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# Non-Wires Solutions Guidelines for Electricity Distributors

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Ontario  
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# 1. INTRODUCTION

## 1.1 Purpose and Applicability

The *Non-Wires Solutions Guidelines for Electricity Distributors* (NWS Guidelines) provide Ontario Energy Board (OEB) guidance on the role of non-wires solutions (NWS)<sup>1</sup> for rate-regulated electricity distributors.<sup>2</sup> They take into account current and previous provincial conservation and demand management (CDM)/electricity demand-side management (eDSM) frameworks and addresses the treatment of NWS in distribution rate applications.<sup>3</sup> Certain aspects of the NWS Guidelines are also relevant to rate-regulated transmitters and natural gas distributors.<sup>4</sup>

Rate applications filed by electricity distributors are expected to be fully consistent with the NWS Guidelines or provide an explanation for any divergence. The OEB will consider the NWS Guidelines in its review of rate applications. However, the NWS Guidelines are not binding on the OEB's determination, which will also consider the unique circumstances of a distributor's application.

Elements of the NWS Guidelines that are relevant to distribution rate applications are also incorporated into Chapters 2, 3, and 5 of the OEB's *Filing Requirements for Electricity Distribution Rate Applications* (the [Filing Requirements](#)).

The NWS Guidelines will be updated in the future as needed to account for relevant developments.

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<sup>1</sup> Also known as non-wires alternatives (NWAs).

<sup>2</sup> The NWS Guidelines have evolved from and replaced the OEB's [Conservation and Demand Guidelines for Electricity Distributors](#) (CDM Guidelines). The change in name reflects that non-wires solutions, used to address system needs, can encompass a broader range of solutions than traditional conservation and demand management. This includes but is not limited to third-party Distributed Energy Resources (DERs), such as energy storage and distributed (embedded) generation.

<sup>3</sup> Provincial frameworks are discussed in section 1.2. The most recent provincial framework uses the term eDSM, whereas previous frameworks used CDM. The terms are generally used interchangeably in these NWS Guidelines, except for when referring to a specific framework.

<sup>4</sup> Chapter 4 on addressing regional needs through NWS, and chapter 9 on co-ordination with natural gas demand-side management programs, respectively.

## 1.2 Provincial CDM/eDSM Frameworks

Provincial electricity CDM/eDSM activity is implemented through CDM/eDSM frameworks that are established through Ministerial Directives and funded through the Global Adjustment charge, which is paid for by all Ontario electricity customers, not through distribution rates. Program activity is overseen and delivered by the Independent Electricity System Operator (IESO).

The NWS Guidelines address a distributor's role and interaction with the current provincial eDSM framework (2025-2036 eDSM Framework). They also address the impacts of previous CDM frameworks related to load forecasting and lost revenues.

The 2025-2036 eDSM Framework was established by a [directive](#) issued on November 7, 2024, by the Minister of Energy and Electrification to the IESO. It was subsequently amended by a second [directive](#) on December 19, 2024, to add beneficial electrification measures. Demonstrating the province's long-term commitment to eDSM, the new Framework is intended to be enduring in nature, with a 12-year term that can be extended subject to necessary approvals. It will be managed through a series of three-year program plans. The IESO's [2025-2027 Electricity Demand Side Management Plan \(with Beneficial Electrification\)](#) provides an overview of the program plans, budgets and saving targets for the eDSM programs to be delivered by the IESO in response to the Minister's directives.

The 2025-2036 eDSM directive also establishes a role for local electricity distributors, requiring the IESO to create a program that:

- Funds distributor eDSM activities to raise awareness of and increase uptake of IESO-delivered, co-delivered or co-ordinated eDSM programs;
- Supports and contributes to the funding of local eDSM programs that:
  - i) Are designed and delivered by distributors and endorsed by the IESO;
  - ii) Address local electricity distribution needs, and also provide value to the bulk electric system; and,

- iii) Have received approval from the OEB for the rate-funded portion of the program costs.

The IESO's 2025-2027 eDSM Plan establishes an IESO budget of \$90 million over three years for this program.<sup>5</sup> OEB guidance to distributors on the second aspect of the IESO program (local eDSM programs designed by distributors, also referred to as Stream 2 local eDSM programs, where OEB approval for distribution rate funding is also requested) is provided in the Appendix to these NWS Guidelines.

## 2. TYPES OF DISTRIBUTION RATE-FUNDED NON-WIRES SOLUTIONS

NWS that are potentially eligible for distribution rate funding include those that reduce instantaneous electricity demand (measured in kilowatts or kilovolt-amperes) on a utility's distribution system, or a portion of that system.<sup>6</sup>

As discussed in chapters 3 and 4, distribution rate-funded NWS are expected to address a specific system need at the distribution level or the regional level. As system needs are often driven by peak electricity demand, it is anticipated that many NWS may be designed to reduce demand at the time of the relevant system peak.<sup>7</sup> NWS may also be geotargeted to the portion of the distribution system that is experiencing a need/constraint.

Examples of NWS that distributors may consider for the purpose of addressing system needs include:

- Energy efficiency programs
- Demand response programs
- Programs that improve the efficiency of the distribution system and reduce distribution losses

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<sup>5</sup> This budget is in addition to any funding that may be approved by the OEB for Stream 2 local eDSM programs that is recovered through distribution rates.

<sup>6</sup> These activities may also reduce overall electricity consumption (measured in kilowatt-hours).

<sup>7</sup> This timing may or may not be aligned with the time of peak demand on the bulk electricity system.

- Energy storage (in front of or behind the meter)
- Generation (in front of or behind the meter)
- Managed charging of electric vehicles.

To provide latitude for new and innovative NWS, this list is not intended to be exhaustive.

NWS may include non-distributor owned, behind-the-meter solutions, where the cost (and benefit) of the solution may be shared between the distributor and another party. In such cases, any request for funding through distribution rates must be supported by the value proposition to the distributor's customers.

To avoid marketplace confusion and ensure the prudent use of customer funding, distributors are expected to take into account the IESO's Stream 1<sup>8</sup> eDSM programs and identify if a proposed distribution rate-funded NWS enhances or complements these programs. This is mandatory for Stream 2 local eDSM programs, and the IESO is the ultimate decision-maker as to whether a Stream 2 local eDSM program enhances or complements an IESO eDSM program or programs.

For other NWS, distributors are still encouraged to discuss any concerns with the IESO regarding potential overlap prior to applying for distribution rate funding. The OEB will ultimately determine if a proposed distribution rate-funded NWS is in the public interest and results in just and reasonable rates.

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<sup>8</sup> Stream 1 eDSM programs are IESO-led programs funded exclusively through the Global Adjustment.

## 3. ROLE OF NON-WIRES SOLUTIONS IN DISTRIBUTION SYSTEM PLANNING

### 3.1 System Planning

The NWS Guidelines support an approach to regional and local system planning that requires consideration of the role of NWS in meeting system needs.

Distributors are required to incorporate consideration of NWS into their distribution system planning process. Specifically, they are to consider whether a distribution rate-funded NWS may be a preferred approach to meeting a system need, thus avoiding or deferring spending on traditional infrastructure.<sup>9</sup>

Key steps distributors are encouraged to take to meet this objective include:

- Provide sufficient lead time to enable consideration of NWS when assessing system needs.
- Define the types of system needs where NWS have the greatest potential to meet the system need.
- Ensure a process is in place to consider NWS as a potential solution for these types of system needs, and to compare NWS to traditional wires solutions.

A distributor's distribution system plan should describe how it has taken NWS into consideration in its planning process. The degree of consideration of NWS in meeting system needs should be proportional to the expected benefits and will likely vary across distributors, taking into account the size and resources of a distributor. NWS will not be a viable alternative for all types of traditional infrastructure investments. Distributors are encouraged to take account of learnings from NWS that have been undertaken by other electricity distributors, in Ontario or elsewhere.

Distributors are required to document their consideration of NWS when making investment decisions on electricity system needs with an expected

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<sup>9</sup> As discussed further in chapter 4, this may include addressing a regional system need, even if the NWS activities take place at the distribution level.

capital cost of \$2 million or more as part of distribution system planning, excluding general plant investments.

A distributor should first conduct a pre-assessment to identify whether there is a reasonable expectation that an NWS may be a viable approach to meeting an identified need, taking into account the technical viability and economic feasibility considerations noted below. Currently, the OEB is not establishing a mandatory format or requirements for the pre-assessment stage. The OEB expects that the degree of consideration of NWS will vary depending on the system need, as some system needs may be clearly unsuitable for NWS.

The OEB suggests the following steps when conducting a pre-assessment:

- Identify the system need and its timing.
- Identify potential solutions to meet the need: traditional infrastructure solution(s) and NWS.
- Assess whether the potential solutions can technically meet the identified system need, taking into account factors such as size of the need (e.g., level of demand/energy that must be provided or reduced) and required timing.
- Estimate (at a high level) the cost/economic feasibility of those solutions that are technically viable. If this estimate indicates that one solution is very clearly preferable by a large margin, it may not be necessary to refine cost and benefit estimates and complete a detailed benefit-cost analysis (BCA).

The IESO's [Integrated Regional Resource Plans: Guide to Assessing Non-Wires Alternatives](#) may also be a useful guide as to pre-assessment considerations relevant to the consideration of NWS.

Electricity distributors must provide a rationale through documentation of the pre-assessment for all infrastructure investment decisions with an expected capital cost of \$2 million or more where NWS were not considered and/or those situations where NWS were considered but a BCA was not conducted due to a pre-assessment finding.

It is also possible that a pre-assessment may identify that the NWS is the **only** viable solution to meet the identified system need. In this case, a BCA is

not required but the pre-assessment documentation should be provided when requesting funding for the NWS. A distributor may complete an optional BCA to demonstrate the benefits that will result from the NWS.<sup>10</sup>

Should the pre-assessment conclude that an NWS is one of several viable approaches to meeting an identified need, a distributor should proceed with completing a BCA and documenting the results, to assess its economic feasibility, as described in the [Benefit-Cost Analysis Framework for Addressing Electricity System Needs](#) (BCA Framework). If a traditional infrastructure solution is ultimately selected, the BCA results should still be provided.

Under the [Distribution System Code](#) (DSC)<sup>11</sup>, if a distributor must construct new facilities to its main distribution system or increase the capacity of existing distribution system facilities in order to be able to connect a specific customer or group of customers, the distributor must perform an economic evaluation, using the methodology specified in the DSC, to determine if the future revenue from the customer(s) will pay for the capital cost and on-going maintenance costs of the expansion project. If it will not, a capital contribution will be required from the connecting customer(s). Distributors are also encouraged to consider NWS for system needs that are driven by specific customers and funded by customer capital contributions, where there is a reasonable expectation that an NWS may reduce the total cost and required customer capital contribution. Distributors should take into consideration expressed customer preferences, including a preference and willingness to pay for a traditional infrastructure solution instead of any proposed alternatives.

The NWS Guidelines enable distributors to seek distribution rate funding for NWS for the purpose of meeting identified distribution system needs or regional needs.

Conservation and energy efficiency activities that provide benefits only to participating customers but do not address a distribution system need or a

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<sup>10</sup> For Stream 2 local eDSM programs, a BCA is always required for cost allocation purposes. If a proposed Stream 2 local eDSM program is identified as the only viable solution to address a system need and a distributor is unsure how to complete the BCA, a distributor should seek additional guidance from OEB staff.

<sup>11</sup> Section 3.2

regional need are not considered an NWS from the distributor's perspective and are not eligible for distribution rate funding.

The OEB has also made a distinction between the use of DERs by distributors as NWS to address a system need and integration investments made by distributors to enable adoption of distributed energy resources by consumers for their own purposes.<sup>12</sup> Integration investments of this nature would not be considered NWS and are not the subject of these NWS Guidelines.

### **3.2 General Evidentiary Requirements for Non-Wires Solutions**

The OEB will evaluate requests for NWS funding consistent with the OEB's approach to evaluating other proposed expenditures in a rates application, for which evidence is provided in the distribution system plan (DSP). The level of detail filed by a distributor to support a proposed NWS should be proportional to the materiality of the investment. The OEB's evaluation criteria for proposed distribution system investments that meet the defined materiality threshold for a distributor are described in Chapter 5 of the Filing Requirements, as is the supporting evidence that distributors should file for proposed projects.

However, several evidentiary requirements set out below are specific to NWS.

A distributor should explain the proposed NWS in the context of the DSP. This includes providing details on the system need that is being addressed, any infrastructure investments that are being avoided or deferred as a result of the NWS, and the prioritization of the proposed NWS relative to other system investments in the DSP.

A distributor should provide evidence as to why the proposed NWS is the preferred approach (alone or in combination with an infrastructure solution) to meeting a system need. This includes an assessment of the projected

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<sup>12</sup> OEB Letter, [Re: Capital Funding Requests for DER Integration Investments Between Rebasing Applications for Distributors on Custom IR](#), October 10, 2023

benefits to customers, relative to cost impacts, based on the pre-assessment discussed in section 3.1 and the BCA if one was completed.<sup>13</sup>

If a BCA is completed, distributors should follow the requirements of the BCA Framework. The BCA Framework outlines the methodology that distributors are to employ when assessing the economic feasibility of NWS to address defined electricity system needs, and the supporting information that should be filed related to this BCA. It also requires distributors to file this information if a BCA that includes NWS was conducted when considering the best approach to address a system need, but where a traditional infrastructure solution was ultimately selected.

Any proposal for a rate funded, distributor-owned NWS must demonstrate that a distributor has meaningfully explored contracting services from non-utility owned distributed energy resources (DERs) – including providing sufficient lead time for third-party DER solutions to be identified and implemented – and where doing so is either not feasible or less cost-effective.

In the case of an NWS that is driven by a specific customer and funded by a customer capital contribution, the distributor should provide details on engagement with the customer on options, the economic evaluation with the capital contribution and the customer's preference.

The business case for an NWS may also include consideration of costs and benefits upstream of a distributor, for example, for a distribution NWS intended to address a regional need, or realized by another party. In such cases, the OEB would expect that the proposed approach to cost-sharing between the distributor and the other party/parties would be informed by this analysis. Additional guidance regarding proposed NWS by distributors to address regional needs is provided in chapter 4.

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<sup>13</sup> A BCA is not required if the pre-assessment determines that there is no other viable solution against which to contrast the NWS, but a distributor may complete an optional BCA to demonstrate the benefits that will result from the NWS.

### 3.3 Timing of NWS Applications

#### Applications Within Rebasing

Distributors on Price Cap Incentive Rate-setting (IR) or Custom IR rate-setting methodologies are encouraged to make funding requests for any proposed NWS as part of cost-based (rebasing) rate applications, where possible. The rebasing application process and evidentiary requirements<sup>14</sup> enable the OEB to assess the proposed NWS and funding request in the context of the system needs identified in the distributor's distribution system plan, and to incorporate forecast impacts of NWS on the distributor's revenue requirement and load forecast.

Distributors using the Price Cap IR rate-setting methodology may also propose, as part of their cost of service application, NWS that are expected to come into service during the subsequent Price Cap IR term, similar to the approach used for Advanced Capital Module (ACM) projects. As with ACM projects, the need for and prudence of these projects will be assessed during the cost of service application, based on the information in the DSP.

#### Applications Outside Rebasing

The OEB will consider applications for NWS outside of rebasing applications.

The option to file a request for funding for NWS outside of rebasing is available to distributors using any rate-setting methodology (Price Cap IR, Custom IR, or Annual IR Index). Distributors using the Price Cap IR or Annual IR Index rate-setting methodologies may choose to file a request for funding for NWS outside of rebasing either as part of an incentive rate-setting mechanism (IRM) application, or as a stand-alone application, while distributors using the Custom IR rate-setting methodology may file a request for funding for NWS outside of rebasing either as part of a Custom IR update application, or as a stand-alone application

An application in advance of rebasing may be required if the proposed NWS would have rate impacts prior to rebasing:

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<sup>14</sup> The OEB has specific Filing Requirements for cost of service rate applications (chapter 2 of the Filing Requirements). Rate applications by utilities using the Custom IR rate-setting methodology are expected to be informed by the cost of service Filing Requirements.

- to address a system need that is currently unfunded
- to address a previously identified system need and replace an infrastructure solution for which funding has been proposed (and not rejected) in a previous rates proceeding
  - this may result in an increase or decrease to rates for differences in project costs or rate treatment between the original solution and the NWS.

Circumstances that may warrant an application outside of a rebasing application could include:

- An opportunity to develop a Stream 2 local eDSM program that would address a distribution system need and would be eligible for Global Adjustment funding in addition to distribution rate funding.
- An imminent system need that needs to be addressed in the current rate term for which an NWS is the preferred solution.
- New opportunities to pursue NWS under the NWS Guidelines that were not viable or permitted under the previous version of the NWS/CDM Guidelines that was effective at the time of a distributor's most recent rebasing.
- A joint application from multiple distributors to address a regional need.

The OEB will apply the principles of materiality, need and prudence to distributor requests for funding for NWS between rebasing applications. The details of how to apply these principles will be addressed within the context of specific applications.<sup>15</sup> Materiality is not a requirement for requesting funding for a Stream 2 local eDSM program.

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<sup>15</sup> The OEB's [Advanced Capital Module report](#) (EB-2014-0219, *Report of the Board: New Policy Options for the Funding of Capital Investments: the Advanced Capital Module*, September 18, 2014) establishes criteria for materiality, need, and prudence that distributors proposing amounts for recovery for capital projects by way of an ACM or an Incremental Capital Module (ICM) must meet. However, there are some key differences between ACM/ICM projects and NWS (e.g., the likelihood that the cost recovery approach for an NWS may include both capital and OM&A costs; the lack of an ACM/ICM option for utilities using the Custom IR and Annual Index IR rate-setting methodologies).

To demonstrate need, a distributor should identify the system need being addressed within the context of the distributor's distribution system plan (including a targeted update to the distribution system plan), the incrementality of costs relative to what is built into existing rates, and (for distributors using Custom IR or Price Cap IR rate-setting methodologies) an explanation of why the NWS was not included in the most recent rebasing application.

### 3.4 Cost Recovery

Cost recovery for NWS included as part of rebasing rate applications will generally be addressed through the updated base rates set in that proceeding.

The default treatment of costs and the approach to utility remuneration is generally the same for NWS as for other distribution system expenditures (except for the opportunity to apply for an incentive if using third-party DERs as NWS, discussed below). Distributors should assign costs for NWS to capital expenditures or to operating expenses in accordance with their capitalization policy.<sup>16</sup> Proposed NWS can therefore potentially include a capital expenditure component, if consistent with a distributor's capitalization policy and subject to the OEB's approval. Distributors should address any considerations regarding allocation of the cost of NWS to customer classes, and rate design.

For NWS included in cost of service rate applications that are expected to come into service during the subsequent Price Cap IR term, the cost of service application should include the forecasted costs of the NWS, but cost recovery (rate riders) will be addressed during a subsequent Price Cap IR application. Similar to the approach used for ACM projects, if the updated cost projection for the NWS is materially different than the amount pre-approved in the prior cost of service application, defined as a difference of plus or minus 30 per cent, the distributor will be required to re-file the business case for the activity.

For applications related to NWS funding filed outside of rebasing, distributors should propose an approach for cost recovery (including issues of cost

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<sup>16</sup> Chapter 2 of the Filing Requirements requires distributors to file their capitalization policy with the OEB as part of cost of service applications.

allocation and rate design) and identify whether any funding to address the identified system need has been proposed (and not rejected) in a previous rates proceeding. This will assist the OEB in determining, on a case-by-case basis, whether the proposed spending is incremental and should be eligible for cost recovery.

Distributors proposing to use third-party DERs as NWS are also eligible, under the OEB's Framework for Energy Innovation, to apply for an incentive mechanism. This may require establishing a deferral account to record amounts to fund earned incentives, to be reviewed and disposed of at a later date. Distributors applying for an incentive mechanism related to their use of an NWS should follow the OEB's filing guidance for incentive proposals.<sup>17</sup>

Distributors are also encouraged to determine whether any funding from a third party (including, but not limited to, the IESO) for an NWS is available. Stream 2 enables distributors to access funding from both the IESO and distribution rates for distributor-led programs, in proportion to the benefits provided, provided that the programs are compatible with the definition of eDSM in the eDSM directive and do not include measures or program models excluded from this definition. Therefore, distributors are expected to assess whether a proposed NWS is potentially eligible for Stream 2 funding and use the Stream 2 process to request approval of an NWS where appropriate.

If a distributor is successful in securing funding from a third party, they are to include details of the arrangement in their application and only seek to recover the remaining costs from customers. A distributor may also have an opportunity for its NWS to earn revenues through the IESO's wholesale markets, reducing the costs that need to be funded through distribution

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<sup>17</sup> [Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives](#), March 28, 2023. On November 25, 2025, the OEB amended the DSC to establish a methodology for the setting of rates to include a margin on payments incentive for the use of third-party DERs as NWS. Distributors requesting a Margin on Payments incentive mechanism should follow the additional requirements for this incentive mechanism in the DSC. See [Notice of Amendments to the Distribution System Code: Amendments Regarding a Margin on Payments Incentive Mechanism for the use of Third-Party Distributed Energy Resources as Non-Wires Solutions](#) (EB-2025-0083), November 25, 2025 for more information.

rates.<sup>18</sup> If applicable, a distributor should describe its proposed approach to these revenues in its application. A distributor may request full cost recovery and indicate that any revenues earned through IESO markets will be treated as a revenue offset used to lower distribution rates, or an alternative approach that considers the allocation of risk between the distributor and its customers. Depending on circumstances, the latter approach may improve the business case for a rate-funded NWS.

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<sup>18</sup> A defined approach to IESO funding is in place for Stream 2 local eDSM programs but not for other distributor NWS. Stream 2 local eDSM programs would not be able to earn revenues through the IESO wholesale markets, as they would already be receiving Global Adjustment funding from the IESO through Stream 2 in recognition of the upstream energy system benefits provided. Stream 2 local eDSM programs exclude measures promoted through a different program or initiative undertaken by the Government of Ontario or the IESO.

## 4. DISTRIBUTOR NON-WIRES SOLUTIONS TO MEET REGIONAL NEEDS

### 4.1 Background

Regional electricity system planning supports a reliable supply of electricity to Ontario's 21 planning regions. Regional planning looks at the unique needs of each region and considers energy efficiency, generation, transmission and distribution, and innovative resources to meet these needs.

The OEB endorsed a formalized [regional planning process](#) in 2013 involving transmitters, distributors and the IESO that has been implemented across the province.

Should the initial steps in the regional planning process identify a need with a broader regional impact, where NWS (transmission-connected or distribution-connected) are potential options to address this need, NWS and wires solutions will be further assessed through an Integrated Regional Resources Plan (IRRP). An overview of the current approach for evaluating NWS in IRRPs is presented in the IESO's [Integrated Regional Resource Plans: Guide to Assessing Non-Wires Alternatives](#) (May 26, 2023).<sup>19</sup>

The role of NWS in the regional planning process has also been informed by the work of the Regional Planning Process Advisory Group (RPPAG) as part of the OEB's Regional Planning Process Review, which was completed in August 2023.<sup>20</sup>

In 2025, the OEB initiated a review of regional and bulk electricity system planning processes.<sup>21</sup> Any updates related to the role of NWS that result from

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<sup>19</sup> The approach described here may also be of assistance to distributors in developing their approach to considering NWS for local distribution system needs with no regional impact, which are part of distribution system planning (chapter 3 of the NWS Guidelines) and are not assessed through an IRRP.

<sup>20</sup> EB-2020-0176. The [Regional Planning Process Review Overview of Outcomes](#) (October 5, 2023) summarizes the documents amended or created as outcomes of this consultation. In November 2021 (in advance of a broader report with recommendations to improve the regional planning process), the RPPAG provided the OEB with [recommended changes](#) to the CDM Guidelines, addressing potential barriers to CDM measures in regional planning. Relevant content is now included in this chapter of the NWS Guidelines. Additional guidance from the Regional Planning Process Review, completed after the issuance of the 2021 CDM Guidelines, relates to cost responsibility and the incorporation of forecasts of NWS activity into regional load forecasting. This guidance is further discussed in subsections 4.3 and 4.4.

<sup>21</sup> EB-2025-0248

this review would be included in a future update to the NWS Guidelines, as appropriate.

#### **4.2 Applications to Address Regional Needs**

Distributors may request distribution rate funding for NWS – at the distribution level – that are intended to address (in whole or in part) regional needs. This includes NWS where the system need that is being addressed (and the wires infrastructure being avoided or deferred) is entirely at the transmission level.

Distributors seeking distribution rate funding for NWS to address a regional need should describe how their application has been informed by the regional planning process, whether the NWS has been identified as a preferred solution through this process, and whether it is supported by other participants in the regional planning process (i.e., the IESO, lead transmitter, and other participating distributors).

NWS to address regional needs raise issues of coordinating NWS implementation and cost responsibility. If an NWS must be implemented by multiple rate-regulated distributors/transmitters to meet the regional need (otherwise a potentially more costly traditional infrastructure solution will not be avoided or deferred) and each party requires OEB approval of new spending, then the OEB will require the participants to submit a joint application. This is so the OEB can review the proposed solution in its entirety.

#### **4.3 Cost Responsibility for Non-Wires Solutions Addressing Regional Needs**

Even in cases where only one distributor would be implementing an NWS to address a regional need, issues of cost responsibility, including how costs are allocated, may need to be addressed.

Some funding may be available through an IESO program (funded through the Global Adjustment), in cases where the NWS is aligned with the IESO's priorities in meeting Ontario's electricity system needs. As discussed in section 3.4, a distributor is encouraged to determine whether any funding from a third party (including, but not limited to, the IESO) is available and may also have an opportunity for its NWS to earn revenues through the

IESO's wholesale markets, reducing the costs funded through distribution or transmission rates.

The OEB is then responsible for reviewing the cost and associated rate impacts of the NWS that would be borne by rate-regulated transmitters and distributors, net of any funding provided by the IESO or other sources.

Applicants requesting funding for an NWS to address a regional need should provide details on the proposed cost responsibility approach. The proposed approach should be justified if it differs from the default approach discussed below. Applicants are strongly encouraged to reach agreement on the proposed cost approach to cost responsibility with any other rate-regulated distributors and transmitters that could incur costs prior to applying to the OEB.

The OEB expects that the default approach to cost responsibility, where it involves NWS of one or more distributors to address regional needs (net of any funding provided by the IESO or other non rate-regulated sources), would be aligned with the approach in section 6.3 of the OEB's [Transmission System Code](#) (TSC) for transmission (wires) investments, i.e., proportional benefit. In particular, sections 6.3.13 and 6.3.15 of the TSC set out how the costs should be attributed among the distributor(s) in relation to transmission connection investments that are made to meet their needs. Section 6.3.18 of the TSC sets out how cost responsibility should be addressed in cases where the transmission connection investment also addresses a broader transmission network system need.

If a broader transmission network need is addressed, some portion of the costs for a transmission investment is attributed to the network pool which is to be recovered from all transmission customers through the transmission network charge. A similar approach could apply to an NWS, including attributing a share of cost responsibility to the transmitter. Similar to the requirement under section 6.3.18 of the TSC, distributors will need to provide confirmation from the IESO that the NWS will also address a broader transmission network need.

An [OEB staff bulletin](#) also highlighted OEB guidance on cost responsibility, where there is a local preference for a higher cost alternative solution to meet a system need that is not the optimal, most cost-effective solution identified

in the regional plan (or distribution system plan).<sup>22</sup> This could include the use of an NWS in preference to a wires solution. In such cases, the OEB has indicated that, where such a premium solution is desired, the incremental cost of the investment should be funded through other means, such as by the municipal shareholder, rather than through distribution rates. Additional details are provided in the staff bulletin, such as the information a distributor should provide in its rate application.

The OEB provides flexibility for applicants to propose modifications to the default cost responsibility approach. An applicant should describe the expected local and regional benefits, and how this has informed its proposed approach to allocating costs.

#### 4.4 Incorporating Non-Wires Solutions Into Regional Planning Forecasts

Distribution-rate funded NWS (whether undertaken to meet local and/or regional needs) will have an impact on the regional load forecast used in the needs assessment and integrated regional resource planning processes. As set out in sections 8.3.1 and 8.3.2 of the DSC, distributors are required to share information required to support regional planning, which may include information on their current and planned NWS, upon request from the lead transmitter and the IESO.<sup>23</sup> Distributors are encouraged to also provide that information to other distributors in the region for the purpose of improving the accuracy of load forecasting at the regional level.

The Regional Planning Process Advisory Group's [Load Forecast Guideline for Ontario](#) provides additional guidance to the IESO, transmitters and electricity distributors on the development of the demand forecasts used in the various phases of the regional planning process.<sup>24</sup> This includes guidance on how to adjust the gross demand forecast to reflect the forecast

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<sup>22</sup> OEB Staff Bulletin, *Re: Local Community Preference for Alternative to Most Cost Effective Solution*, September 29, 2022. While the need for this guidance was identified within the context of facilitating consideration of NWS in regional planning, the guidance in the Staff Bulletin also applies to local distribution system needs where a regional plan is not required.

<sup>23</sup> A host distributor is also required to include the related information from its embedded distributor(s).

<sup>24</sup> Regional Planning Process Advisory Group, *Load Forecast Guideline for Ontario: Guidance for the Development of Regional Planning Demand Forecasts*, October 13, 2022.

impact of NWS undertaken by distributors and additional CDM or distributed generation undertaken by the IESO or other parties.

## 5. ROLE OF DISTRIBUTORS IN THE LOCAL INITIATIVES PROGRAM

### 5.1 Background on Local Initiatives Program

The Local Initiatives Program (LIP) was introduced through the IESO's 2021-2024 CDM Plan to deliver CDM savings in targeted areas of the province, as identified through the regional planning process. Funding for the LIP is recovered from all Ontario electricity customers through the Global Adjustment charge. The LIP is continuing in the 2025-2036 eDSM Framework.

The IESO indicated that it sees value for distributors in the target areas playing a partnership role in the LIP to support the development and deployment of LIP initiatives. Distributors' customers may be targeted and there is a potential for the LIP to meet local distribution system needs in addition to the regional needs.

### 5.2 Role of Electricity Distributors and use of LIP Deferral Account

The OEB has discontinued the LIP deferral account, which previously enabled distributors to track LIP partnership costs and seek recovery of these costs through distribution rates.<sup>25</sup> Any distributor costs associated with supporting the LIP should now be funded from the Global Adjustment funding in the 2025-2036 eDSM Framework that funds distributor eDSM activities that raise awareness of and increase uptake of IESO-delivered, co-delivered or co-ordinated eDSM programs (noted in section 1.2 of these Guidelines).

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<sup>25</sup> Guidance to electricity distributors related to distributor partnership in the LIP and cost recovery was previously provided in the OEB's [letter](#) of May 28, 2021. In this letter, the OEB established a LIP Deferral Account to enable distributors to track LIP partnership costs and seek recovery of these costs through distribution rates, as costs incurred by distributors through this partnership role were not eligible for funding from the IESO's 2021-2024 CDM Framework budget. The OEB indicated that, should the LIP continue in the post-2024 Framework, the OEB would review whether the same approach will be used for distributors partnering with the IESO in subsequent phases of the LIP, based on the learnings from the first phase. No distributor made use of the LIP Deferral Account in the 2021-2024 CDM Framework.

The resources that the IESO is procuring through the LIP are for the purpose of addressing needs identified through the regional planning process (discussed in chapter 4) and are not intended to specifically meet local distribution system needs. However, there may be alignment between the regional needs and local distribution system needs.

As with other Stream 1 programs, distributors may identify an opportunity to augment or leverage the LIP to meet local distribution system needs. In this circumstance, distributors can apply for distribution rate funding using the guidance on Stream 2 applications provided in the Appendix to these NWS Guidelines.

## 6. DISTRIBUTOR COSTS FOR ANCILLARY ACTIVITIES RELATED TO NWS OR OTHER CONSERVATION ACTIVITIES

Distributor costs, including staffing costs, that are specific to a distribution rate-funded NWS (discussed in chapter 3) will be reviewed as part of the funding request for the NWS in a rates application.

Distributors may also have an ancillary role in other activities related to NWS or conservation and energy efficiency, including:

- Planning work to assess potential opportunities for distribution rate-funded NWS to meet system needs, in advance of proposing specific NWS
- Support to a distributor's customers for conservation and energy efficiency programs delivered by IESO or other organizations
- Green Button implementation, use and enhancement.

Guidance related to cost recovery for these activities is provided below.

**System planning:** As part of the distribution system planning function, distributors will likely need to carry out some planning work to assess potential opportunities for distribution rate-funded NWS to meet system needs, in advance of proposing any specific NWS. Prudently incurred

incremental, material costs of this nature (including staffing costs) are eligible for recovery, through the OEB's overall review of operating, maintenance and administrative expenses (OM&A) in rate applications.

**Customer support for conservation and energy efficiency programs delivered by IESO or other organizations:** The 2025-2036 eDSM Framework includes funding through the Global Adjustment mechanism to fund distributor eDSM activities that raise awareness of and increase uptake of IESO-delivered, co-delivered or co-ordinated eDSM programs (Stream 1 programs). Therefore, distributors should not request additional funding through distribution rates to support Stream 1 programs.<sup>26</sup>

Distributors may carry out efforts to make their customers aware of applicable conservation and energy efficiency programs delivered by organizations other than the IESO, such as municipal or federal programs, for the purpose of assisting customers (including low-income and Indigenous customers) in managing their energy bills. Any such efforts should be limited in nature with respect to costs and use of distributor resources. The OEB expects that this would typically be accomplished by distributor staff in the key accounts or customer service functions.

**Green Button:** The [Green Button regulation](#)<sup>27</sup> established mandatory requirements for electricity distributors (with certain exceptions) related to implementing the Green Button energy data standard and making energy data available in accordance with the Green Button standard.

Rate-regulated electricity and natural gas distributors in Ontario were required to provide customers with access to Green Button by November 1, 2023. The OEB worked with distributors and other stakeholders to support the implementation of Green Button including establishing and facilitating an industry-led working group and issuing guidance that focused on matters related to implementation ([Green Button Implementation | Ontario Energy Board](#)). Supporting increased conservation and energy efficiency through greater consumer access to energy data is one of the expected outcomes of Green Button implementation.

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<sup>26</sup> This restriction does not apply to Stream 2 local eDSM programs, which are led by distributors.

<sup>27</sup> O. Reg. 633/21

Distributors may potentially identify opportunities to enhance or leverage Green Button (beyond the mandatory implementation requirements) as part of a proposed NWS to address a system need. Any incremental costs associated with this discretionary use of Green Button can be reviewed as part of the funding request for the NWS. Distributors would be expected to demonstrate how the Green Button enhancements would contribute to the results achieved by the NWS.

## 7. TREATMENT OF CDM AND NWS IN LOAD FORECAST

### 7.1 Approach to Incorporating CDM and NWS in Load Forecast

Provincial CDM/eDSM programs and distributor-led NWS affect the electricity consumption and demand of a distributor's customers and should be considered in a distributor's load and revenue forecasts.

The OEB provides flexibility to distributors in determining their general approach and methodology for load forecasting, which is a key input in establishing operating revenues and distribution rates.<sup>28</sup>

Within their forecasting approach, distributors are expected to determine how to incorporate the historical and forecast impacts of CDM and NWS activities into their load forecast, for the purpose of making the load forecast as accurate as possible. Distributors may also consider the *Load Forecast Guideline for Ontario* discussed in section 4.4, which focuses on developing peak demand forecasts for regional planning purposes, where appropriate.

One approach distributors may choose to adopt is to include a CDM variable in a multivariate regression, based on the historical and forecast level of savings from applicable CDM activities in a given year. Distributors may also choose to address CDM through manual adjustments outside of the methodology chosen, either multivariate regression or normalized average use per customer. Distributors may also propose that no specific CDM variable or adjustment is needed, if the distributor is of the view that the impact of CDM is suitably addressed through other correlated variables used in the load forecast, and/or embedded within historical load trends.

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<sup>28</sup> General guidance on load forecasting is provided in Chapter 2 of the OEB's Filing Requirements.

If a CDM variable is used, distributors should describe how the interaction with other variables used in the load forecast is addressed, to avoid double-counting the impact of CDM. This means that there may not be a one-to-one relationship between the amount of savings from CDM in a given year and the resulting impact to the load forecast.

If a distributor requests to use a Lost Revenue Adjustment Variance Account (LRAMVA) for new NWS (chapter 8), it should describe how the impact of CDM/NWS activity included in the load forecast has informed the proposed LRAMVA threshold.<sup>29</sup>

## 7.2 Supporting Evidence for CDM/NWS Savings in Forecast

Distributors using a CDM variable (or related approach, including a manual adjustment) in their load forecast should provide details on what types of CDM/NWS activities are included in the CDM variable, with supporting evidence and methodology for the claimed historical and forecast reductions in electricity consumption and demand.

Distributors should describe the methodology and rationale for estimating year-over-year persistence of CDM savings and for allocating CDM savings to customer classes. They should also explain any adjustments made to account for timing considerations related to CDM activities, including half-year adjustments.

Distributors may include the impact of any of the following types of activities (and potentially others) as part of the CDM variable, considering the magnitude of the CDM savings, the level of information available on savings and any other relevant factors:

- Historical and forecast impacts of any distribution rate-funded NWS, including Stream 2 local eDSM programs

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<sup>29</sup> The OEB previously developed a Load Forecast CDM Adjustment Workform (provided as an appendix to the Filing Requirements) as one approach that could be used for the calculation of the LRAMVA Threshold.

- Persisting CDM impacts from previous provincial CDM Frameworks, including the 2021-2024 CDM Framework, the Interim Framework, the Conservation First Framework (CFF), and earlier CDM Frameworks<sup>30</sup>
- Historical and forecast impacts of eDSM programs in the 2025-2036 eDSM Framework.<sup>31</sup>

For persisting CDM impacts from the CFF and earlier CDM Frameworks, distributors should make sure that results included in the load forecast are consistent with any results provided by the IESO at the distribution level. Where the IESO has not provided results at the distribution level, distributors should provide supporting evidence for estimated savings.

For Interim Framework and 2021-2024 CDM Framework activities, and for the 2025-2036 eDSM Framework, the IESO is not producing savings forecasts or tracking actual program results at the level of individual distributor service territories. If a distributor proposes to explicitly include the impact of these CDM/eDSM activities in its load forecast, the assumptions and supporting evidence for the historical and forecast savings at the distributor level should be provided.

The OEB is not specifying a mandatory methodology for calculating the impact of these CDM/eDSM activities at the distributor level. A distributor may take account of factors such as:

- IESO forecasts or results at the provincial or zonal level
- the distributor's share of provincial peak demand and annual electricity consumption
- the distributor's share of provincial CDM savings achieved under the CFF

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<sup>30</sup> Results through the end of 2024 from provincial CDM Frameworks (Conservation First Framework, Interim Framework, 2021-2024 CDM Framework) are reported in the IESO's report [Making a Difference: Energy Efficiency in Ontario 2021-2024 Conservation Demand Management and Legacy Framework Results](#).

<sup>31</sup> Energy savings and peak demand targets for the first three years of the 2025-2036 eDSM Framework are provided in the IESO's [2025-2027 Electricity Demand Side Management Plan \(with Beneficial Electrification\)](#). Aggregate results and forecast savings of all provincial CDM/eDSM Frameworks (including persistence of savings) are also reported in the demand forecast module of the IESO's [Annual Planning Outlook](#).

- the degree of fit between the offered IESO programs and the distributor's mix of customers
- additional information available to the distributor regarding program participation by the distributor's customers
- any other factors it believes to be relevant.

## 8. LOST REVENUE ADJUSTMENT MECHANISM

The Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) is a retrospective adjustment designed to account for differences between forecast revenue loss attributable to CDM activity embedded in rates, and actual revenue loss due to the measured impacts of CDM programs. The OEB previously established Account 1568 as the LRAMVA to capture the difference between the OEB-approved CDM forecast and actual results at the customer rate class level, from CDM programs offered under previous CDM Frameworks. All distributors have disposed of LRAMVA balances arising from previous CDM Frameworks.

Some distributors also had LRAM-eligible amounts approved on a prospective basis for future years. Distributors requesting rate riders in annual rate adjustment applications for previously approved LRAM-eligible amounts should follow the guidance in Chapter 3 of the Filing Requirements. The use of an LRAMVA is no longer the default approach for CDM/NWS activities.

Under the current NWS Guidelines, the use of an LRAMVA may be requested by distributors for distribution rate-funded NWS (excluding Stream 2 local eDSM) only, with need to be determined on a case-by-case basis. If such a request is granted, the distributor may propose to make use of the existing generic LRAMVA (Account 1568), or propose to establish a new account, with appropriate rationale and accounting details to support their proposed approach.<sup>32</sup> Distributors are not to use an LRAMVA for eDSM

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<sup>32</sup> When distributors have brought forward applications to dispose of any previous balance in the LRAMVA in accordance with the 2021 CDM Guidelines, the OEB has not discontinued the LRAMVA, but has set a requirement that distributors must request OEB approval before making new entries.

activities funded by the IESO through the 2025-2036 eDSM Framework or for Stream 2 local eDSM programs.

As indicated in chapter 7, distributors are expected to determine how to incorporate the historical and forecast impacts of CDM and NWS activities into their load forecast, for the purpose of making the load forecast as accurate as possible, thereby reducing the likelihood of significant revenue impacts due to deviations from forecast.

Additional details on the use of an LRAMVA for distribution-rate funded NWS activities are provided below.

### **LRAM for NWS funded through distribution rates:**

As indicated in chapter 7, distributors are expected to determine how to incorporate the historical and forecast impacts of these activities into their load forecast, if the activities are known at the time of rebasing. As these activities are being undertaken to address a specific system need, distributors will likely have a good understanding of the expected program savings, as these savings are being relied upon by distributors and the IESO to defer infrastructure. Therefore, it is expected that distributors will be able to estimate the impact of these activities relatively accurately in their load forecast, similar to how they are expected to forecast the impact of other system upgrades they undertake. For this reason, LRAM will not be the default approach for these activities.

However, distributors may request the use of an LRAMVA for distribution-rate funded NWS on a case-by-case basis.

For distribution-rate funded NWS, the request for use of an LRAMVA would be considered as part of the application for funding.

In all cases where a distributor is requesting to use an LRAMVA for a distribution rate-funded NWS, distributors should demonstrate the need for an LRAMVA (or similar mechanism), the proposed LRAMVA threshold, how they intend to support the tracking of lost revenues, and the nature of the documentation that they propose to provide at the time of LRAMVA disposition. The OEB generally expects that any LRAMVA would have a symmetrical approach to the treatment of lost revenues consistent with past practice.

## 9. CO-ORDINATION WITH NATURAL GAS DEMAND-SIDE MANAGEMENT PROGRAMS

The 2025-2036 eDSM Framework directives require the IESO to work with the OEB, where possible, to jointly guide the co-ordination and integration of eDSM programs with natural gas DSM programs approved by the OEB. For residential and income-qualified programs specifically, the directives also require the IESO to work with Enbridge Gas to create a single delivery window for eDSM and natural gas DSM programs.<sup>33</sup>

The directive's requirements for co-ordination with natural gas DSM do not apply to distributors. For Stream 2 local eDSM programs, it is expected that the IESO will determine how, if at all, the approach to marketing and delivery of the Stream 2 local eDSM program would be integrated with the single delivery window approach for residential and income-qualified programs. For Stream 2 local eDSM programs for other sectors, or other distributor-led NWS, electricity distributors are encouraged to co-ordinate with entities delivering natural gas DSM programs, to the degree reasonably practicable, for any NWS they have a role in delivering that may benefit from such co-ordination, with the goal of reducing costs and improving efficiency.

Opportunities for co-ordination of NWS/eDSM and natural gas DSM may also be identified by electricity or natural gas distributors as part of broader efforts in support of integrated energy planning. For example, the OEB is establishing an ongoing gas-electric co-ordination information sharing forum to set expectations for gas-electric information sharing. In addition, the OEB's IRP Framework also enables, but does not require, Enbridge Gas to work with the IESO or electricity distributors to facilitate electricity-based energy solutions to address a constraint in Enbridge Gas's system, as an alternative to projects undertaken by Enbridge Gas.

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<sup>33</sup> Residential eDSM and natural gas DSM programs are integrated through the Home Renovation Savings program, and programs for income-qualified consumers are integrated through the Energy Affordability Program/Home Winterproofing program.