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8 April 24, 2026

By E-Mail: registrar@oeb.ca

9
10 Mr. Ritchie Murray
11 Acting Registrar
12 Ontario Energy Board
13 Suite 2700, 2300 Yonge Street
14 Toronto, ON M4P 1E4

15
16 Dear Mr. Murray:

17
18 **RE: EB-2025-0156 – Consultation on the Regulatory Treatment of Local Electricity Demand-**
19 **side Management (Stream 2) Programs: Reply Submission**

20
21 Thank you for granting an extension to April 24, 2026, for the DSM Working Group (Working Group)
22 to file its response. These attached statements respond to the OEB's correspondence of March 31,
23 2026.

24
25 The Working Group looks forward to the OEB's consideration and its updates to the Non-Wires
26 Solutions (NWS) Guidelines, including new guidance for Stream 2 eDSM programs.

27
28 Please contact the undersigned should you have any questions.

29
30 Sincerely,

Evelyn Lundhild
Senior Manager, Demand Side Management,
IESO
DSM Working Group Co-Chair

Michael Lister
Director, Policy & Strategy,
Alectra Utilities
DSM Working Group Co-Chair

31
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33 Teresa Sarkesian, President & CEO, Electricity Distributors Association (EDA)
34 Vince Brescia, President & CEO, Ontario Energy Association (OEA)
35 Rob Brewer, President & CEO, PUC Services
36 Scott Mudie, EVP & Chief Operations and Energy Officer, Oakville Hydro
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38 Paul Gleason, Chief Risk Officer, ENWIN
39 Tyler Moore, VP Energy & General Counsel, ERTH

40 Melanie Bhandari, Manager of Regulatory Strategy, Hydro One
41 April Barrie, Director, Regulatory Affairs, Hydro Ottawa
42 Mike Packer, Director of Regulatory Affairs, London Hydro
43 Mike Pathak, Manager, Climate Action, Toronto Hydro
44

45 The Independent Electricity System Operator (IESO) works at the heart of Ontario's power system.
46 The IESO delivers key services across the electricity sector including managing the power system in
47 real-time, planning for the province's future energy needs, enabling conservation and designing a
48 more efficient electricity marketplace to support sector evolution.
49

50 The Electricity Distributors Association (EDA) represents Ontario's local hydro utilities, the part of
51 our electricity system closest to customers. Publicly and privately owned utilities, otherwise known
52 as local distribution companies, deliver electricity to residential, commercial, industrial, and
53 institutional customers—powering every community in the province. The sector owns more than \$35
54 billion in electricity system infrastructure and invests more than \$3.2 billion annually in the
55 electricity grid—that is the Power of Local Hydro.
56

57 The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn
58 our reputation by being an integral and influential part of energy policy development and decision
59 making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy
60 industry.
61

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94

95 **1. Introduction**

96 **1.1. Purpose of this Submission**

97
98 This submission provides the DSM Working Group’s (Reg WG or Working Group) reply to the OEB Staff’s
99 submissions in respect of the Ontario Energy Board’s (OEB) consultation on the regulatory treatment of
100 local electricity demand-side management (eDSM) programs (Stream 2), including the proposed updates
101 to the *Non-Wires Solutions Guidelines* and the draft *Appendix: Stream 2 Local eDSM Programs* (the “Draft
102 Guidance”).

103
104 Specifically, the Working Group’s submission provides the following for the OEB’s consideration:
105

- 106 • Confirms areas where the Draft Guidance supports the framework developed by the Working
107 Group, as proposed in its June 11, 2025 report to the OEB entitled “*Proposed Framework for*
108 *Implementation of Local eDSM*”¹; and
- 109 • Identifies the elements of the Draft Guidance where additional precision or alignment with the
110 Working Group’s June 11, 2025 report would be expected to better support consistent and
111 effective implementation of Stream 2 eDSM programming.

112
113 The Working Group would like to thank the OEB for fostering a collaborative approach to this consultation,
114 incorporating many of the Working Group’s recommendations, and would like to propose that the OEB’s
115 approach to implementing eDSM Stream 2 programs via this consultation become a regulatory model for
116 future consultations.

117 **1.2. Overview of the Working Group**

118
119 The Working Group is comprised of representatives from the Independent Electricity System Operator
120 (IESO), the Electricity Distributors Association (EDA), the Ontario Energy Association (OEA), and electricity
121 distributors (local distribution companies, or LDCs).

122
123 A detailed description of the composition, mandate, and development of the Working Group’s proposed
124 framework is provided in the Working Group’s initial submission filed in this proceeding.²

125
126 The Working Group has participated throughout the consultation process, including the preparation and
127 filing of the Stream 2 Local eDSM Report, responses to written questions from OEB staff, participation in
128 the stakeholder consultation session, and the provision of written submissions and undertaking
129 responses.

130

¹ eDSM Regulatory Working Group, [Proposed Framework for Implementation of Local eDSM](#) (June 2025).

² [Ibid., p. 2.](#)

1.3. OEB Draft Guidelines and Appendix

On March 31, 2026, the OEB issued materials for stakeholder comment in this proceeding, including:

- a letter titled *Next Steps on the Regulatory Treatment of Local Electricity Demand-Side Management*³ (Stream 2) Programs (the “OEB Letter”)
- proposed updates to the *Non-Wires Solutions Guidelines for Electricity Distributors*⁴ (the “Draft NWS Guidelines”);
- a new *Appendix to the Non-Wires Solutions Guidelines: Stream 2 Local eDSM Programs*⁵ (the “Draft Appendix”); and
- a supporting document titled *Next Steps on the Regulatory Treatment of Local Electricity Demand-Side Management (Stream 2) Programs – Additional Details*⁶ (the “Additional Details Document”).

These materials (collectively, the “Draft Guidance”) set out the OEB’s proposed approach to the regulatory treatment of distributor-led Stream 2 eDSM programs.

The Draft Guidance reflects a substantial incorporation of the framework developed by the Working Group. In particular, the Draft Guidance aligns with the Working Group’s proposal in respect of:

- the allocation of program costs between distribution rates and the Global Adjustment based on the “beneficiary pays” principle;
- the delineation of roles and responsibilities between the OEB, the IESO, and distributors;
- the evidentiary framework supporting Stream 2 applications; and
- the general approach to cost recovery, including the establishment of a Stream 2 variance account.

1.4. Structure of Reply Submission

This submission is organized as follows:

- **Section 2** identifies areas of alignment between the Draft Guidance and the framework developed by the Working Group; and

³ [Letter: Next Steps on the Regulatory Treatment of Local Electricity Demand-Side Management \(Stream 2\) Programs](#)

⁴ [Non-Wires Solutions Guidelines for Electricity Distributors \(DRAFT\)](#)

⁵ [Appendix to the Non-Wires Solutions Guidelines: Stream 2 Local eDSM Programs \(DRAFT\)](#)

⁶ [Next Steps on the Regulatory Treatment of Local Electricity Demand-Side Management \(Stream 2\) Programs – Additional Details](#)

- 166 • **Section 3** outlines specific areas where clarification or refinement may improve clarity,
167 consistency, or practical implementation.

168 **2. Areas of Agreement**

169 **2.1. Overview**

170
171 As outlined in the Draft Guidance, the OEB has adopted many of the core elements presented in the
172 Working Group’s June 11, 2025 report, including the cost-sharing approach between distribution rates
173 and the Global Adjustment, the delineation of roles and responsibilities between the OEB and the IESO,
174 and the general approach to evidentiary requirements and cost recovery.

175
176 In addition, the Draft Guidance incorporates the overall program life-cycle for Stream 2 programs,
177 including the identification of system needs, program development and review, funding approvals,
178 program execution, and close-out processes. These elements are consistent with the structure proposed
179 by the Working Group and provide a coherent and effective framework for implementation.

180
181 The Working Group notes that importantly, the OEB’s Draft Guidance substantively addresses the primary
182 mandate for eDSM Stream 2 program implementation, namely the Minister of Energy’s Directive⁷ to the
183 IESO (Directive). The Draft Guidance reflects many of the key principles noted in the Directive, including
184 the allocation of program costs between distribution rates and the Global Adjustment, the delineation of
185 roles and responsibilities between the OEB and the IESO, and the general approach to evidentiary
186 requirements and cost recovery.

187
188 The Working Group has identified a few areas of clarification or revision that will further align the OEB’s
189 Draft Guidance to the Letter of Direction. These are expressed in Section 3 of this Submission. First, the
190 Working Group would like to highlight the areas of alignment with the Letter of Direction in the proposed
191 Draft Guidance.

192
193 Taken together, the Working Group’s proposal herein enhances the areas of alignment described in
194 Section 2 with a narrow set of clarifications or suggested revisions detailed in Section 3, to enable all
195 parties to implement Stream 2 programs with a clear set of criteria, and efficient regulatory process.

196 **2.2. Summary of Key Areas of Alignment**

197
198 The table below sets out the WG’s evaluation for where there is alignment with the proposal, and where
199 the WG has concerns. Not all areas of misalignment cause the WG concern, however, where there are
200 concerns, the WG believes these to be material enough to raise for the OEB’s attention.
201

⁷ [Ministry of Energy’s Directive to IESO dated November 7, 2024](#), and updated [December 19, 2024](#).

202

203

Step	Steps in Stream 2 Process	Areas of Alignment
Step 1	Distributor Identifies System Need and Potential for eDSM Program	<ul style="list-style-type: none"> The OEB's proposal aligns with Reg WG's proposed approach to identifying System Need i.e., <i>"As part of distribution system planning, a distributor identifies a distribution system need, such as capacity constraints or reliability concerns, and through a pre-assessment, further identifies that an NWS using eDSM measures may be a viable approach to meeting the need."</i>⁸ NOT ALIGNED: The OEB proposes that LDCs submit information in their application relating to incrementality, i.e., the LDC must justify why investments included in the last DSP should not be credited back to ratepayers when they are deferred or delayed by an eDSM program.
Step 2	Distributor Assesses Whether eDSM Program is Preferred Alternative to Address System Need	<ul style="list-style-type: none"> Reg WG aligns with analysis proposed by the OEB for eDSM program application The OEB's proposed data requirements for proposal application aligns with Reg WG's proposal The OEB's proposed process for joint program design and application processing aligns with the WG's proposal
Step 3	Distributor Develops and IESO Reviews Program Proposal	<ul style="list-style-type: none"> The Reg WG aligns with the OEB's proposed information that comprises the LDC's application to the IESO The OEB's proposed scope of IESO Review aligns with the WG's proposal NOT ALIGNED: The OEB's proposal is not aligned with the Ministry of Energy's directive to the IESO regarding the criteria of its review being related to the complementary nature between Stream 1 and Stream 2 programs
Step 4	IESO Issues Confirmation Letter to Distributor	<ul style="list-style-type: none"> The Reg WG aligns with the OEB's proposed content of the IESO's confirmation letter
Step 5	Distributor Files Program Funding Request to OEB	<ul style="list-style-type: none"> The OEB's proposal aligns with Reg WG's request: <i>"A distributor may file this funding request as a stand-alone application or as part of a larger rate application (e.g., IRM, Annual Update, or Cost of Service application)."</i> NOT ALIGNED: The OEB's Draft Guidelines provide specificity for eDSM programs that request LDC Incentives using the Margin on Payments mechanism.

⁸ [Appendix to the Non-Wires Solutions Guidelines: Stream 2 Local eDSM Programs \(DRAFT\)](#), p. 8.

Step	Steps in Stream 2 Process	Areas of Alignment
		<p>The Working Group sees an issue that inclusion of a distributor incentive should not be a criterion for requiring a review by a Panel of OEB commissioners (Panel), since the OEB has already indicated that distributors may propose incentives using these three methods.</p> <p>Additionally, the Working Group proposes that regulatory efficiency can benefit from the Draft Guidelines providing specificity or guidance on the boundaries for use of the Shared Savings or Scorecard incentive mechanisms. These two incentive mechanisms are better suited for Stream 2 programs, and thus the Working Group recommends the OEB develop additional guidance on these mechanisms as an addendum to the final Non-Wires Solutions Guidelines in the future.</p>
Step 6	OEB Reviews Program Funding Request	<ul style="list-style-type: none"> • NOT ALIGNED: The OEB is not aligned with the Reg WG’s request for delegated authority approval: <i>“The OEB Chief Commissioner will determine whether the review of the Application will be conducted under delegated authority or by a Panel of OEB commissioners.”</i>
Step 7	Distributor and IESO Execute Program Contribution Agreement	<ul style="list-style-type: none"> • The OEB’s proposal aligns with the Reg WG’s content and expectations regarding the IESO contribution agreement and funding from the Global Adjustment for the eDSM program.
Step 8	Distributor Executes Program	<ul style="list-style-type: none"> • The OEB’s proposal aligns with the Reg WG’s proposal relating to LDC execution, annual reporting, inclusive of the ability to exceed budget by up to 15%, or to manage in-term project adjustments, as articulated by the OEB (i.e., re-scope, re-evaluate, or wind down).
Step 9	Distributor Closes-Out Program	<ul style="list-style-type: none"> • The OEB’s proposal aligns with the Reg WG’s approach to program close-out, i.e., IESO EM&V, information filed with the OEB for prudence review, and true-up of incentive amount to actual program performance.

204
 205 Collectively, these elements establish a structured and coherent framework for the implementation of
 206 Stream 2 local electricity demand-side management programs within the existing regulatory and planning
 207 context.

208
 209 Section 3 below identifies specific areas where additional clarification or refinement will support greater
 210 clarity, consistency, and practical implementation of the Draft Guidance. The Working Group would like
 211 to highlight that the implementation of the proposed changes will enable LDCs to maximize use of the

212 eDSM Stream 2 pathway—ultimately serving the government’s energy efficiency objectives to the benefit
213 of customers.
214

215 **3. Areas for Clarification and Refinement**

216 **3.1. Overview**

217

218 The Draft Guidance establishes a comprehensive framework for the implementation of Stream 2 local
219 eDSM programs. As outlined in Section 2, many of the core elements of the framework developed by the
220 Working Group have been incorporated.

221
222 This section identifies specific areas where the WG believes that additional clarification or refinement
223 would enhance the processes through greater clarity, consistency, and practical implementation, and
224 thereby deliver on the expectations of government and other sector players.

225
226 These areas relate primarily to:

- 227 • the application of delegated authority in the review of Stream 2 applications
- 228 • the treatment of incrementality in the context of distribution system planning and rate-setting
- 229 • the lack of specificity in the Guidelines for the Shared Savings and Scorecard incentive mechanism

230

231 The observations provided below are intended to support alignment with the underlying policy
232 framework⁹ and to facilitate efficient implementation within existing regulatory processes.
233

234 **3.2. Delegated Authority**

235 **3.2.1. Issue**

236

237 From the Working Group’s perspective, the Draft Guidance does not establish clear criteria for
238 determining when a Stream 2 application would be reviewed under delegated authority versus by a Panel
239 of OEB commissioners. Instead, the Draft Guidance sees the Chief Commissioner determine whether each
240 eDSM Stream 2 application will be adjudicated via Panel or delegated authority on a case-by-case basis.

241
242 The Draft Guidance contemplates that the Chief Commissioner’s decision-making would be guided by the
243 following set of six criteria that are intended to assist the Chief Commissioner determine whether a
244 Stream 2 application will be reviewed by delegated authority or a Panel.¹⁰ The Working Group is
245 supportive of the first three criteria, and proposes amendments to the last three for the reasons described
246 below.
247

⁹ [Ministry of Energy’s Directive to IESO dated November 7, 2024](#), and updated [December 19, 2024](#).

¹⁰ [Appendix to the Non-Wires Solutions Guidelines: Stream 2 Local eDSM Programs \(DRAFT\)](#), pp .18 -19.

3.2.2. Criteria Supported by the Working Group:

1. *What is the size of the annual Program funding request from distribution rates, as a percentage of a distributor's base revenue requirement in its current or most recent Cost of Service proceeding?*
 - *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. *Does the rate application (including the requested eDSM rate rider) cause total bill increases for any customer class to exceed 10%, requiring a mitigation plan? If so, is the eDSM rate rider a significant contributing factor to the bill increase, and/or is the design of the eDSM rate rider part of the mitigation plan?*
3. *What is the benefit-to-cost ratio of the Program, absent any notional benefit based on qualitative distribution service benefits?*
 - *As a guideline only, a program with a benefit-to-cost ratio < 1.0 absent any notional benefit based on qualitative distribution service benefits (or < 0.7 prior to consideration of qualitative benefits for a Program targeting income-qualified customers or on-reserve First Nation communities) may warrant consideration of Panel review.*

3.2.3. Criteria Requiring Amendments as Proposed by the Working Group:

4. *Is a distributor incentive requested, and if so, does it use the Margin on Payments incentive methodology detailed in the Distribution System Code, or a different incentive mechanism?*
5. *Has any funding been provided through existing rates that addresses, in part, or in full, the same distribution system need that the Program will address?*
6. *Has the distributor identified specific traditional investments that could be avoided or deferred because of the Program, and quantified this distribution service benefit in the BCA?*

The Working Group addresses its concerns with each of criteria 4 and 5 in section 3.2.5 and 3.3.3, respectively, and has developed a set of amended criteria that it proposes the OEB incorporate in the final Guidelines.

With respect to criterion 6, the Working Group proposes that it be removed altogether. The premise of criterion 6 seems to indicate that avoiding specific traditional investments is a threshold test required for an eDSM Stream 2 program. The Working Group does not support this limited threshold test.

In fact, the Working Group does not see a need for a criterion of this type being required to determine if the proceeding is adjudicated by delegated authority. As stated by the Working Group throughout this consultation, the Chief Commissioner can assign any eDSM Stream 2 proceeding to be adjudicated by a Panel of Commissioners. The criteria to support delegated authority should be specific in nature and not be tests that limit the types of Stream 2 programs for which LDCs can apply under the Guidelines. It is the

291 Working Group’s contention that imposing limitations that arise from each of these criteria are precisely
292 some of the reasons that LDCs have not pursued eDSM solutions in the past and may continue to dissuade
293 future participation. The Working Group’s intention is to assist the OEB in finding the right balance
294 between expediency, effectiveness, and the oversight conditions that assure Stream 2 programs are in
295 consumers’ best interest—and aligned with the November 2024 Ministerial Directive

296 **3.2.4. Working Group’s Proposed Submission**

297
298 The Draft Guidance identifies delegated authority as a potential mechanism for the review of Stream 2
299 applications and provides a set of criteria to inform the Chief Commissioner’s determination of the
300 appropriate review pathway. The Working Group is pleased to see that the OEB is open to this direction
301 to facilitate the approval of distribution funding requests. Critically, the Working Group sees this as a
302 mechanism that would ensure timeliness to market and alignment with the government’s Directive for
303 this file, while at the same time also minimizing regulatory burden, and improving regulatory efficiency.
304

305 The use of delegated authority will support the timely and efficient adjudication of Stream 2 applications.
306 However, as currently framed, the application of delegated authority remains subject to case-by-case
307 determination creating substantial regulatory uncertainty.
308

309 Additional clarity including prescriptive criteria, regarding the application of delegated authority will
310 support greater consistency and predictability in the adjudication process. In particular, the Draft
311 Guidance can be refined to more clearly articulate how the identified criteria are to be applied in
312 determining the appropriate review pathway.
313

314 In this context, the Working Group strongly suggests that the five criteria set out in the Conclusions section
315 of this Submission can and should be adopted as the guidance for which an eDSM application is
316 adjudicated by delegated authority. For clarity, the use of the 2.5% cost for an eDSM program relative to
317 a utility’s total revenue requirement (i.e., materiality thresholds) supports alignment with existing OEB
318 approaches to assessing the significance of rate impacts, and therefore warrants applications that meet
319 this threshold to be reviewed by delegated authority. Similarly, consideration of factors such as bill
320 impacts, program cost-effectiveness, and the presence of distributor incentives will inform the
321 determination of whether an application is appropriately reviewed under delegated authority.
322

323 Clarification of these criteria, including their application and relative weighting, will support a more
324 transparent and predictable approach, while avoiding the introduction of additional procedural
325 complexity or regulatory burden.
326

327 **3.2.5. Working Group’s Proposed Amendment to** 328 **Criterion 4 for Delegated Authority – Utility Incentives** 329 **Guidance** 330

331 In support of the OEB’s approach in its Draft Guidelines to establish set criteria for the Chief Commissioner
332 to assign eDSM Stream 2 applications to delegated authority, the Working Group provides the following
333 amended wording for criterion 4:

334 4. *Is a distributor incentive requested, and if so, does it use one of the three incentive methodologies*
335 *detailed in either the Distribution System Code or the Filing Guidelines for Incentives for Electricity*
336 *Distributors to Use Third-Party DERs as Non-Wires Alternatives?*

337 The Working Group’s proposed amendment 1) relies on the OEB establishing additional guidance or
338 examples for the Two Other Mechanisms as a future addendum to the NWS Guidelines in a future
339 consultation, 2) enables transparency for all parties involved in the eDSM applications, and 3) reduces
340 regulatory burden by providing the Chief Commissioner set criteria to authorize delegated authority or
341 Stream 2 proceedings. So long as one of the three incentive methods are chosen there should not be a
342 need for a Panel review.

343 **3.3. Incrementality**

344 **3.3.1. Issue**

345

346 The OEB’s proposal is for LDCs to identify if their funding to address the identified system need is already
347 included in existing rates, and optionally propose a revenue adjustment (e.g., a reduction in the
348 incremental revenue that would be recovered from distribution rates for the Stream 2 program) or
349 propose that no such adjustment is necessary, with supporting rationale.

350 **3.3.2. Working Group’s Proposed Submission**

351
352 The Draft Guidance introduces an expectation that distributors identify whether funding associated with
353 a proposed Stream 2 program has been previously included in rates and, where applicable, propose a
354 corresponding revenue adjustment or provide supporting rationale where no adjustment is proposed.
355

356 Clarification of this requirement will support a more consistent application within the context of existing
357 rate-setting and planning processes. In particular, the relationship between Distribution System Plans
358 (DSPs) and approved rate funding is not direct. DSPs are not approved by the Ontario Energy Board as
359 part of rate-setting, and the capital investments set out in as-filed plans nearly always differ from those
360 reflected in approved rates.¹¹ Variances may arise due to settlement outcomes, adjustments to capital
361 envelopes, and changes in asset management planning over the course of a rate term.

362
363 In this context, the Draft Guidance should be clarified to reflect that the assessment of incrementality is
364 not expected to rely on a one-to-one linkage between specific investments identified in a DSP and funding
365 included in existing rates.

¹¹ Utilities adjust their capital spending envelope to address OEB Decisions where the original capital funding request is reduced or adjusted. Therefore, the original spending proposed in the DSP, in essence, can be deemed as null and void.

366
367 At the same time, distributors should provide evidence where there is a direct linkage established
368 between an approved capital investment that is proposed to be deferred or delayed by an eDSM program,
369 as noted in the updated guidelines.
370

371 **3.3.3. Working Group’s Proposed Amendment to** 372 **Criterion 5 for Delegated Authority – Incrementality** 373

374 As stated above, the Working Group does not ascribe to the principle that capital investments evaluated
375 in an LDC’s Cost of Service proceeding can be directly attributable to capital funding in existing rates. To
376 this end, and being supportive of the OEB’s approach in its Draft Guidelines to establish set criteria for the
377 Chief Commissioner to assign eDSM Stream 2 applications to delegated authority, the Working Group
378 provides the following amended criterion 5:

- 379 *5. Has an investment that has discrete funding included in existing rates and directly*
380 *traceable to an OEB Decision been identified as the system need that the program will*
381 *address? If yes, then has the application provided evidence supporting a net positive*
382 *customer benefit that is inclusive of the funding in existing rates?*
383

384 The Working Group amended wording supports that 1) there is the direct establishment of whether the
385 eDSM Application is proposing to use funding in existing rates and that the funding results in a net positive
386 customer benefit, and 2) clear measurable criteria for the Chief Commissioner to weigh, in the application
387 of delegated authority as the adjudicative process.
388

389 The establishment of a net positive customer benefit¹² for these scenarios, if they do arise, is a
390 confirmation of the value to ratepayers.¹³ It also follows the principle of revenue decoupling established
391 in the OEB’s Renewed Regulatory Framework.¹⁴ Consequently, there is no need for a Panel-adjudicated
392 proceeding.
393

¹² The OEB’s Distribution System Test results in a value greater than 1.0 which represents that there is net positive customer benefit. Therefore, ratepayers are benefiting from the eDSM Stream 2 program.

¹³ Ibid.

¹⁴ Costs and Revenues are decoupled. Therefore, given Revenues are established based on an evaluation of the Test Year Revenue Requirement and not five years of costs to serve, there is no ability to attribute the LDCs five-year investment plan to approved Revenues under either the Price Cap or Custom IR rate frameworks.

394 **3.4. Alignment of Guidelines and Draft Appendix on**
395 **Duplicative Stream 1 and Stream 2 Programs**

396 **3.4.1. Issue**
397

398 The Draft Guidance states the following with respect to treatment of duplication between Stream 1 and
399 Stream 2 programs:

400 *To avoid marketplace confusion and ensure the prudent use of customer funding, distributors are*
401 *expected to take into account the IESO's Stream 1 rate-funded NWS is not duplicative of these*
402 *programs. This is mandatory for Stream 2 local eDSM programs. For other NWS, distributors are*
403 *still encouraged to discuss any concerns with the IESO regarding potential duplication prior to*
404 *applying for distribution rate funding. The OEB will ultimately determine if a proposed distribution*
405 *rate-funded NWS is in the public interest and results in just and reasonable rates.¹⁵*

406 The Working Group highlights the inconsistency with related wording in the Minister's Directive to the
407 IESO, which refers to programs that enhance or are complementary to IESO's province-wide eDSM
408 programs¹⁶ and to section 2.5 the Draft Appendix which states:

409 *For Stream 2 applications, the IESO is the ultimate arbiter of whether a Program is duplicative of*
410 *IESO eDSM programs.¹⁷*

411 The issue identified by the Working Group is that the wording in the Draft Appendix confirms the IESO is
412 the deciding entity on whether Stream 1 and Stream 2 programs are duplicative. The Draft Guidance does
413 not similarly confirm the IESO is the deciding entity.
414
415

416 **3.4.2. Working Group's Proposed Submission**
417

418 The Working Group recommends that the Final Guidelines includes a confirming statement of the IESO
419 being the deciding entity on whether Stream 1 and Stream 2 programs are duplicative that is similar to
420 the proposed statement in the Draft Appendix.

¹⁵ [OEB Non-Wires Solutions Guidelines for Electricity Distributors \(DRAFT\)](#), p. 10.

¹⁶ [Ministry of Energy's Directive to IESO dated November 7, 2024](#), section F.2.(b), p. 8.

¹⁷ [Appendix to Non-Wires Solutions Guidelines: Stream 2 Local eDSM Programs \(DRAFT\)](#), p. 29.

421 **3.5. Specificity for Shared Savings and Scorecard Incentive**
422 **Mechanisms**

423 **3.5.1. Issue**
424

425 The OEB’s Draft Guidelines provide specificity for eDSM programs that request LDC Incentives using the
426 Margin on Payments (MoP) mechanism. The Draft Guidelines did not provide specificity for either of the
427 Shared Savings or Scorecard Incentive mechanisms. These other two incentive mechanisms are better
428 suited for Stream 2 programs, and the final Guidelines would benefit with similar specificity being
429 provided to LDCs.

430 **3.5.2. Working Group’s Proposed Submission**
431

432 The Working Group requested in its Submission of December 3, 2025, that defined ranges for incentives
433 could be codified in the revised NWS Guidelines.¹⁸

434 The Working Group requests that the OEB consider including criteria for the use of the Shared Savings and
435 Scorecard Mechanisms to support eDSM Stream 2 program applications in its forthcoming update of the
436 “*Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires*
437 *Alternatives.*” The potential criteria do not have to be specific. Rather, they can be a range of acceptable
438 percentages that would qualify Stream 2 applications to be adjudicated via delegated authority.

439 **4. Conclusion**
440

441 The Draft Guidance reflects the principal elements of the framework developed by the Working Group,
442 and establishes a structured approach to the implementation of Stream 2 local electricity demand-side
443 management programs. The Working Group acknowledges the OEB’s efforts to incorporate stakeholder
444 input and advance a comprehensive and coordinated regulatory framework.
445

446 As outlined in this submission, targeted clarifications and refinements to the Draft Guidance may further
447 support clarity, consistency, and practical implementation. Alignment with the November 2024
448 Ministerial Directive from the Minister of Energy and Electrification to the IESO¹⁹ should continue to serve
449 as a guiding consideration in finalizing the NWS Guidelines and its Appendix.
450

451 With respect to the review of Stream 2 applications, the Working Group emphasizes the importance of
452 establishing clear and predictable criteria to support the application of delegated authority. In this regard,

¹⁸ [Working Group Reply Submission - Consultation on the Regulatory Treatment of Local Electricity Demand-Side Management \(Stream 2\) Programs](#), December 3, 2025, p 8.

¹⁹ [Ministry of Energy’s Directive to IESO dated November 7, 2024](#), and updated [December 19, 2024](#).

453 the Working Group recommends that the OEB adopt a defined set of criteria to guide the Chief
454 Commissioner's determination of the appropriate adjudicative pathway.

455
456 Specifically, the Working Group proposes that the following criteria be used to support the application of
457 delegated authority:

- 458
459 1. What is the size of the annual Program funding request from distribution rates, as a percentage
460 of a distributor's base revenue requirement in its current or most recent Cost of Service
461 proceeding?
- 462 • As a guideline only, a Program funding request of approximately 2.5% of the base
463 revenue requirement or greater may warrant consideration of Panel review.
- 464 2. Does the rate application (including the requested eDSM rate rider) cause total bill increases for
465 any customer class to exceed 10%, requiring a mitigation plan? If so, is the eDSM rate rider a
466 significant contributing factor to the bill increase, and/or is the design of the eDSM rate rider
467 part of the mitigation plan?
- 468 3. What is the benefit-to-cost ratio of the Program, absent any notional benefit based on
469 qualitative distribution service benefits?
- 470 • As a guideline only, a program with a benefit-to-cost ratio < 1.0 absent any notional
471 benefit based on qualitative distribution service benefits (or < 0.7 prior to consideration
472 of qualitative benefits for a Program targeting income-qualified customers or on-reserve
473 First Nation communities) may warrant consideration of Panel review.
- 474 4. Is a distributor incentive requested, and if so, does it use one of the three incentive
475 methodologies detailed in either the Distribution System Code or the Filing Guidelines for
476 Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives?
- 477 5. Has any funding been provided through existing rates that addresses, in part, or in full, the same
478 distribution system need that the Program will address? If yes, then has the application
479 provided evidence supporting a net positive customer benefit that is inclusive of the funding in
480 existing rates?

481
482 The Working Group considers that the use of defined criteria of this nature will support a more
483 transparent, consistent, and efficient approach to the adjudication of Stream 2 applications, while
484 maintaining appropriate regulatory oversight. The importance of delivering Stream 2 programs is to
485 increase benefits to customers, namely supporting affordability, grid reliability, and maximize energy
486 savings, per the November 2024 Ministerial Directive.

487
488 The Working Group appreciates the opportunity to participate in this consultation and looks forward to
489 the OEB's consideration of these submissions in finalizing the Non-Wires Solutions Guidelines and
490 associated Appendix.
491