

The Local Demand Response (LDR) Program provides eligible customers with the opportunity to help support grid reliability and earn incentives by reducing electricity use during periods of high demand. This document outlines all relevant program information, including how it works, eligibility requirements, program rules and key processes.

If you have any questions or need assistance, please email us at local_dr@torontohydro.com.

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1. Background

The LDR Program is designed to help address short- to medium-term capacity constraints at targeted transformer stations by identifying opportunities where demand response (DR), including behind-the-meter and customer-owned Distributed Energy Resources (DERs), can be leveraged to support the broader distribution system by deferring the need for infrastructure upgrades.

The program is Toronto Hydro's flagship Non-Wires Solutions (NWS)¹ initiative, which has been running successfully since 2018, and represents a big step forward in evolving conventional utility station planning to include the consideration of NWS alongside traditional poles and wires investments.

Toronto Hydro is targeting six transformer stations (TS) for the next three years, aiming to procure up to 30 megawatts (MW) of capacity. The target stations are Finch TS, Leslie TS, Manby TS, Horner TS, Strachan TS and Dufferin TS (refer to **Section 4: Target areas and capacity** for maps).

The LDR Program will run until 2029. However, the program rules highlighted throughout this document pertain to the 2026 program year. The program rules are subject to change annually as required.

2. How does the LDR Program work?

The LDR Program relies on contractual capacity commitments made by third parties to Toronto Hydro, meaning Toronto Hydro will not be directly controlling or dispatching the DR capacity.

Potential participants can apply through our *Local Demand Response Program Participation Application* form and subsequently submit a capacity offer through our *Capacity Offer* form, indicating the magnitude of capacity to be offered (MW) and the offer price (\$/MW-day). These forms are available on our website at torontohydro.com/localdemandresponse. For a timeline of the registration and offer process, please refer to **Section 3: Timelines**.

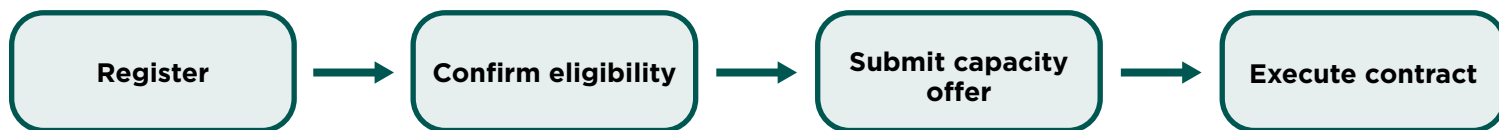
Successful applicants will enter into a contractual agreement with Toronto Hydro, indicating the committed capacity and its attributes, the maximum number of DR events, measurement and verification (M&V) expectations, and all other program requirements.

During the obligation period, successful applicants will be considered “on-call” during the availability window for Toronto Hydro to use as necessary to manage peak demand at the identified stations. For more information about activations, including the expected number of activations, please refer to **Section 9: Capacity payments, activation payments and reference price**.

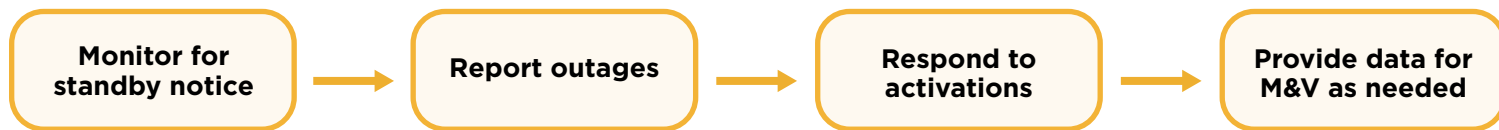
Figures 1 and 2 outline the responsibilities of both the participant and Toronto Hydro during the procurement and deployment stages of the program.

Figure 1. Participant responsibilities

Procurement stage

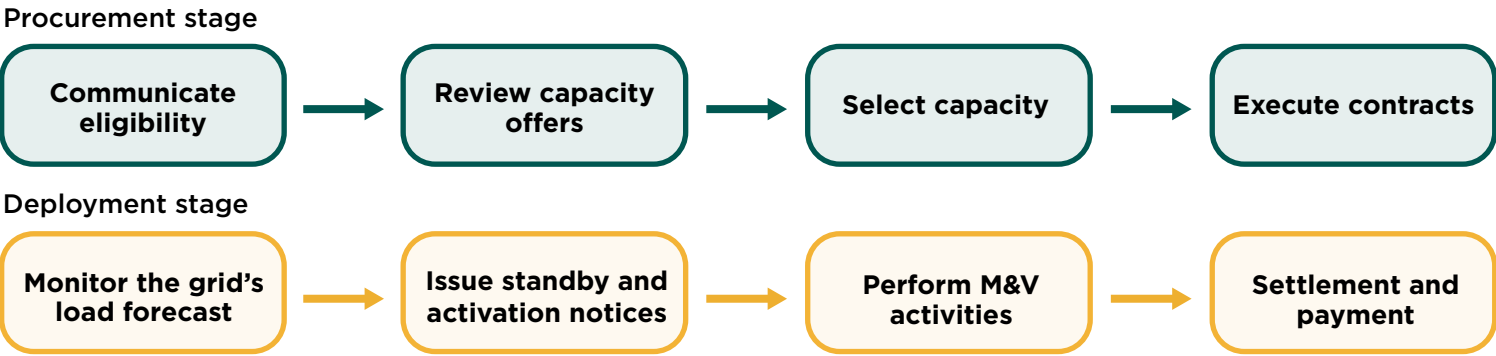


Deployment stage



¹ NWS refer to operating practices, activities or technologies that can enable the utility to defer the need for specific distribution projects at a lower total resource cost. This is done by reliably reducing distribution system constraints at times of maximum demand in specific grid areas. Typically, these NWS leverage the use of DERs, often in partnership with utility customers or with other enabling third parties.

Figure 2. Toronto Hydro responsibilities



3. Timelines

The registration and offer process timelines are summarized in Table 1 for the 2026 program year.

Table 1. Registration and offer process dates

Activity	Date
Registration opens	August 1, 2025
Registration closes	October 3, 2025
Capacity offer submission window opens	October 7, 2025
Capacity offer submission window closes	October 10, 2025
Participant notification date	October 15, 2025
Contracting period	November 1, 2025 to April 1, 2026

4. Target areas and capacity

For 2026 to 2029, Toronto Hydro is aiming to procure up to 30 MW of capacity within the service areas of Finch TS, Leslie TS, Manby TS, Horner TS, Strachan TS and Dufferin TS. These service areas are depicted in Figures 3.1 to 3.6.

Figure 3.1 Finch TS target service area

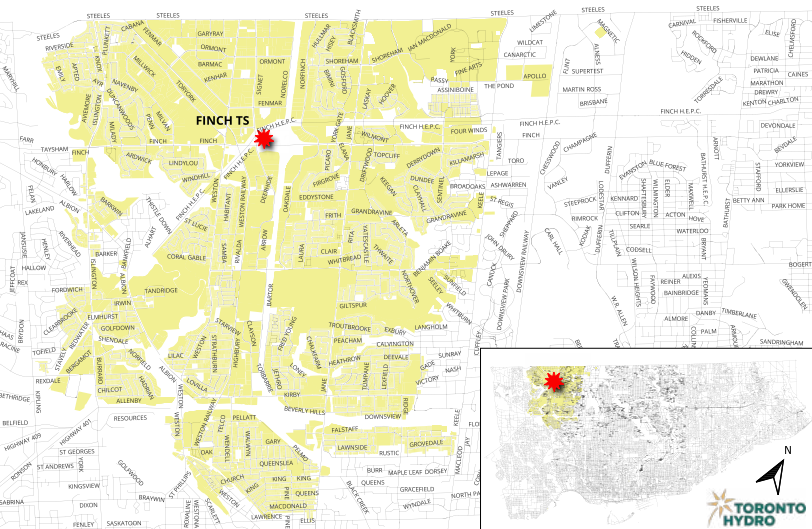


Figure 3.2 Leslie TS target service area

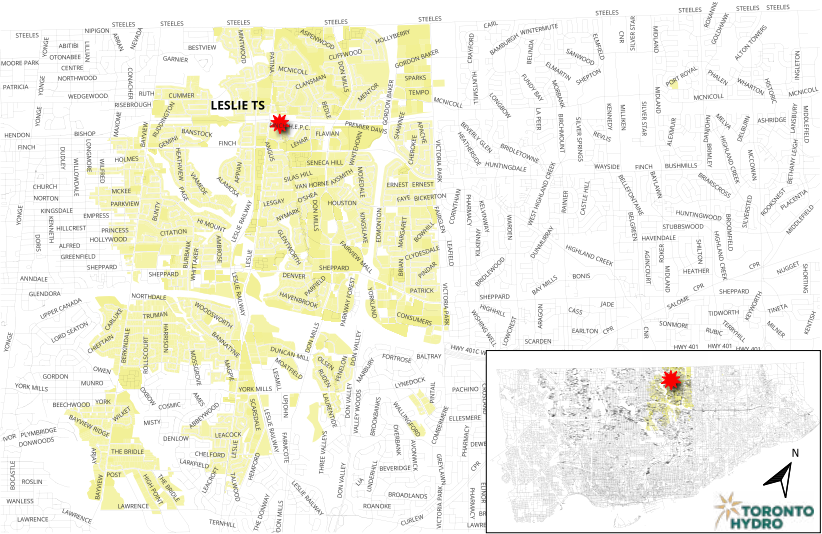


Figure 3.3 Manby TS target service area

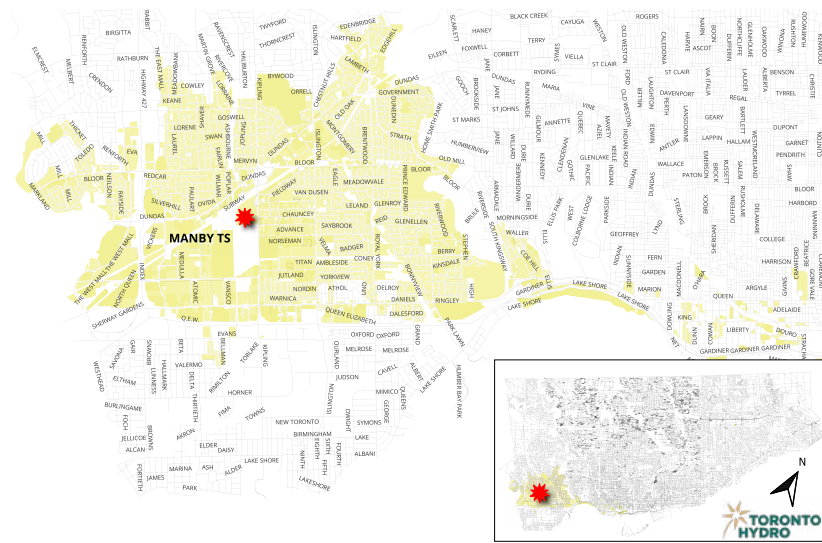


Figure 3.4 Horner TS target service area

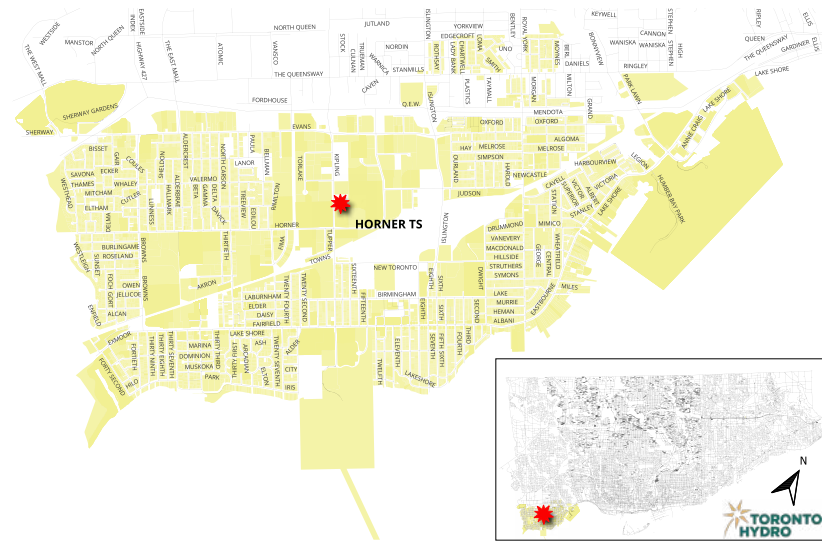


Figure 3.5 Strachan TS target service area

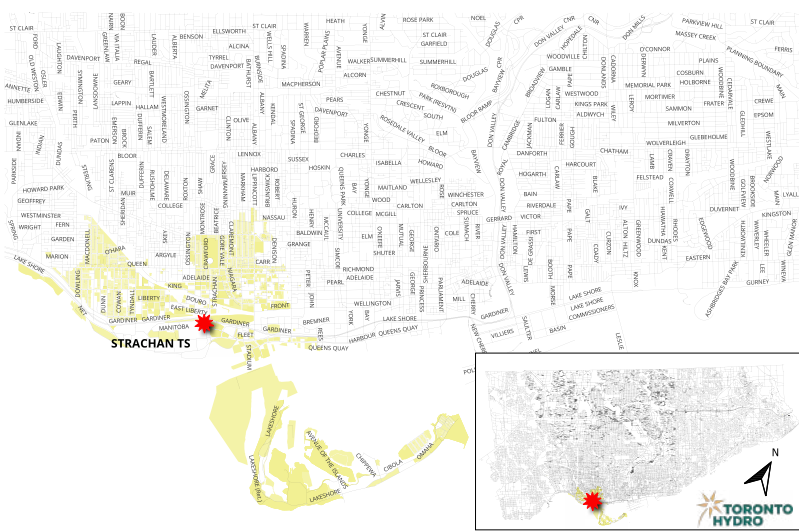
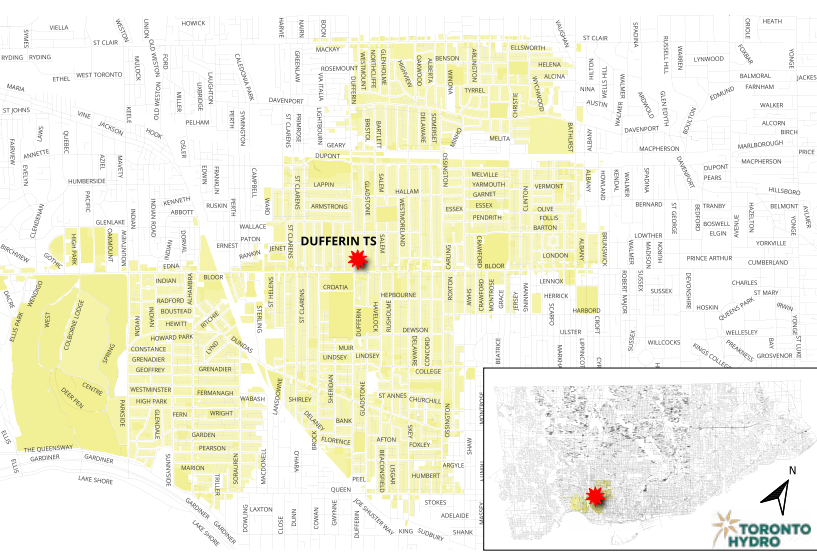


Figure 3.6 Dufferin TS target service area



Source: Toronto Hydro

5. Eligibility

To be eligible for this program, the following requirements must be met:

- Participating loads must be located in the area served by one of the six target transformer stations outlined in **Section 4: Target areas and capacity**
- The total resource capacity must be at least 500 kilowatts (kW) (i.e., single facility or aggregated resource)
- The aggregation of DR resources is permitted if the contributors (i.e., individual customers) are all located in the areas served by the target stations. Capacity may be aggregated by station pair: Manby TS/Horner TS, Strachan TS/Dufferin TS, Leslie TS/Finch TS

6. Obligation period

The obligation period refers to the period of time when the contracted capacity resources are expected to be available. The LDR obligation period is defined as June 1 to September 30, inclusive.

7. Availability window

The availability window is the timeframe of the obligation period during which a DR activation could occur. The expectation is that contracted LDR resources will be available for virtual dispatch during this time. Toronto Hydro will not be directly controlling the DR capacity, but will require DR providers to respond to activations by reducing demand as per their capacity obligation outlined in their LDR contracts.

The availability window for this program is 12 p.m. EST to 9 p.m. EST on business days (excluding statutory holidays).

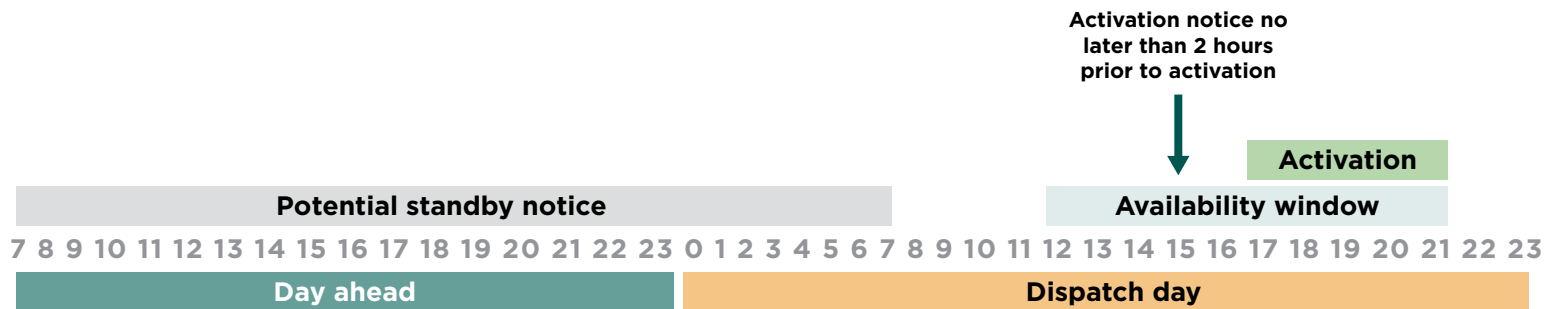
8. Standby and activation notices

Activation notices will only be sent if LDR resources are placed on standby. A standby notice may be sent through email to the participant between 7 a.m. the day before an activation and 7 a.m. the day of an activation.

In the event that Toronto Hydro cannot issue a standby notice during the period indicated above, LDR participants would not be subjected to Dispatch or Capacity Charges for that activation.

If placed on standby, activation notices may be sent by email to the participant at least two hours prior to the time of the activation. Activations can happen anytime within the availability window and will always be four hours in duration. Only one activation will happen during any given availability window on any given business day during the obligation period. See Figure 4 for an overview of timeline. Please refer to **Section 9: Capacity payments, activation payments and reference price** of these Program Rules for information on the expected number of activations per obligation period.

Figure 4. Daily timeline with example activation



9. Capacity payments, activation payments and reference price

Program participants will be eligible to receive a daily capacity payment (\$/MW-day).

For the 2026 period, the reference price for this capacity is \$700/MW-day. This represents the maximum price Toronto Hydro will pay as a capacity payment, factoring in the capacity value to the distribution system (i.e., avoided costs of wires solution). The reference price is meant to provide an upper boundary on participant price offers. Participants are encouraged to provide competitive offers.

Based on Toronto Hydro's previous experience with LDR programs, it is expected that there will be a maximum of six activations (including tests) for the 2026 obligation period.

10. Capacity offer process

Participants will have the opportunity to register their capacity through our *Local Demand Response Program Participant Application* form to determine eligibility. As part of the registration process, participants must provide:

- Participant information (e.g., participant name, contact address, etc.)
- DR resource information, including:
 - Number of contributors (if more than one contributor, the DR resource will be considered an aggregated DR resource)
 - Customer address(es) (provide address for each contributor)
 - DR capacity size(s) (provide capacity in MW for each contributor)
 - DR resource type(s) (provide resource type [e.g., battery, gas, load curtailment, etc.] for each contributor)

If Toronto Hydro determines that the participant is eligible, the participant will be invited to submit a capacity offer through our *Capacity Offer* form. The submission should include the following details:

- Total capacity offer (including price laminations)
- Offer price (\$/MW-day)

In this Capacity Offer form, participants will be able to provide their capacity offer using price laminations, meaning different prices for different amounts of capacity from the same DR resource. For example, a participant could offer 2 MW at \$200/MW-day, 3 MW at \$300/MW-day, 4 MW at \$400/MW-day, etc. The following example illustrates how a total capacity offer can be structured using price laminations.

Price lamination example:

Participants can break their total capacity offer down into parts with different prices if needed. For example, if your total capacity is 10 MW, you might offer 3 MW at \$150/MW-day, 5 MW at \$200/MW-day and 10 MW at \$400/MW-day. Toronto Hydro allows up to 10 price quantity pairs. The cumulative quantities must add up to the total capacity offer. Capacity price and cumulative quantity should be listed in ascending order, with prices rounded to the nearest whole dollar and capacity rounded to one decimal place.

#	Capacity price (\$/MW-day)	Cumulative quantity (MW)
1	150	3.0
2	200	5.0
3	400	10.0

For the 2026 obligation period, Toronto Hydro requires that all participants offer capacity that's capable of reducing energy draw from the grid for at least **four continuous hours** in compliance with activation notices issued by Toronto Hydro.

11. Capacity selection process

Bi-annual auctions

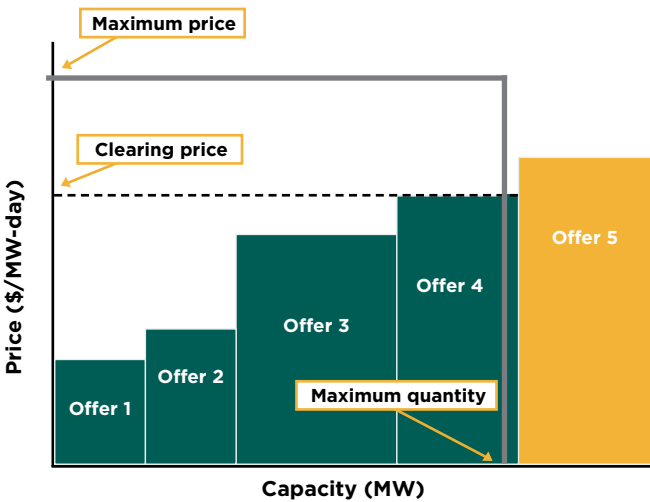
Capacity auctions will be held bi-annually throughout the 2025–2029 period. The first one will take place in October 2025, and the second one will take place in October 2027 as follows:

- The 2025 auction will set the capacity price (\$/MW-day) for 2026–2027
- The 2027 auction will set the capacity price (\$/MW-day) for 2028–2029

Toronto Hydro will use a demand curve to determine the clearing price for the auction (refer to Figure 6). Toronto Hydro's demand curve consists of the reference price and the target capacity for the LDR Program. The reference price represents the maximum price Toronto Hydro will pay, and the target capacity reflects the maximum quantity of DR capacity that Toronto Hydro will buy.

Toronto Hydro will receive DR capacity offers from registered participants, consisting of price (\$/MW-day) and quantity (MW). Toronto Hydro will stack all capacity offers from registered participants from lowest to highest price, as shown in Figure 5. If two DR offers have the same price, the one that was submitted first will be stacked lower on the demand curve. The lowest-priced offers below the maximum quantity will clear and will be offered LDR contracts by Toronto Hydro **at the clearing price**. The clearing price represents the point at which the last accepted DR offer intercepts the demand curve.

Figure 5. Illustrative demand curve



Opt-in and opt-out periods

Participants will have the ability to opt in or opt out of the LDR Program in between capacity auctions and will receive the clearing price determined in the last auction.

Participants who enter into agreements with Toronto Hydro are expected to be available for the entire obligation period for each year they remain in the program. For example, if a participant commits capacity in 2026, it's expected that they remain committed between June 1, 2026 and September 30, 2026.

Confirmation of participation must be provided in accordance with the dates listed in Table 2.

Table 2. LDR Program participation confirmation dates

Program year	Participation confirmation date
2027	April 1, 2027
2028	April 1, 2028
2029	April 1, 2029

12. Settlement and payment process

At the end of each month during the commitment period, a settlement statement will be sent to the participant summarizing the activity and performance of the previous month. Once the settlement statement has been accepted, the participant will submit an invoice to Toronto Hydro and will be paid out within 15 business days of the invoice submission.

The settlement statement will include:

- The participant's committed capacity
- The participant's delivered capacity in the event of an activation (including test activations)
- The expected payment based on the delivered capacity, minus any program performance charges

Monthly settlements equal total LDR payments minus total LDR charges, as shown in Tables 3 and 4.

Table 3. Program payments

LDR payments	Description
Monthly Capacity Payment	<p>Earned daily (\$/MW-day) on business days (excluding holidays) during obligation period.</p> <p>Total payment for each month in an obligation period is calculated by multiplying LDR capacity clearing price (\$/MW-day) by the resource's committed capacity (MW) and business days in the month.</p> <p>(Example: 1 MW x \$600/MW-day x 21 days = \$12,600)</p>

Program performance charges, including Dispatch Charges and Capacity Charges, are detailed in Table 4. These charges are applied when a participant does not meet delivery threshold during an activation.

Table 4. Program performance charges

LDR charges	Description
Dispatch Charge	<p>Applies when a LDR resource is dispatched, but does not deliver at least 85 per cent of its committed capacity during an activation</p> <p>Calculated as the product of the committed capacity (MW), the LDR capacity clearing price (\$/MW-day) and a non-performance factor ranging between one and two depending on the month, according to Table 4.</p> <p>(Example for July: 1 MW x \$600/MW-day x 2.0 = \$1,200)</p>
Capacity Charge	<p>Applies when a LDR resource is dispatched, but does not deliver least 50 per cent of its committed capacity more than once.</p> <p>Calculated to equal the total capacity payment for one month, and capped at one charge per month.</p> <p>(Example: 1 MW x \$600/MW-day x 21 days = \$12,600)</p> <p>Note: If subject to a Capacity Charge, the participant will not be subject to a Dispatch Charge as well for that given month.</p>

The Dispatch Charge is calculated using a non-performance factor, which varies by month. These monthly factors are outlined in Table 5.

Table 5. Non-performance factors

Month	Factor
June	1.5
July	2.0
August	2.0
September	2.0

The following example illustrates how monthly payments and charges are calculated.

Monthly settlement calculation example:

Sample calculation	
Participant contracted capacity	1 MW
Capacity payment	\$600/MW-day
Business days in the month	21
Non-performance factor for the month	2
Number of failed dispatches for the month (less than 85 per cent)	2
Number of failed dispatches for the month (less than 50 per cent)	1

LDR Monthly Capacity Payment: 1 MW x \$600/MW-day x 21 days = \$12,600

Dispatch Charge: 2 failed dispatches x 1 MW x \$600/MW-day x 2.0 = \$2,400

Capacity Charge: \$0 (as this charge applies when failing to provide at least 50 per cent of capacity more than once)

Net LDR monthly payment: \$12,600 - \$2,400 = \$10,200

The delivered capacity will be assessed based on the M&V process outlined in **Section 14: Measurement and verification**. The participant will then review the applicable monthly settlement statement to ensure they're aligned.

13. Performance expectations and testing

Performance expectations

Participants are responsible for several key actions to ensure compliance with program requirements:

- Monitoring their email for standby notices
- Responding to both tests and activations by curtailing load
- Informing Toronto Hydro of any outages during the day-ahead period and no later than 9 a.m. on the day of a possible activation

Participants are expected to curtail load to reflect contracted capacity during any and all activations. Refer to **Section 12: Settlement and payment process** for a full explanation of performance charges that would apply if load isn't curtailed sufficiently to meet the contract capacity.

Testing

Toronto Hydro will conduct at most one test per obligation period. Participants will receive notice of a test 24 hours in advance. In response to a test, participants will be expected to curtail load per their contracted capacity. Should a participant fail a test, they'll be subject to a Dispatch Charge, which is calculated as referenced in **Section 12: Settlement and payment process**. Note that, should an activation occur prior to a test, successful response to such an activation will replace the need for testing.

14. Measurement and verification (M&V)

The volume of capacity a participant provides in an activation period will be calculated on an hourly basis. It will be determined as the difference between the participant's calculated baseline applicable to the activation period and their measured consumption of electricity during the period.

The baseline value for a particular hour of an activation period will be calculated using the last 20 suitable business days, selected from up to 35 business days before the day the activation notice was issued. If there are less than 20 suitable business days available, then we'll use all available suitable business days within the maximum of 35 business days to calculate the baseline. Suitable business days are any business days where a participant was **not** activated to provide DR capacity.

Business days prior to the obligation period will be deemed as suitable business days, irrespective of the aforementioned definition of suitable business days. For example, when settling the month of June and assuming the resource was registered to participate as of June 1, then all business days in May will be deemed as suitable business days.

Baseline calculation

For each hour of an activation event to deliver a capacity obligation, the baseline shall be calculated as follows:

i. $\text{Baseline}_h = \text{Standard Baseline}_h \times \text{In-Day Adjustment Factor}^2$

Where:

- "h" is an hour within the activation event
- "Standard Baseline" is one of two components of the Baseline and is calculated as described below
- "In-Day Adjustment Factor" is one of two components of the Baseline and is calculated as described below

ii. Standard Baseline: High 15 of 20

The Standard Baseline is the average of the highest 15 measurement data values for the same hour that was activated in the last 20 suitable business days prior to the activation.

iii. In-Day Adjustment Factor

The In-Day Adjustment Factor is calculated as follows:

$$\text{In-Day Adjustment Factor} = A \div B$$

Where:

- "A" is the average actual consumption during the adjustment window³ hours on the actual activation day
- "B" is the average actual consumption during the adjustment window hours in the past highest 15 of 20 suitable business days prior to the activation day

² The In-Day Adjustment Factor can only be as low as 0.8 and as high as 1.2. For greater clarity, the In-Day Adjustment Factor will be rounded either up or down if calculated as being less than 0.8 or greater than 1.2, respectively.

³ The adjustment window is the three-hour window occurring one hour before an activation event.