEN and VECC agree with and adopt SEC's position that if the OEB were to accept Enbridge Gas Inc.'s (EGI) very narrow view that the OEB lacks jurisdiction to consider the cost of carbon to screen DSM programs, this will have broader implications beyond this proceeding and will impact the manner in which the OEB carries out its duties and functions.

As SEC points out in its submission, there are many interested parties who would have considered participating in this proceeding had there been proper notice from the OEB to indicate that the Board's jurisdiction to consider societal cost of carbon, environmental and other factors was a live issue in this proceeding. All of these parties will be impacted if the OEB adopts EGI's narrow position on the Board's jurisdiction and determines that the

[1] *Union Gas Ltd. v. Township of Dawn Tecumseh Gas Storage Ltd. v. Township of Dawn*, 1977 CanLII 1042 (ON SC). P. 16.

OEB can no longer consider broader public interest aspects including environmental and social factors in OEB decisions far and beyond this proceeding.

The OEB Does Not Set a Market Price for Carbon

To be clear, LIEN and VECC agree that the provincial government has eliminated the market price for carbon (i.e., carbon tax), through legislation and as a result there is no market price and no assigned value to the market price of carbon. Therefore, LIEN and VECC are not proposing that this proceeding set a market price for carbon, or a new carbon tax. LIEN and VECC are not proposing a levy, fee, charge, or tax on greenhouse gas (GHG) emissions or a program which contains any of these components.

GHG Reductions Should be Treated as an Input Assumption in the TRC-Plus Test

Instead, LIEN and VECC propose that the OEB could consider GHG reductions as an input assumption.

For example, GHG emission reductions could be added as an input assumption to the TRC-Plus Test. This input assumption would be similar to the 15 percent Non-Energy Benefit (NEB) adder and distinct from the calculation and inclusion of avoided costs in the TRC-Plus Test. This input assumption could be a marginal cost of abatement, or a percent adder like the NEB, or some other proxy for the value of GHG emission reductions from reduced consumption of natural gas by EGI customers through its DSM portfolio.

Or GHG emissions could be treated by the OEB as a qualitative consideration. This may be used, for example, by providing a rationale to tip the balance for programs that do not pass the TRC-Plus Test threshold but have other qualitative benefits beyond the 15 percent NEB adder such as GHG emission reductions and make that program cost-effective.

This approach was suggested by the LDC-IESO Working Group for a Stream 2 eDSM program with a Distribution Service Test value of between 0.7 and 1.0, to move it to a benefit cost ratio of >1.0 in order to pass the threshold. This approach was designed to recognize that certain qualitative or longer-term benefits may not be fully captured by quantitative cost-effectiveness metrics.[2]

[2] IESO-LDC DSM Regulatory Working Group, Report to the Ontario Energy Board, *Proposed Framework for Implementation of Local eDSM*, EB-2025-0156, May 2025, p.12.

EGI's submissions at paragraph 47 state:

"Finally, OEB Counsel stated at page 47: Parties may argue that the -- that there are broader societal benefits associated with carbon emissions. OEB Staff submits that current policy direction is that these are captured in the 15 percent NEB adder included in the TRC-Plus test. Additionally, societal impacts are not direct costs to ratepayers. As such, the OEB Staff submits that the TRC-Plus test and existing zero dollar per tonne cost of carbon does not need to be modified to accurately account for any such benefits."

LIEN and VECC do not agree that the broader benefits associated with carbon emissions are captured in the 15 percent NEB adder. If that were the case, the TRC-Plus Test would double count the benefits by including GHG reductions in the market price for carbon and the NEB adder at the same time. Further, the OEB's DSM Framework indicates the 15 percent NEB adder is applied to all avoided costs except avoided carbon costs,[3] and the 15 percent NEB adder is not applied to carbon benefits."[4]

The IESO statement about its cost calculation practices and the cost of carbon is entirely consistent with what LIEN and VECC propose for the treatment of GHG emission reductions as an input assumption, and not a component of the avoided costs, of the TRC-Plus Test calculation.

The OEB's Filing Guidelines to the Demand Side Management Framework for Natural Gas Distributors (2015-2020, December 22, 2014) which define the current inputs for the TRC-Plus Test include avoided costs, net equipment and program costs, adjustments to account for free ridership, spillover effects and persistence of savings and cost, and a 15 percent NEB adder. It is clear there is a distinction being made in the equation between input assumptions and avoided costs. For example, the NEB and equipment costs are input assumptions and treated as separate from avoided costs. Similarly, for GHG emissions treated as an input assumption, the value of GHG emissions would not affect avoided costs calculation.

Of note is that while the government of Ontario required the Ontario Power Authority (OPA) to use a TRC Test to screen CDM programs in 2014, the OPA no longer exists. The OPA has been part of the IESO for many years and over that time there have been changes to the electricity energy efficiency framework and treatment of cost-effectiveness tests.

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[3] EB-2021-0002 OEB's *Natural Gas Demand Side Management Framework* Effective Date: January 1, 2023 p. 31.
[4] *Ibid*. p. 30.

Since at least 2021 the IESO has used the Program Administrator Cost (PAC) Test as its primary cost-effectiveness tool for evaluating its portfolio of energy efficiency programs. IESO's third-party evaluator reports regarding the evaluation of IESO's CDM programs evaluate the PAC, but do not contain a TRC-Plus Test evaluation. Moreover, the IESO's 2025-2027 Electricity DSM Program Plan (With Beneficial Electrification) expected cost-effectiveness table sets an expectation for the achievement of the PAC Test for each program, but there is no expectation of a value for a TRC-Plus Test or mention of a TRC-Plus Test.[5]

The main difference between a PAC and TRC Test is that the PAC includes the costs and benefits from the utility or program administrator point of view, while the TRC includes costs and benefits of the utility and the participant, looking at the resource broadly from a more societal perspective.

The appropriate treatment and value for GHG emission reductions in the TRC-Plus Test should be determined through evidence, cross-examination and argument in this proceeding. This value may be qualitative, or it may be quantitative. In either case, this proceeding should consider the inclusion of this externality, GHG reductions, as an input assumption to the TRC-Plus Test, and if found appropriate to include, set the treatment and value for GHG reductions in this cost benefit analysis programs screening tool.

In considering the above, LIEN and VECC submit that the consideration of a cost of carbon for DSM cost-effectiveness testing should be within the scope of this proceeding.

Further, LIEN's and VECC's proposal for GHG reductions to be an input assumption for the TRC-Plus Test is already included in the proposed Issued List, namely:

Issue 16: Are Enbridge Gas's proposed updates to the treatment of input assumptions, cost effectiveness, and avoided costs appropriate?

The government of Ontario continues to see value in reducing GHG emissions and has policies and programs which contribute to GHG emission reduction.

Of note, is the directive to the IESO on eDSM approved and ordered on December 19, 2024, which states:

[5] IESO's 2025-2027 Electricity DSM Program Plan (With Beneficial Electrification) expected cost-effectiveness Table 4, p. 7.

"The IESO shall also consider eDSM to be inclusive of beneficial electrification measures which involve using electricity to reduce overall emissions in Ontario in a manner that minimizes electricity system impacts."[6]

This makes it clear that the government of Ontario sees value in reducing fossil fuel emissions and has mandated the IESO to include beneficial electrification measures in eDSM to achieve this reduction.

The IESO's Pathways to Decarbonization Report states:

"In Canada, as in many countries around the world, governments are developing policies aimed at achieving their own net-zero greenhouse gas (GHG) emissions economies by 2050, supported by clean electricity systems. In Ontario, the government is taking action by establishing the upcoming Cost-Effective Energy Pathways Study, as well as launching a climate change impact assessment, investing in innovative SMRs, and implementing one of the largest battery storage procurements ever undertaken. At the federal level, the government recently proposed the Clean Electricity Regulations (CER) and complementary policies to decarbonize Canada's electricity system by 2035.[7]

The Ontario Governments' Energy for Generations Plan states:

"In 2023 alone, Ontarians' participation in natural gas energy efficiency programs resulted in annual gas savings of 121 million cubic metres of gas – equivalent to the amount of natural gas used by 53,000 homes in a years – while helping to avoid 230,000 tonnes of GHG emissions each year.[8]

LIEN and VECC submit that their joint proposal is aligned with government policy on GHG emission reductions. The examples provided by LIEN and VECC including: the government directive to the IESO on eDSM and beneficial electrification, the IESO's Pathways to Decarbonization Report, and the Province's Energy for Generations Plan demonstrate that reducing GHG emissions is an important broader provincial policy objective, a direct outcome of DSM programs, and an appropriate consideration for the OEB in evaluating DSM programs.

All of which is respectfully submitted.

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[6] Minister's Directive to the IESO, December 19, 2024, at p. 4.
[7] IESO *Pathways to Decarbonization Report*, December 15, 2022 p. 6
[8] Ontario's *Energy for Generations Report*, June 2025 p. 36.