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Via RESS

Ruta Budininkas
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor Toronto, ON M4P 1E4

Re: EB-2018-0287/0288 OPG Comments

Please find attached Ontario Power Generation Inc.'s comments in the Board's consultation for the above referenced Board initiatives.

If there are any questions with respect to these comments, please do not hesitate to contact me.

Yours truly,

[Original Signed by]

Brenda MacDonald

cc: Lindsey Arseneau
Matt Kirk
Jack Simpson

Attachment

Introduction

The Ontario Energy Board (“OEB”) held a facilitated meeting on September 17 to 19, 2019 as part of its Responding to Distributed Energy Resources (“DERs”) and Utility Remuneration consultation processes. The OEB notified stakeholders on September 26, 2019 of the opportunity to file written comments outlining their views on what the objectives, specific problems or issues to be addressed, and guiding principles should be for each of these public consultations. In addition, and in advance of the OEB’s filing deadline for written comments, StrategyCorp issued their *Facilitation Report: September 17-19, 2019* (Facilitation Report), summarizing its observations on the three-day stakeholder meeting.

In this submission, Ontario Power Generation (OPG) provides its written comments highlighting key issues, objectives, and recommendations for the OEB’s consideration as it develops its future stakeholder consultations and policies.

OPG’s Observations on the Stakeholder Session and Facilitation Report

OPG concurs with the Facilitation Report’s overarching observation that the stakeholder meeting was successful. The stakeholder meeting was robust, open, and captured the gamut of stakeholder interests. The three days of presentations and facilitated discussion gathered a strong foundation of information and an understanding of stakeholder interests from which the OEB can establish future consultations and policies to deliver customer value, integrated planning, and regulatory efficiency.

As a general observation on the Facilitation Report summary, OPG notes that for the most part the Facilitation Report summarized the feedback and themes that were expressed by presenters over the three days. One area that was a focus point of several stakeholder presentations including OPG’s that was not highlighted in the Facilitation Report is the role of the IESO. OPG observes that

that the development of future policies related to DERs will benefit from the IESO actively participating in future consultations and, more importantly, future consultations should contemplate the formalizing of integration and accountabilities amongst these two regulatory bodies.

OPG sees great opportunity for sector advancement and customer benefit in both the Utility Remuneration initiative and the Responding to DERs initiative and looks forward to continuing to participate in both processes.

OPG Feedback on Objectives, Issues and Recommendations to be Considered in Future DER and Remuneration Consultations

1. Objectives for the upcoming DER and Remuneration consultation process:

OPG believes that the following objectives are of key importance to the DER and Remuneration proceedings:

- *The consultation process should pursue an outcome of **regulatory simplicity**.*

To achieve regulatory simplicity the consultation process should focus on a commitment to competition and result in clarity on market participant roles. Specifically, OPG believes the process should focus on defining the role of regulated utilities in the DER marketplace, developing an operating framework that delivers a level playing field, and creating information transparency to support the competitive environment and enforcement of established rules.

- *The consultation process should adopt the objective of establishing **formalized governance and processes between accountable regulatory bodies** (i.e. OEB & IESO) for the purpose of supporting DER solutions.*

Tighter integration between the OEB and IESO with respect to DERs can mitigate the potential impediment of DER accountability and processes being bifurcated across two organizations. In addition, integration across organizations will help mitigate the risk of stranded assets.

- *The consultation process should have the objective of **establishing transparent reporting requirements** and a periodic review of the regulatory framework.*

Reporting is key to supporting the objectives of competition and enforcement of established rules. Establishing periodic reviews of the final DER policies and framework will accommodate future DER environmental and technological advancements.

2. Issues to be addressed in the upcoming consultation

OPG's presentation on September 17, 2019 focused on three primary issues that the consultation should consider. In the presentation, OPG also provided its recommendation on principles and potential steps for consideration in the upcoming consultations. The views in OPG's presentation are summarized below.

Issue 1: Consultation and frameworks that reflect a commitment to competition

The current marketplace has organically formed and many stakeholder comments including OPG's reflect that it is time for the DER marketplace to have a more formal structure, including more defined linkages between accountable regulatory bodies. OPG suggests that the primary issue that the future consultation should address is a commitment to competition. From OPG's perspective, a commitment to competition entails establishing policies and governance that deliver information transparency, a level playing field, and clarity in the role/scope of DER participants.

A first step to ensuring a competitive DER market is to clarify the role of each participant in the DER marketplace. In Ontario, OEB regulated utilities act as both proponents and connectors of DERs. Current policies are not clear in setting out the extent to which the regulated utilities can participate in each function. The IESO is a key player in the marketplace being the system planner for the wholesale market. All DER market players are operating with the sincere intent of supporting DER solutions, however, in the absence of a DER framework

that clarifies each participant's role and accountability, the market is hindered from achieving its full potential.

A commitment to competition requires information transparency. Making the necessary information visible to all market participants will help create a level playing field, encourage competition that can drive lower prices for customers, and create a marketplace providing customer choice. For example, information such as market plans that include DERs would provide the marketplace with a view of supply and demand needs which should lead to customer initiated or IESO system planning DER procurement. Tools that standardize calculating DER connection cost can set standard pricing and ensure consistency in applying DER connection rules across geographies. These are two examples where information could further a competitive environment by creating standards and procurement.

Ontario's regulated utilities represent a key participant in the DER market that can support a competitive marketplace. OPG's position is that the ideal competitive environment is one that encourages regulated utilities and private businesses to develop DER solutions. To this end, OPG's perspective is that regulated utilities' monopoly rights should not be expanded. Regulated utilities that wish to participate in the private DER marketplace should do so through an independent affiliate so as not to distort competition.

Issue 2: Tighter and more formalized coordination between the OEB and the IESO

Both the OEB and IESO have the ability to enhance the DER marketplace in Ontario. The IESO's role as the provinces system planner is adjacent to the OEB's role as regulator of utilities that integrate DER solutions. To date, the IESO and OEB coordinated efforts have been supportive of the DER marketplace through indirect integration such as committees, frameworks, and targeted policies. This approach is understandable given the emerging DER marketplace that has existed to-date. The presentations at the stakeholder meeting show that the DER marketplace has now matured to a state of growth. To facilitate

the market's further growth and support the commitment to competition, OPG believes there is a need to consider additional governance, policies, and processes that establish a formalized link between the OEB and IESO.

For example, establishing formalized responsibilities where the OEB, IESO, and regulated utilities work together to support the IESO system planning at a more detailed level can directly support DER solution procurement. The more detailed level being one where DER solutions are procured to support targeted system requirements. There should be consideration of leveraging the IESO's current system planning process to support and incorporate utility DER procurement. OPG recommends that one of the outputs of the DER consultation is to produce a first set of comprehensive processes that identify the roles and responsibilities for the planning and procurement of DERs, , and set out standards for connection.

Issue 3: A simplified and clearly scoped framework for OEB regulated utilities

The current DER marketplace has evolved and developed under a set of indirectly defined frameworks and initiatives. The current OEB regulatory framework has had its policies and guidelines updated as the needs of DER solution providers arose over the past few years. The environment is now ready to have a DER-specific regulatory framework that supports a commitment to competition, ensures coordination between regulatory bodies, and ensures cost effectiveness of DER solutions.

The upcoming consultation should review the existing OEB policies, framework and guidelines to integrate, simplify and consolidate where possible. From OPG's observation, DERs are referenced in several OEB policies or codes such as Distributors' Distribution System Plans, the Distribution System Code, the Rate Handbook, and OPG Payments Guidelines. This governance should be aligned to achieve the consultation's objectives.

Regulated utilities in Ontario have a significant role in developing the future electricity grid whereby customers have both diversity of choice and security of supply. To this end, OPG believes that the OEB regulated utilities should be

allowed under the future model to propose DER solutions as part of the IESO's system planning efforts. These proposals should be limited to optimize the regulated utilities' existing assets.

For consideration in the future consultation, OEB policies and processes should have regulated utilities evaluate DERs as an alternative to their capital needs. The OEB can augment the current filing requirements for regulated utilities to require DER procurement in their asset investment plan submissions. Perhaps standardized evaluation business case templates would create consistency across the sector. Potential mechanisms should be considered to evaluate the cost effectiveness of the deployed DERs.

To further support simplified regulation and a competitive marketplace, the OEB can codify the standards for connection of DERs in a similar manner to the current electric service connections policy. Enforcement mechanisms to ensure compliance with these requirements should be considered. Particularly, mechanisms that ensure that DER integration across regulated utilities is consistent and that these utilities are optimizing the use of their existing assets.

Focusing regulated utilities' participation in the DER marketplace to optimize their existing assets would allow ratepayers to benefit from extending their useful life and avoid costs from the displacement of future capital investments.

Conclusion

The opportunity is here to produce an integrated and comprehensive set of rules, policies, and tools to enhance the DER marketplace. OPG provides the following summary considerations:

1. Establish a consultation process where the regulatory bodies coordinate with each other to integrate parallel initiatives and ultimately consider establishing formalized frameworks between the organizations to support DER solutions.
2. Focus the consultation so the OEB develops a comprehensive single DER framework which could include a set of DER specific policies, guidelines,

and rules that, at a minimum, set out the role and scope of each market participant within the DER marketplace. The marketplace will benefit from this regulatory simplicity.

3. Establish information standards and reporting requirements for DER market participants that encourage competition, broader market participation, as well as consistent application of rules by market participants (e.g. DER connection).
4. Ensure the DER framework promotes competition by clarifying the scope of OEB regulated utilities' participation in the marketplace, establishing an integrated operating framework for all market participants and create a system planning process that incorporates DERs.