2025-2027 Electricity Demand Side Management Program Plan (with Beneficial Electrification)

The Program Plan is a summary of the electricity demand side management (eDSM) programs to be delivered by the IESO, under the Save on Energy brand, from January 2025 to December 2027. The plan sets out planned budgets and demand and energy savings targets for each program, and estimated cost-effectiveness for the portfolio of eDSM programs.

The IESO reports publicly on program participation, expenditures against budget, progress towards demand and energy savings targets, and greenhouse gas emission reductions, on an annual basis.

2025-2027 Program Plan Overview

Electricity demand in Ontario is expected to grow more rapidly in the coming decades than in the past because of both economic development and electrification of many sectors of the economy. The most recent IESO demand forecast, published in late 2024, indicates load growth in Ontario of 75% by 2050. eDSM offers one of the lowest cost resources to address system needs, reducing the need for investment in new supply resources and supporting reliability into the future.

eDSM programming, including traditional energy-efficiency incentive programs as well as programs to support installation of distributed energy resources (DERs), is often faster to deploy and less subject to siting restrictions than supply side resources. eDSM programming provides net system benefit through cost-effective energy and peak demand savings. Participation in eDSM programs helps business and residential consumers manage their energy costs and helps businesses to remain competitive.

The new framework for eDSM in Ontario beginning in January 2025 is intended to be enduring in nature, with a 12-year term, extendable subject to necessary approvals, that demonstrates the province's long-term commitment to DSM. The framework will be managed through a series of three-year program plans that enable flexibility and adaptability. This is the first plan issued under this new framework.

The Program Plan was informed by the results of the 2021–2024 Conservation and Demand Management framework, stakeholder feedback from the 2022 Mid-Term Review, the 2022 Achievable Potential refresh, and the 2022 DER Potential Study.

The suite of programs offered under the 2021–2024 Conservation and Demand Management Framework is planned to continue for the next three years. To address provincial policy direction, the 2025–2027 DSM program portfolio will be expanded to include new residential programming, developed in collaboration with Enbridge Gas Inc. and delivered through a one-window approach to facilitate participation by residential consumers. New funding will also be available for local distribution companies (LDCs) to support customer engagement for province-wide DSM programs, and for LDCs to develop and implement local programs addressing distribution system needs that also provide upstream benefits to the IESO-controlled electricity system.

To support consumers whose homes are heated by non-regulated fuels (such as heating oil or propane) to participate in energy-efficiency programming, additional budget is being added to the residential and income-qualified programs for beneficial electrification measures. This funding will enable those consumers that want to upgrade their homes to participate in the programs and receive the same incentives that are available to consumers whose homes are heated with electricity today.

Additional new programming is planned in 2026 to enable demand response (DR) from commercial HVAC systems, and in 2027 to incent energy efficiency in both residential and commercial new construction.

Details about the various incentives offered through each program and instructions for how to apply are available at SaveOnEnergy.ca.

Budget and Targets

The 2025–2027 Program Plan has a budget of $1.8 billion for the portfolio of programs and is forecasted to achieve 900 MW of peak demand savings and 4.6 TWh of electricity savings by 2027. The savings from energy-efficiency measures are expected to persist for 10 to 20 years from the implementation of the measure; the plan also includes funding for DR programs that do not persist over time but provide short-term capacity benefit. The program plan is subject to changes and revisions over time.

Reporting

The IESO publishes an annual report detailing results of its delivery of programs to inform the sector on the progress to meeting its targets, including costs related to its activities in delivery of programs and for central services (activities in support of the programs such as marketing, capability building and training). The IESO also publishes verified program results from its evaluation, measurement and verification of programs on an annual basis, including cost-effectiveness of programs. The most recent annual report and verified results reports are available at ieso.ca.

Cost-Effectiveness

All business and residential programs in the 2025–2027 Program Plan are expected to achieve positive cost-benefit benchmarks. Program cost-effectiveness under the plan is assessed using forecasted program participation, program delivery costs, and supply-side avoided costs, which estimate the cost of supplying that same amount of energy and capacity from the current and

projected electricity generation mix.

The definition of peak demand has been updated for this framework to more closely reflect current grid conditions, and the new definition is reflected in the IESO's cost-effectiveness calculations. The details of the peak demand period and the methodology for calculating cost-effectiveness can be found in the IESO Cost-Effectiveness Guide available on the IESO website. Cost-effectiveness in this plan is based on avoided supply costs developed based on the IESO's 2024 Annual Planning Outlook and the latest version of the IESO Cost-Effectiveness tool is also available on the website.

2025-2027 Program Plan Summary Tables

The following tables outline the associated budget, electricity and demand savings, and expected cost-effectiveness of the programs to be delivered in 2025-2027.

Table 1: Annual Budgets ($M)

Program	2025	2026	2027	Total
Retrofit	113	142	170	425
Small Business	9	10	11	30
Industrial Energy Efficiency	30	36	44	109
Energy Management	13	14	17	44
New construction (NEW)	-	-	30	30
Local Initiatives	112	122	133	366
Home Renovation Savings (NEW)	56	62	62	180
Commercial HVAC Demand Response (NEW)	-	8	18	26
Peak Perks	18	18	18	54
Energy Affordability	77	83	91	251
Residential and Income-Qualified Beneficial Electrification	20	30	46	96
First Nations	7	9	11	27
IESO Central Services	24	25	24	72
LDC Funding	20	20	50	90
Total	**497**	**578**	**725**	**1,800**

Table 2: Annual Energy Savings Targets (GWh)

Program	2025	2026	2027	Total
Retrofit	446	519	476	1,441
Small Business	14	15	16	45
Industrial Energy Efficiency	133	160	195	487
Energy Management	52	59	64	175
New Construction (NEW)	-	-	106	106
Local Initiatives	641	693	750	2,084
Home Renovation Savings (NEW)	61	66	66	194
Commercial HVAC DR (NEW)	-	-	-	-
Peak Perks	-	-	-	-
Energy Affordability	27	30	44	101
First Nations	1	1	1	3
Total	**1,375**	**1,542**	**1,719**	**4,636**

Table 3: Annual Peak Demand Savings Targets (MW)

Program	2025	2026	2027	Total
Retrofit	51	61	59	171
Small Business	3	3	3	9
Industrial Energy Efficiency	15	18	22	56
Energy Management	8	9	9	26
New construction (NEW)	-	-	21	21
Local Initiatives	31	31	32	94
Home Renovation Savings (NEW)	17	18	18	53
Commercial HVAC DR (NEW)	-	100	230	230
Peak Perks	208	223	230	230
Energy Affordability	3	3	5	11
First Nations	0	0	0	0
Total	**335**	**467**	**629**	**900**

Notes:

- Values may not add up precisely due to rounding.
- Budgets are funds spent or committed in the calendar year; energy and peak demand savings in a calendar year are those resulting from the budget commitment, which may end up being attributed to future years if the project takes an extended time to complete.
- For DR programs, including Peak Perks, the peak demand value is the estimated peak demand impact for the year of operation and does not persist over time. The total peak demand savings of 900 MW includes only the DR peak impact in 2027, to avoid double counting of savings.
- LDC funding includes $20M per year for customer engagement in support of province-wide programs and a budget of $30M in 2027 for new LDC-led local programs.

Table 4: Expected Cost-Effectiveness

Program	Program Administrator Cost Test Ratio	Levelized Cost of Capacity ($'000/MW)	Levelized Cost of Energy ($/MWh)
Retrofit	4.1	231	28
Small Business	2.0	367	74
Industrial Energy Efficiency	5.2	189	22
Energy Management	2.7	349	49
New construction (NEW)	3.0	313	34
Local Initiatives	4.0	500	18
Home Renovation Savings (NEW)	1.8	408	107
Commercial HVAC DR (NEW)	2.2	80	-
Peak Perks	2.1	80	-
Total Portfolio	**3.6**	**263**	**29**
Total Including IESO and LDC Services	**3.3**	**287**	**31**

Technical Notes:

- Peak demand savings are calculated in accordance with the IESO's Evaluation, Measurement and Verification Protocols and Requirements. The definition of peak has been updated to more closely reflect current system conditions.
- Cost-effectiveness is calculated in accordance with the IESO's Cost-Effectiveness Guide. Avoided supply costs are based on the IESO's 2024 Annual Planning Outlook and have been updated to reflect changes in the province's planning outlook.
- Support programs including the Energy Affordability Program and First Nations programs as well as beneficial electrification programming are not included as they are not required to meet cost-effectiveness thresholds. IESO central services costs for support programs are also excluded from portfolio-level cost-effectiveness calculations.
- Portfolio cost-effectiveness includes funding for LDC engagement in support of province-wide programs; it does not at this time include cost-effectiveness for future LDC-led local programs.

Appendix: Program Descriptions

Retrofit Program: Support for businesses and institutional customers to upgrade equipment to reduce facility electricity consumption. The program includes a prescriptive track with standard incentive amounts for specific types of equipment, a midstream track for lighting whereby participating distributors offer a point-of-sale discount on product purchases, and a custom track that offers a standard incentive rate based on projected electricity savings for more complex projects. Expanding to include incentives for installation of rooftop solar panels.

Small Business Program: Small businesses with 50 employees or fewer receive no-cost installation of lighting and equipment improvements to reduce their energy consumption.

Industrial Energy Efficiency Program: Industrial customers can receive incentives for large, complex energy-efficiency projects improving their industrial processes and implementing system optimization projects.

Energy Management Portfolio: A set of programs targeting business customers, supporting the development of energy management best practices within facilities (Strategic Energy Management Program), including incentives for employing and training energy management staff (Energy Manager Program), existing building commissioning, and a pay-for-performance model (Energy Performance Program).

New Construction: Programs to be developed and launched in 2027 to promote energy efficiency in the commercial and residential new construction sectors.

Local Initiatives Program: Continued support for enhanced programming in areas identified as facing transmission constraints through the regional planning process.

Home Renovation Savings Program: New residential programming focused on rebates for home renovations and energy efficiency upgrades, delivered in collaboration with gas DSM programs through a "one-window" approach.

Commercial HVAC Demand Response: New program to be launched in 2026 focused on enabling DR from commercial HVAC systems.

Peak Perks: Residential DR program that rewards residential electricity consumers who have qualified smart thermostats for participating in three-hour thermostat adjustments during peak periods; expanding to include small business customers.

Energy Affordability Program: No-cost support to income-eligible residential electricity consumers by helping them lower their monthly electricity costs and increase their home comfort. Includes installation at no cost of heat pumps in electrically heated homes.

First Nations: Programming to help on-reserve First Nations communities improve the energy efficiency of band-owned commercial and institutional buildings (First Nations Community Building Retrofit Program) and their homes (Remote First Nations Energy Efficiency Program).

Beneficial Electrification: Programming to support customers who heat their homes with non-regulated fuels such as heating oil or propane to participate in programs providing incentives to customers whose homes are heated with electricity under the **Home Renovation Savings** program and the **Energy Affordability Program**.