

VIA RESS

April 24, 2026

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

Dear Mr. Murray,

**RE: EB-2025-0156 – Next Steps on the Regulatory Treatment of Local Electricity Demand-Side Management (Stream 2) Programs**

Alectra Utilities Corporation (“Alectra”) appreciates the opportunity to provide comments on the Ontario Energy Board’s (“OEB”) draft guidance regarding the regulatory treatment of local electricity demand-side management programs under Stream 2.

Alectra appreciates the significant progress reflected in the draft guidance and acknowledges the OEB’s efforts to advance a coherent and practical policy framework for local eDSM programs. The guidance demonstrates strong alignment with the DSM Regulatory Working Group’s 2025 report, *Proposed Framework for Implementation of Local eDSM*, incorporating key considerations related to program life cycle, clearly defined roles and responsibilities, cost allocation between distribution rates and the Global Adjustment (“GA”), and the evidentiary and cost recovery requirements. This level of alignment underscores the value of the collaborative process undertaken to date and represents an important step forward.

Alectra is supportive of the overall direction set out in the draft guidance and believes it provides a solid foundation for the rollout of distributor-led eDSM programs. In particular, the clear articulation of the program life cycle and the delineation of responsibilities among the OEB, the Independent Electricity System Operator (“IESO”), and distributors, will help promote consistency and predictability in implementation across the sector. The inclusion of a defined cost recovery framework, including the use of a variance account, further enhances regulatory clarity and certainty.

Alectra also welcomes the OEB’s continued emphasis on enabling customer participation and facilitating access to GA-funded support. Stream 2 programs have the potential to play a significant role in addressing localized system needs while delivering tangible benefits to customers. Ensuring that participation pathways are timely, practical, and efficient will be critical to achieving these outcomes. In this regard, Alectra is encouraged by the framework established

in the draft guidance and is hopeful that associated processes will continue to evolve over time to support meaningful participation by both distributors and customers.

Alectra is broadly supportive of the enhanced eDSM Framework proposed by the OEB for inclusion in the Non-Wires Solutions (“NWS”) Guidelines. This is a valuable tool in the tool kit that will help utilities meet their NWS obligations and help customers manage their energy usage most effectively and efficiently. Whether the solutions proposed are asset based, program based, or market based, customers benefit when the utility has more options available to meet customer needs. The eDSM Framework will also substantially assist the OEB in meeting its objectives of facilitating conservation and economic growth.

### Constructive Feedback

While Alectra is largely aligned with the direction of the new eDSM Framework within the NWS Guidelines, one area of concern that Alectra has concerns the speed and efficiency with which it will be able to meet the needs of its customers, and to make substantive contributions to resource adequacy, both at the bulk and local distribution levels. To this end, Alectra supports efforts to reduce regulatory burden and improve regulatory efficiency. For these reasons, Alectra offers feedback mainly centered around the criteria to determine when an application should be streamlined.

The OEB has proposed that all applications made to it under the eDSM Framework will be determined by the Chief Commissioner to be either sent for Panel review or to delegated authority (“DA”), on a case-by-case basis. Alectra understands that this is an important feature for the OEB to ensure that it can oversee its mandate for efficient and effective adjudication. This is a reasonable approach given that there may be wide and varied kinds of programs proposed by utilities, and because the OEB has yet to accumulate experience with this new proposed application type. Alectra is encouraged that the OEB has suggested a time-bound performance measure for the adjudication of these applications.

That said, it is Alectra’s desire, hope, and expectation that as the OEB does accumulate experience with these applications successively, more of them should be filtered through the DA pathway for decision making. This desire for streamlined application adjudication arises from Alectra’s experience in delivering Conservation and Demand Management (“CDM”) programs in the past. The ability to design and evaluate a program, work with the IESO to clarify or resolve issues as necessary, make the application, secure funding and execute the program initiation needs to be as efficient as possible, and should not take more than 6-9 months. As currently proposed, the OEB’s 165-day performance standard for processing eDSM applications would consume the bulk of this time period. Alectra is concerned that the level of effort, the uncertainty of the outcome, and the timing for a decision will together combine to add a chilling effect on utilities’ desire or ability to make such applications and that, as a result, the policy direction established by the government will not be achieved.

The Minister of Energy and Electrification's letter of December 19, 2024, to the OEB set out the objectives as follows:

*The OEB's renewed role as an energy regulator has never been more important to move at the speed of the market, to ensure we serve and incentivize investment to our province. Electrification and the transition to cleaner energy sources requires strong, proactive thought leadership from the OEB, in consultation with the sector. As we build new homes, attract new investments and electrify industry and transportation, the OEB is going to play a crucial role in advancing the government's policies, including ensuring every family and business have access to clean, affordable and reliable energy.*

...

*Ontario continues to be a leader in energy efficiency programming with a long history of delivering results and savings for ratepayers. The government has authorized the IESO to implement a new framework on January 1, 2025 to continue to deliver energy efficiency programming to reduce energy consumption, and save electricity customers money on their energy bills. As the government, in partnership with the IESO and in collaboration with Ontario's regulated utilities, implements this framework, I expect the OEB will ensure Ontario electricity and natural gas ratepayer interests are protected and that Ontario's utilities (including LDCs) take every opportunity to put customers first by simplifying and improving customer access and experience with energy efficiency programs, generating more energy savings and greater emissions reductions while ensuring electricity and natural gas costs remain affordable, stable and predictable. In this work, I expect the OEB will:*

- ...
- *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<sup>1</sup>.*

To achieve the objectives established by the government will require greater usage of the DA decision making pathway. To this end, Alectra is also encouraged that the OEB has established the criteria on which the Chief Commissioner will assess whether an application will proceed to a panel or DA adjudication. This will assist utilities in their preparation and planning work. The six criteria that the OEB has suggested will frame this decision are as follows:

1. Program Size - As a guideline only, a Program funding request of approximately 2.5% of the base revenue requirement or greater may warrant consideration of Panel review.
2. Rate Mitigation Plan – If the total bill increase exceeds 10%, a rate mitigation plan is required, which may warrant consideration of Panel review.

---

<sup>1</sup> Letter of Direction from the Minister of Energy and Electrification to the Ontario Energy Board, December 19, 2024.

3. Benefit-Cost Analysis (“BCA”) Score – a benefit-cost ratio less than 1.0 (or 0.7 for Low-Income or First Nations participatory projects) may warrant Panel review.
4. Incentive structure – If using an approach other than the standardized Margin on Payments methodology, this may warrant consideration of Panel review.
5. Incrementality – If funding through existing rates has been provided, this may warrant consideration of Panel review.
6. Deferred Investment – If the assumptions used to value distribution service benefits require further scrutiny (e.g., if there is not a well-defined viable traditional investment alternative), this may warrant consideration of Panel review.

In Alectra’s view the first three of these are warranted. However, items 4-6 will unnecessarily limit the ability for utilities to propose meaningful eDSM proposals because they would undoubtedly result in comprehensive panel reviews that will tie up resources, while at the same time increasing effort and risk. Alectra believes these items are redundant and create unnecessary obstacles to progress.

First, for a proposal that generates positive customer value (item #3), then it should not matter what the source of the benefit is (item #6), so long as the assumptions underlying the benefit are reasonable and defensible, and the BCA appropriately accounts for all costs and benefits. Alectra submits that the BCA should enable the inclusion of all quantifiable system benefits, including both local and upstream system impacts. The evaluation, measurement and verification of results, the variance account treatment, and the annual reporting features will ensure full transparency of results (or lack thereof). If results are not being produced in alignment with the plan, then utilities should be required to take account of this. The OEB’s proposal contemplates various thresholds for this accountability in the section titled, “Program Adjustments and Mitigation Plans”, which Alectra supports.

Similarly, if a program proposal is not material relative to a utility’s rate base and ratemaking overall (items 1 & 2, respectively), then a detailed measurement and examination of incrementality is likely unnecessary (item #5). First, there is the challenge of identifying the scope for measuring what is incremental. That is, the OEB does not normally approve a utility’s Distribution System Plan (“DSP”). In most cases, the DSP is an overarching document addressing a substantial portion of the utility’s assets and their condition, however that plan is not tied directly to a Decision by the OEB. Then there is the issue that capital plans can, and should, change according to circumstances. New information, new priorities, or new facts can substantially change priorities or near-term plans. Utilities are also mandated to “find” productivity savings, which are undefined anywhere in the DSP or in capital plans. Taken altogether, it makes little sense to stand in the way of a potentially effective eDSM Stream 2 proposal that can actually assist in addressing many

of these challenges and/or also provide direct customer value. With that said, it is true that from time to time the OEB might specifically approve a program or project, and in this instance, measuring incrementality can be accomplished in a straightforward manner. Ultimately, the utility will be required to review its progress in achieving results for the issues raised in its last DSP, including limitations or opportunities that have arisen over the period since its last production.

Finally, Alectra believes that proposals are more likely to materialize with more clarity, structure, and/or guidance around the incentive mechanisms (item #4). The OEB has provided clear guidance for the use of the Margin on Payments incentive type. The other incentive mechanisms that have been approved by the OEB are the Shared Savings Mechanism and the Scorecard method, both of which were approved following the Framework for Energy Innovation ("FEI"). If there were sufficient guidance on how to structure the incentives, then utilities could better understand the risk, reward, time, energy, and effort of making their proposals.

Overall, Alectra is encouraged by the OEB's positive leadership momentum in constructing and approving this new eDSM Framework. Alectra remains committed to supporting the successful implementation of Stream 2 programs and to working with the OEB, IESO and other partners to continue refining the approach over time, as necessary or appropriate.

Should you have any questions or concerns, please do not hesitate to contact the undersigned.

Yours truly,

A handwritten signature in black ink, appearing to read "Michael Lister". The signature is fluid and cursive, with a large initial "M" and a stylized "L".

Michael Lister  
Director, Regulatory Affairs, Policy & Strategy  
Alectra Utilities Corporation