# Stakeholder Feedback and IESO Response

## Commercial HVAC DR Program – October 16, 2025

Following the October 16, 2025, Commercial HVAC DR Program engagement webinar, the IESO invited stakeholders to provide comments and feedback on the materials presented by Nov 5, 2025.

The presentation materials and stakeholder feedback submissions have been posted on the Electricity Demand Side Management (eDSM) Framework engagement webpage for this engagement. Please reference the material for specific feedback as the below information provides excerpts and/or a summary only.

### Program Measure Eligibility

| Stakeholder Feedback | IESO Response |
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| 1- Stakeholders acknowledged the program's clear focus on HVAC measures as the primary source of demand response and appreciated the flexibility provided by allowing up to 25% contribution from non-HVAC measures. Stakeholders indicated that clarity on exclusions is critical, and one stakeholder specifically questioned whether building generators could be used during event activations, and that such allowance might offer additional flexibility beyond HVAC curtailment. | 1- The Commercial HVAC Demand Response Program is designed to prioritize curtailment of HVAC loads and other eligible measures that reduce electricity consumption from the grid. Fossil fuel-based generators are not considered eligible measures and cannot contribute to demand response curtailment under this program. Participants may leverage other allowable non-HVAC measures, for up to 25% of their total contribution, provided that at least 75% originates from HVAC-related measures. We appreciate your suggestion and will continue to review opportunities for flexibility within the program framework while maintaining compliance with these requirements. |

### Program Incentive Structure

| Stakeholder Feedback | IESO Response |
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| 2- Stakeholders acknowledged the inclusion of a $20/kW enabling incentive for first-time contributors and appreciated its intent to offset upfront metering and control costs. Stakeholders noted that programs in other jurisdictions typically offer significantly higher incentives and believe Ontario's proposed levels may not be competitive enough to attract early adopters. They also expressed concern that linking seasonal capacity payments to the IESO Capacity Auction clearing price may result in insufficient compensation for smaller contributors, who face proportionally higher per-kW costs.<br><br>Stakeholders suggested revisiting the incentive structure to ensure it provides a strong financial signal, particularly for small-scale participants, and appreciated the inclusion of an enabling incentive as critical for onboarding and infrastructure setup.<br><br>Additionally, stakeholders noted that administrative complexity and ambitious timelines could pose barriers to participation and urged consideration of adjustments to payment levels and program design to support broader engagement and timely achievement of capacity targets. | 2- The IESO appreciates stakeholders' recognition of the enabling incentive as an important mechanism to offset upfront costs for metering, controls, and onboarding. The proposed $20/kW enabling incentive is intended to make participation more attractive while maintaining overall program cost-effectiveness.<br><br>Regarding the seasonal capacity payment, the program links this payment to the IESO Capacity Auction clearing price to ensure consistency with Capacity Auction framework and alignment with system value. We acknowledge stakeholder concerns about the financial viability for smaller contributors and the comparison to other jurisdictions. While incentive levels differ in other jurisdictions, the Commercial HVAC Demand Response Program is designed to compliment the IESO's Capacity Auction by providing an opportunity to participate for weather-sensitive HVAC loads that are not well positioned to participate in the auction while limiting competition by aligning its incentive to the auction's clearing price. . The combined structure of a seasonal performance-based payment and a one-time enabling incentive is intended to provide both upfront support and ongoing performance rewards.<br><br>We appreciate the suggestions to review payment levels and will continue to monitor program uptake and market signals. Stakeholder input will inform future adjustments to ensure the program remains attractive and effective in meeting its objectives. |

## Program Baseline Methodology

| Stakeholder Feedback | IESO Response |
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| 3- Stakeholders acknowledged the importance of using a weather-adjusted baseline to ensure fair and accurate measurement of | 3- The IESO appreciates stakeholders' support for this approach and acknowledges the importance of transparency and accuracy in the baseline |

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| curtailment performance and appreciated the program's commitment to incorporating temperature normalization.<br><br>They indicated that transparency in the baseline model is critical, requesting that IESO publish the methodology and parameters so participants can simulate expected performance and validate calculations. They also emphasized that adjustments should reflect actual weather variability without caps, particularly during transitional months like June when temperature swings are common.<br><br>Overall, stakeholders appreciated the intent behind the proposed approach but believe clarity, openness, and flexibility in baseline design are essential to maintain trust and encourage participation. | calculation process. The program aims to adopt a calculated baseline with weather adjustment methodology to ensure fair measurement of curtailment performance.<br><br>To address stakeholder requests, the IESO intends to publish detailed information on the baseline model, including temperature adjustment parameters and regression methods, prior to program launch. This will allow participants to simulate expected performance and validate calculations.<br><br>We appreciate your feedback and will continue to engage with stakeholders to refine the methodology and ensure clarity and consistency in its application. |

## Program Registration and Measurement & Verification

| **Stakeholder Feedback** | **IESO Response** |
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| 4- Stakeholders acknowledged the need to balance program integrity with minimizing administrative burden and appreciated the intent to streamline registration requirements. They indicated that basic customer information, an HVAC equipment inventory, and a maximum curtailable load estimate should suffice at registration, rather than requiring detailed engineering drawings or service entrance verification. Stakeholders noted that this approach would confirm load potential without excessive complexity.<br><br>Regarding measurement and verification, stakeholders appreciated the program's emphasis on accuracy but believe that requiring IoT-enabled devices for participation would simplify monitoring and improve data quality. They suggested that | 4- The IESO appreciates stakeholders' emphasis on reducing administrative burden while maintaining program integrity. Registration will focus on essential information, including site details, HVAC equipment inventory, and estimated curtailable load. This approach is intended to confirm load potential without requiring detailed engineering drawings or service entrance verification, aligning with stakeholder recommendations.<br><br>The IESO acknowledges the benefits of IoT-enabled devices for real-time monitoring and control and will continue to evaluate their role in simplifying data collection and verification in particular during the event activation season. For settlement purposes (i.e. end of season) LDC revenue metering data will be required, whilst for events performance sub-metering/IoT |

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| event verification rely on aggregated IoT data, weather-adjusted baselines, and periodic spot checks instead of full metering audits. | devices/CTs will be acceptable. We are exploring options for streamlined verification processes with the aim to reduce complexity. |

## Minimum Aggregation Requirement

| Stakeholder Feedback | IESO Response |
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| 5- Stakeholders acknowledged the importance of setting a minimum curtailment threshold to ensure program efficiency and appreciated the clarity provided in the proposed requirement.<br><br>They indicated that a 500 kW minimum aggregation threshold is reasonable and operationally meaningful for demand response performance. | 5- The IESO appreciates stakeholders' acknowledgment that this level is reasonable and aligns with the program's objectives. While the program encourages participants to meet or exceed this threshold, we have also incorporated flexibility for initial enrollment in Program Year 2026, allowing participants to enter with smaller portfolios provided they demonstrate a plan to scale to 500 kW by the following season. This approach balances inclusivity with the need to maintain program integrity and achieve measurable system benefits. |

## LDCs' Role in Demand Response

| Stakeholder Feedback | IESO Response |
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| 6- Stakeholders acknowledged the program's efforts to incorporate previous feedback and appreciated the clarity provided in the recommended design regarding the role of Local Distribution Companies (LDCs). They indicated that recognizing LDCs as key partners for coordination and delivery of the HVAC Demand Response program is essential and noted the importance of LDC visibility in program operations. Stakeholders believe that enabling mechanisms such as dispatch sharing and local incentive adders will help reflect the value of distributed energy resources at the distribution level. They appreciated the opportunity for collaboration and expressed interest in working with the IESO to develop a mutually beneficial | 6- The IESO appreciates LDCs acknowledgment of the program's efforts to clarify their role and recognize their importance as key partners in program coordination and delivery. The program aims to provide LDCs with visibility into enrolled contributors and event notifications to support system planning and operational awareness.<br><br>The IESO appreciates the interest in exploring mechanisms such as dispatch sharing and local incentive adders to reflect the value of distributed energy resources at both the local and bulk system levels. The IESO is committed to working with LDCs to develop a mutually beneficial framework that enables coordination while respecting regulatory requirements. |

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| platform and dispatch protocol for the 2026 season, ensuring that both local and bulk system benefits are recognized for participating resources. | |

## Cross-Zonal Aggregations and the Need for Granular Data

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| 7- Stakeholders acknowledged the IESO's efforts to address concerns about cross-zonal aggregations and appreciated the commitment to provide visibility of aggregated HVAC DR capacity to Local Distribution Companies (LDCs). They indicated the value to explore solutions that balance regional representation with administrative simplicity. Stakeholders noted that visibility at an aggregated level is helpful but believe that access to granular, asset-level performance data is critical for LDCs to manage distribution system impacts effectively. They emphasized that knowing contributor-level DR capacity and activation locations would enable LDCs to leverage DR resources for local system planning and apply local incentive adders where appropriate. | 7- The IESO appreciates stakeholders' acknowledgment of the program's commitment to provide visibility of aggregated HVAC DR capacity to Local Distribution Companies (LDCs) and recognizes the importance of balancing regional representation with administrative simplicity.<br><br>The program aims to share curtailment information with LDCs to support system planning and operational awareness. |

## Additional Recommendations

| Stakeholder Feedback | IESO Response |
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| 8- Stakeholders acknowledged the program's progress and appreciated IESO's responsiveness to prior feedback. They indicated that introducing a Transmission adder payment, similar to the Grid Innovation Fund pilot, would enable fair compensation for customers participating in both local LDC programs and the IESO HVAC DR program. Stakeholders believe this approach would support program stacking, prevent undermining local DR | 8- The IESO appreciates stakeholders' recognition of the need to support coordination between local LDC programs and the IESO's Commercial HVAC Demand Response Program. The recommendation to include a Transmission adder payment, similar to the approach used in the Grid Innovation Fund pilot, is noted. The IESO will review this recommendation and assess its feasibility within the program's design and regulatory framework. |

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| participation, and recognize local customer value at the bulk system level. Additionally, stakeholders suggested that IESO include a formal review of the HVAC DR program aligned with the current eDSM Plan to ensure consistency with evolving policy developments at both the IESO and the Ontario Energy Board (OEB). | With respect to aligning with evolving policy development, the program is part of our eDSM approved plan, will be evaluated as part of our DSM management protocols, has been designed with input throughout the IESO for alignment as well as in consideration of the Transmission, Distribution Working Group "TDWG" and DER policy development work underway by the OEB. |