Climate Action Partnership

CLIMATE ACTION COUNCIL

CAC Workshop: Integrated Energy Plan

In June 2025, Ontario released the province's Integrated Energy Plan (IEP), which is intended to outline the actions needed to prepare for the anticipated growth of Ontario's electricity system and bring together planning for electricity, natural gas, hydrogen, and other fuels into a single coordinated plan. Last year, a draft version of the IEP was published for public comment. The CAC provided feedback during this process, and upon reviewing the final version of the plan, we've identified areas of both alignment and misalignment between the CAC's recommendations and the actions outlined in the final IEP. This workshop provided an overview of these points of alignment and misalignment and included a discussion about next steps.

Next Steps Overview

Next Steps for Municipalities:

- Municipal climate staff can engage with LDC partners to…
  - Better understand possible synergies between DSM efforts and municipal climate plans.
  - Determine if there are planned developments that are equipped via distribution system readiness for increased electrification. If there are electrification readiness differences for different future developments, prioritize electrification discussions to the developments that are better prepared for increased electrification.
  - Discuss with how to best engage with developers earlier than traditionally occurs regarding increased electrification in new developments and how they can better prepare for that through their 5-year investment plans.
  - Determine where they are at regarding their capacity mapping effort.
  - Engage in conversations around how municipalities and LDCs can work together to use these maps to inform new development electrification and DER installations.
- Seek commitments from Enbridge to report back on DSM uptake within the community, how the municipality and Enbridge can work together to drive uptake, and if there is the possibility of designing DSM programs alongside municipalities.
- Identify potential staff in LDCs to engage with in an informal manner, allowing for open and frank conversations. Learnings from those conversations can be brought back to the CAC network.
- Explore the possibility of having Councils direct their LDCs to determine the needs related to distribution system readiness for enabling implementation of net zero actions identified in climate plans. Council can further direct LDC's to discuss with municipal climate staff on how the necessary investments may factor into their 5-year investments plans. Especially for municipalities that are full or part owners of the LDC.

Next Steps for CAP:

- CAP will reach out to Ministry of Energy to see if we can advance a CAC/MOE discussion regarding VNM and the rationale for not making that available to Ontarians.
- CAP to explore how the conversations between the CAC and MOE staff can be improved.

Discussion Overview

Are LDCs adopting a Distributed System Operator (DSO) role under the new integrated planning approach?

- Changes to the DSM rules are anticipated to lead to DSM funding for LDC's programs. Previously, funding and program delivery was centralized with the IESO.
    - This shift in funding distribution presents the opportunity that LDCs may be able to use some of that funding to deliver local efficiency, electrification and distributed energy resources (DER) programs.
- This *may* look like LDCs delivering DSM programs directly within their community, whereas previously the IESO delivered these programs (i.e. Save on Energy) and LDCs were not involved.
- As rules surrounding what regulated entities can do loosens, there is the opportunity for LDCs to be more active on working with the municipalities in their catchment to help advance actions within climate plans.
- **Next Step**: Municipal climate staff can engage with LDC partners to better understand where the possible synergies are between DSM efforts and the climate plan.

Timing of energy planning in new developments:

- Developers face increased infrastructure costs for advancing additional electrification due to the unequal playing field that exists between how fossil fuel and electricity system costs are paid for. Fossil fuel infrastructure costs are subsidized by the rate base, while electricity infrastructure costs are allocated to the developer and ultimately property purchaser.
- In addition, peak electricity needs of a development are reserved for that development and have an associated capacity charge attached to the peak needs. There is not an equivalent fossil fuel capacity cost. Therefore, increases in electricity costs will add additional costs to the development that will need to be accounted for in business case analysis.
- **Next Step:** It would be of value for municipalities to engage with their LDC partner to determine if there are planned developments equipped via distribution system readiness for increased electrification. If there are electrification readiness differences for different future developments, prioritize the developments that are better prepared for increased electrification during discussions.
- **Next Step:** It would also be of value to discuss with LDC partners how to best engage with developers earlier in the process regarding increased electrification in new developments and how they can better prepare for that through their 5-year investment plans.

Why are LDCs hesitant to commit to DERs/non-wire solutions? How can LDCs help advance DERs in new communities?

- Addressing electricity needs via wire and infrastructure are how LDCs receive their rate of return. It is the way they have "solved" their electricity needs for many decades. They have traditionally not engaged in the generation part of the electricity story (that is IESO).

- Unregulated arms of LDCs can participate in generation and other business activities but they are often very reluctant to take any risks. The unregulated market requires a more entrepreneurial approach which LDCs are very reluctant to move towards due to their perception of increased risks in comparison to the regulated market (which provides them with a guaranteed of a rate of return).

Why the resistance to opening the virtual net metering (VNM) model to a larger group of customers? What is blocking VNM? Why limit incentives to behind the meter and exclude VNM?

- Program administrators have stated that there should not be "double incentives" and consider the ability to "bank" renewable energy provided to the grid as a "credit" as an incentive. They also shared that they are receiving enough uptake on behind the meter installations to likely reach their solar incentive targets.
- VNM opportunities for larger ICI electricity consumer customers have changed, whereby they can participate in power purchase agreements (PPA) (VNM business model) and receive a reduction in their Global Adjustment charges based on the electricity purchased under the eligible PPA. However, that VNM/PPA business model is not available to smaller ICI customers and residential customers. There is a lack of clarity regarding why the province is hesitant to provide Ontario electricity customers with the opportunity to participate in such business models.
- **Next Step:** CAP will reach out to Ministry of Energy to see if we can advance a CAC/MOE discussion regarding VNM and the rationale for not making that available to Ontarians.

Do municipalities know where the grid can accept solar installations? Do municipalities know which parts of the community are eligible for connecting solar to the grid? And which are not?

- It seems that in most cases this is done on a case-by-case basis as requests come into LDCs. Often, it comes to light if it is possible or not during that review.
- It also seems that there are no publicly available maps communicating where connections are not possible. However, there is an OEB direction for LDCs to provide publicly available electricity system distribution capacity information. There are 2 phases for this direction. Phase 1 requires distributors to post capacity information maps on their websites that rely on their current technical capabilities (deadline for phase 1 was March 2025). Phase 2 will have a larger focus on DER connection maps.
- For example London Hydro's capacity map is available HERE.
- **Next Step:** Municipal climate staff should reach out to their LDC partners to find out where they are at regarding their capacity mapping effort, and to engage in conversations around how municipalities and LDCs can work together to use these maps to inform new development electrification and DER installations.

What can be included in an LDC's 5-year investment plan to enable electrification/DER?

- How can the increased electrification in new developments be brought into an LDC's 5 year investment plan? What are the rules related to what the LDC can and cannot include in the

investment plan? What is their ability to bring in electrification investments related to climate action plans to increase the readiness of the distribution system for electrification?
- It would be beneficial for municipal staff to better understand eligible investments/constraints for enabling LDCs to participate more in DERs and electrification.
- A few municipalities (Including City of Burlington and City of Toronto) have been working with their LDC to better understand distribution system readiness for climate action plan implementation.
- Municipalities can participate in or inform rate cases when they are filed at the OEB, but it is challenging for them to do so due to the format of these consultations often requiring intervenors. While nonprofits can apply to the OEB for funding support to pay for intervenors, municipalities are not eligible for funding support. What is the role/possibility of working across municipalities regarding engaging ion OEB hearings? What is the potential value of engagement in OEB hearings?

Why is it challenging for municipal staff to have these conversations with LDC staff?
- LDCs have historically not had to discuss planning details with municipalities. The climate imperative is what brought municipalities into the energy planning world. In addition, while municipalities may be part or owners in their LDCs, the LDCs often take their direction from the MOE through the OEB. LDCs have not traditionally taken direction from municipalities.
- **Next Step:** Municipal climate/energy staff should identify potential staff in LDCs to engage with in an informal manner, allowing for open and frank conversations. Learnings from those conversations can be brought back to the CAC network.

What municipal governance levers help? How did Toronto and Burlington improve LDC considerations of their Climate Action Plans?
- In both Toronto and Burlington, City Council directed LDC senior leadership to determine what needs to be in place within the distribution system to enable implementation of net zero actions identified in climate plans. Council further directed them to discuss with the municipal climate staff on how the necessary investments may be factored into their 5-year investments plans.
- City of Toronto invested its dividends from Toronto Hydro to setting up a Climate team in Toronto Hydro. This has significantly increased collaboration between City and LDC climate staff. The reallocation of dividends was highlighted as an investment to increase the revenue associated with future dividends (The increased use of electricity will result in future increased dividends to the municipality).
- **Next Step:** Explore the possibility of having other Councils direct their LDC is a similar effort. Especially for municipalities that are full or part owners of the LDC.

Financing Renewable Projects:
- Banks are still investing in fossil fuel projects far in excess of their investments in low carbon projects.
- There is an increasing recognition that investors are still investing in fossil fuels in comparison to renewables.

How can Enbridge DSM be more transparent? What can Councils ask Enbridge about DSM spending?

- As Enbridge approaches municipalities asking for support for expansion programs, or during other engagements, there may be value in asking them questions related to their DSM efforts within your community. The more specific the question the better. For example, “How much of the $X per year DSM spend reached our municipality? What were the results?
- **Next Step:** Seek commitments from Enbridge to report back on DSM uptake within community, how the municipality and Enbridge can work to drive uptake, and if there is the possibility of designing DSM programs alongside municipalities.

Why aren’t we capturing building-level efficiency in new development? If efficiency is “the biggest resource,” why isn’t it happening in new builds?

- The ROI related to building envelope improvements is often longer than the 20-30 years that energy systems are costed out at. There is an ROI over a building’s lifetime (often many times over, but it can be at the 30-50 year mark, i.e. it is a longer-term investment).
- Building efficiency provides the best ROI when system costs are taken into consideration (e.g., increased investments at the distribution, transmission and generation level). Why isn’t the province taking those system costs into consideration in their policy development?
- Ontario Building Code efficiency updates have been static for about a decade. Currently, the only avenue for moving the needle is municipal GDS.
- **Next Step:** CAP to explore how the conversations between the CAC and MOE staff can be improved.

Additional Resources

- Ontario’s Integrated Energy Plan
- Ontario’s Integrated Energy Plan: Alignment and Misalignment with Municipal Climate Priorities Presentation Slide Deck
- Information on Toronto and Burlington’s collaboration with their LDC’s can be found in this webinar Utility and Municipal Engagements on Distribution System for Decarbonization Webinar

Contact Information

Please reach out to us at any time with questions, input, or for additional information.

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