

**BY E-MAIL**

March 31, 2026

**TO: All Rate-Regulated Electricity Distributors  
Independent Electricity System Operator  
All Participants in EB-2025-0156, EB-2024-0118**

**RE: Next Steps on the Regulatory Treatment of Local Electricity Demand-Side  
Management (Stream 2) Programs  
Ontario Energy Board File No.: EB-2025-0156**

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#### **What You Need to Know**

- **The OEB is seeking feedback on draft updates to the Non-Wires Solutions (NWS) Guidelines, including new guidance for Stream 2 local electricity demand-side management (eDSM) programs.**
- **The proposed updates include a new appendix outlining expectations for Stream 2 local eDSM applications, as well as housekeeping amendments to the body of the NWS Guidelines.**
- **This work aligns with the 2023 and 2024 Letters of Direction from the then Minister of Energy and Electrification and is expected to provide distributors with greater opportunities to design, fund and deliver cost-effective local eDSM programs.**
- **The OEB invites comments on the draft amendments, including the new appendix, from all interested parties by April 21, 2026.**

The Ontario Energy Board (OEB) is proposing updates to the Non-Wires Solutions (NWS) Guidelines, providing new guidance on local electricity demand-side management (eDSM) programs delivered by electricity distributors that provide both local distribution benefits and broader energy system benefits. These programs will be funded from both the Global Adjustment and distribution rates and are referred to as Stream 2 local eDSM Programs.<sup>1</sup> The OEB is also proposing other housekeeping updates to the NWS Guidelines, which reflect developments since the most recent update.

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<sup>1</sup> Stream 1 eDSM programs are IESO-led programs funded exclusively through the Global Adjustment, and Stream 3 eDSM programs are distributor-led programs funded exclusively through distribution rates.

The OEB invites comments from all interested parties by April 21, 2026 on the following materials:

- NWS Guidelines, with proposed amendments
  - [Clean version](#)
  - [Tracked changes version](#)
- [Appendix to NWS Guidelines: Stream 2 Local eDSM Programs](#) (new document)

## Background

On July 23, 2025, the OEB [initiated a consultation](#) on the regulatory treatment of eDSM programs delivered by electricity distributors that provide both local distribution benefits and broader energy system benefits. This consultation aligns with the OEB's [2023](#) and [2024](#) Minister Letters of Direction, which call on the OEB to provide guidance on an appropriate cost-sharing mechanism for such programs, and on any related changes that would be needed to reduce barriers to conservation activities by electricity distributors.

As a starting point for this consultation, the OEB leveraged a report previously filed with the OEB on June 11, 2025, by the DSM Regulatory Working Group (Working Group) - [Proposed Framework for Implementation of Local eDSM Report \(Stream 2 Local eDSM Report\)](#).<sup>2</sup> The Working Group proposed a framework where Stream 2 local eDSM programs would be funded from distribution rates (approved by the OEB) and the Global Adjustment, based on the beneficiary pays principle. The proposed framework would build on the OEB's existing NWS Guidelines and [Benefit-Cost Analysis \(BCA\) Framework](#).

Consultation steps included:

- Written questions from OEB staff to the Working Group about the proposed framework detailed in the Stream 2 Local eDSM Report, with written replies from the Working Group
- A consultation session providing an opportunity for non-Working Group participants in the consultation (Participants) and OEB staff to ask questions of the Working Group, followed by written undertaking responses from the Working Group
- Written comments for the OEB's consideration regarding the proposed framework, from Participants and the Working Group.

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<sup>2</sup> The Working Group is composed of representatives from the Independent Electricity System Operator (IESO), the Electricity Distributors Association, the Ontario Energy Association, and electricity distributors.

## Guidance on Stream 2 local eDSM Programs

The OEB is defining its expectations for Stream 2 local eDSM funding requests through a new appendix in the NWS Guidelines (Stream 2 eDSM Appendix).

The OEB notes that there was near-universal support from Participants for the general approach proposed in the Working Group's Stream 2 Local eDSM Report. This includes the cost-sharing approach between distribution rates and Global Adjustment funding based on the proportion of project benefits (calculated using the BCA Framework) and the roles and responsibilities proposed for the OEB and the IESO. By enabling electricity distributors to access Global Adjustment funding for eDSM programs in proportion to the value created for the bulk electricity system, in addition to distribution rate funding for distribution-level benefits, Stream 2 local eDSM addresses a key valuation gap for distributed energy resources (DERs). This gap was identified in the OEB's [Review of the Valuation of Distributed Energy Resources](#).<sup>3</sup>

The OEB is adopting most aspects of the proposed framework detailed in the Stream 2 Local eDSM Report (refined through updates/clarifications provided by the Working Group through the consultation). This includes the cost-sharing approach, roles and responsibilities for the OEB and the IESO, evidentiary requirements to support a Stream 2 local eDSM program application, annual reporting expectations, and the general approach to cost recovery, including the establishment of a new generic Stream 2 eDSM Variance Account.

The OEB has considered and modified the Working Group's proposed framework or provided additional guidance in some areas. The key areas are: delegation of authority of Stream 2 local eDSM program funding requests, performance standards for processing Stream 2 local eDSM program funding requests, assessing the incrementality of eDSM spending, distributor incentives, cost allocation across rate classes, and First Nations programs and participation.

Additional details on the Working Group proposal and Participant comments on these topics, as well as the OEB's determination can be found in the supporting document [Next Steps on the Regulatory Treatment of Local Electricity Demand-Side Management \(Stream 2\) Programs – Additional Details](#). That document also discusses several other topics raised in Participant comments in the Stream 2 local eDSM consultation.

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<sup>3</sup> EB-2025-0268. See Table 1.7 in the OEB's November 7, 2025 presentation materials for this consultation.

## Other Housekeeping Updates to NWS Guidelines

The OEB is also proposing housekeeping updates, to the body of the NWS Guidelines, which reflect developments since the previous (March 28, 2024) update. These include:

- The establishment of the new provincial 2025-2036 eDSM Framework.
  - Proposed updates to the NWS Guidelines include references to Stream 2 local eDSM where appropriate, as well as updates to reflect other aspects of the provincial eDSM Framework that impact distributors. Proposed updates to the NWS Guidelines address the availability of Global Adjustment funding for distributor activities that raise awareness of and increase uptake of IESO eDSM programs, expectations regarding co-ordination with natural gas DSM programs, and data sources for including forecast savings from the provincial eDSM Framework in distributor load forecasts.
  - Proposed updates related to the distributor role in the IESO Local Initiatives Program (LIP) indicate that distributor costs associated with supporting the LIP should now be funded from the Global Adjustment fund for distributor activities that raise awareness of and increase uptake of IESO eDSM programs. Further, distributors are no longer eligible to seek lost revenue protection for the LIP. The OEB also proposes to discontinue the LIP deferral account, which has not been used by distributors. Distributors seeking to augment or leverage the LIP to meet local distribution system needs can apply for distribution rate funding using the guidance in the Stream 2 eDSM Appendix.
- Finalization of Phase One of the BCA Framework.
  - Proposed updates to the NWS Guidelines provide guidance on the pre-assessment stage of NWS consideration in distribution system planning and when a BCA should be conducted based on the findings of the pre-assessment.
- Progress by distributors in disposing of balances in the Lost Revenue Adjustment Variance Account (LRAMVA)
  - Proposed updates adopt language from the 2027 Chapter 2 Filing Requirements, reflecting that all distributors have now disposed of LRAMVA balances.

## Invitation to Comment and Next Steps

The OEB invites comments on the draft NWS Guidelines amendments, including the Stream 2 eDSM Appendix. For the Stream 2 eDSM Appendix, comments should take account of the high-level determinations that the OEB has already made based on the earlier stages of this consultation, as identified earlier in this letter and further described in the supporting document. Comments are due by **April 21, 2026**.

The OEB is also working on several other products to enable Stream 2 local eDSM applications:

- An accounting order for a new Stream 2 eDSM Variance Account.
- Incorporating the BCA Framework's cost-effectiveness tests into the IESO's existing cost-effectiveness calculator and integrating the calculator output into the OEB's BCA reporting template.

The OEB's goal is to finalize guidance on Stream 2 local eDSM, including the final version of the Stream 2 eDSM Appendix and the items described above, in time for distributors to include Stream 2 local eDSM funding requests as part of annual rate adjustment applications for 2027 rates.

The draft Stream 2 eDSM Appendix is intended to be used as a base for distributors to begin developing Stream 2 local eDSM funding requests in advance of finalized OEB guidance.

Distributors in this circumstance may contact the OEB if necessary, with questions on how to proceed.

## Cost Award Matters

The OEB has [previously provided a list of activities](#) in this consultation that are eligible for cost awards (including eligible hours for each activity) and made determinations on requests for cost eligibility from participants. Eligible participants will also be eligible to apply for cost awards for written comments on the draft amendments to the NWS Guidelines (including the new Stream 2 eDSM Appendix), up to a maximum of ten hours, as shown below.

ACTIVITY	TOTAL ELIGIBLE HOURS PER PARTICIPANT
Review of eDSM Stream 2 Report ( <i>completed</i> )	Up to a maximum of 4 hours
Review of OEB staff questions and responses on the eDSM Stream 2 Report	Up to a maximum of 2 hours

<i>(completed)</i>	
Consultation session (including preparation and follow-up questions to Working Group, if any) <i>(completed)</i>	Up to a maximum of 2 times actual session length
Written comments, if any <i>(completed)</i>	Up to a maximum of 6 hours
Written comments on draft NWS Guidelines, including Stream 2 eDSM Appendix ( <i>new activity</i> )	Up to a maximum of 10 hours

### Filing Instructions

Information regarding instructions for filing materials with the OEB is included in Appendix A to this letter.

Any questions relating to this letter should be directed to Michael Parkes at [michael.parkes@oeb.ca](mailto:michael.parkes@oeb.ca). The OEB's toll free number is 1-877-632-2727.

**DATED** at Toronto, **March 31, 2026**

**ONTARIO ENERGY BOARD**

Ritchie Murray  
Acting Registrar

Appendix A: Filing Instructions

**Appendix A**  
**To Letter Dated March 31, 2026**  
**EB-2025-0156**

**Filing Instructions**

Stakeholders are responsible for ensuring that any documents they file with the OEB **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's [Rules of Practice and Procedure](#).

Please quote file number, **EB-2025-0156**, for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.
- Stakeholders are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the online filing portal can contact [registrar@oeb.ca](mailto:registrar@oeb.ca) for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the [File documents online page](#) of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the [Practice Direction on Cost Awards](#).

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

Email: [registrar@oeb.ca](mailto:registrar@oeb.ca)

Tel: 1-877-632-2727 (Toll-free)