

ONTARIO ENERGY ASSOCIATION

UTILITY REMUNERATION AND RESPONDING TO DERs: EB-2018- 0287/0288

March 30, 2020

To shape our energy future for a stronger Ontario.



ABOUT

The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research, but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

Together, we are working to build a stronger energy future for Ontario.

The recommendations contained in OEA papers represent the advice of the OEA as an organization. They are not meant to represent the positions or opinions of individual OEA members, OEA Board members, or their organizations. The OEA has a broad range of members, and there may not always be a 100 percent consensus on all positions and recommendations. Accordingly, the positions and opinions of individual members and their organizations may not be reflected in this report.

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INTRODUCTION

On January 21, 2020 the OEB issued a letter inviting stakeholders to a meeting on February 20, 2020 (“the stakeholder meeting”) where OEB staff:

- summarized input from stakeholder presentations, comments made during the September stakeholder meeting and written comments received
- outlined and sought input on staff’s current thinking for the scope of each initiative

Stakeholders were invited to comment on OEB staff’s preliminary proposals for each initiative.

The OEA welcomes this additional opportunity to participate in the OEB’s consultations on utility remuneration (UR) and distributed energy resources (DERs). These are significant issues, and policy or regulatory actions that are taken related to these issues will have a significant impact on Ontario’s energy system, utilities, market participants and consumers.

Our submissions will focus on the need to focus the scope of these initiatives for the sake of moving forward in a timely and manageable way, and on co-ordination between the OEB and Independent Electricity System Operator (IESO).

SUBMISSIONS

Scope

While cognizant of the fact that the ability to move forward with this initiative is constrained until the new OEB leadership is put into place and the extremely significant and supportive efforts by OEB staff to engage sector participants, the OEA is concerned that the scope of these initiatives is not sufficiently focused yet. To allow the OEB and stakeholders to get on with work towards tangible policy proposals or complete any work in a timely on the UR and DER initiatives, it is necessary to clearly identify concrete problems that exist today and develop solutions.

A current example of a practically scoped initiative is the OEB’s ongoing DER Connections Review (EB-2019-0207) which is focused on addressing: connection process timelines, connection cost responsibility matters and technical connection requirements both for the distribution system and any requirements of transmitters for connection of DERs. The scope of this initiative is sufficiently focused to identify specific technical expertise required to work through issues and specific solutions (e.g., amendments to the Distribution System Code).

While the OEA appreciates OEB Staff’s efforts to incorporate the breadth of input and interests provided and represented in these consultations to date, for substantive progress to be made, specific issues and initiatives for immediate attention must now be identified.

For example, in the course of the stakeholder meeting OEB staff stated that:

- “Irrespective of any sector evolution concerns, we think there is a need to undertake a holistic review of the OEB’s remuneration policies.”
- “A renewed regulatory framework [RRF] has been in place for six years, and staff thinks it is prudent for the OEB to revisit its policy frameworks periodically to make sure they’re doing what they are intended to do.”¹

While the OEA appreciates that there may be some components of the RRF² that need to be revisited and reviewed, it must be acknowledged that the scope of the RRF is a comprehensive framework covering many significant policy matters, not all of which require immediate attention if the particular objective is to identify and remove specific barriers to DERs..

For reference, the RRF, which was developed over a 2-year period, covered the following initiatives:

- [Rate Design for Electricity Distributors \(EB-2012-0410\)](#)
- [Distribution Network Investment Planning \(EB-2010-0377\)](#)
- [Approaches to Mitigation for Electricity Transmitters and Distributors \(EB-2010-0378\)](#)
- [Defining and Measuring Performance of Electricity Transmitters and Distributors \(EB-2010-0379\)](#)
- [Developing Guidance for the Implementation of Smart Grid in Ontario \(EB-2011-0004\)](#)
- [Regional Planning for Electricity Infrastructure \(EB-2011-0043\)](#)
- [Policy Options for Funding Capital Investments \(EB-2014-0219\)](#)

A review of UR-DER policies does not require a wholesale review of the RRF. Rather once specific, immediate barriers to DER deployment are identified there may be particular aspects of the RRF that require revision (e.g., rate design and investment planning). The OEB should provide clarity regarding what parts of the RRF are being reviewed within the context of UR-DER consultation, and what parts of the RRF are not immediately impacted by “sector evolution concerns.”

The OEA notes that OEB staff made the following comment during the stakeholder meeting:

“... there are other places where some of these issues are being looked at, and maybe what we need to do is more specifically identify what are the sort of

¹ OEB, Transcript of UR and RDER Stakeholder Meeting including Staff Presentation, February 20, 2020, p. 42.

² <https://www.oeb.ca/industry/policy-initiatives-and-consultations/renewed-regulatory-framework-electricity>

residual issues that are not being addressed there that need to be considered here, and perhaps if we do that more concretely that will help the conversation.”³

The OEA agrees with the comment above and encourages OEB Staff to work towards such an identification of issues to scope this consultation. While the lists presented by staff provided clarity regarding what is out of scope, what would be helpful is clear and specific identification of the issues that are not covered by existing policy initiatives (by the OEB and/or IESO) that should be addressed in the near term as part of the UR-DER review.

For example, during the stakeholder meeting, the importance of specific items such as rate structure and certain charges (e.g., standby rates) was emphasized by some stakeholders. OEB staff’s list indicated that rate design would be out-scope for this consultation because of the ongoing rate design consultation. However, the OEA cautions (as did other stakeholders at the meeting) that this may not provide the clarity that OEB staff are seeking because the OEB’s June 19, 2019 letter on the “Status of policy initiatives during the transition to a new governance structure” stated that Rate Design for Commercial and Industrial Customers (EB-2015-0043) is deferred during the governance transition. Certain aspects of rate design such as the standby rate issue, are central to moving forward with DERs and OEB Staff should identify those and “pull them back” into their focused DERs work.

There may be other rate and/or billing issues (e.g., gross load billing) the clarification of which would immediately assist with DER deployment.

Therefore, as OEB staff continue to consider and distill the input provided by the stakeholders, the OEA would urge that the priority should be to identify on an evidence-based basis the specific policy and/or regulatory issues that need to be addressed (e.g., amendments to the distribution and/or affiliate relationship codes, rate application filing requirements, customer protection rules).

An additional issue is whether any existing government directives need to be amended to respond to DERs effectively (e.g., the 2010 Smart Grid Directive).⁴

OEB-IESO Co-ordination

The OEA continues to be of the view that the OEB and IESO need to formally and transparently co-ordinate their DER initiatives, including the role of the utility, which is a central point of the discussion.

Reinforcing this view, is the IESO’s recently released Regional Planning Review Process Straw Man Design,⁵ that states as one of its objectives:

³ OEB, Transcript of UR and RDER Stakeholder Meeting including Staff Presentation, February 20, 2020, p. 146-7.

⁴ https://www.oeb.ca/oeb/Documents/Documents/Minister_directive_smart_grid_20101123.pdf

⁵ <http://www.ieso.ca/-/media/Files/IESO/Document-Library/engage/rpr/RegionalPlanningProcessReview-StrawManDesign-20200228.pdf?la=en>

Identify barriers to the implementation of cost effective non-wires solutions, such as conservation and demand management, and *distributed energy resources (DERs)*, and provide options to address any such barriers, including potential legislative or regulatory changes, as well as options to address distributor capacity. (emphasis added)

An example of formal co-ordination would be establishing a joint IESO-OEB DER Steering Committee with a Terms of Reference; or a Project Team with a Project Charter, similar to that developed by the IESO and OEB for the 2019 Achievable Potential Study) so that policies are developed in a logically sequential manner that best serve the interests of consumers, DER service providers, utilities, and the energy system. For example, the OEB should decide on appropriate policies respecting connection cost responsibility and standby charges prior to the IESO finalizing the type and degree of incentives necessary to encourage appropriate DERs participating at the bulk system level. The co-ordination effort should regularly engage with stakeholders through a formal engagement plan.

In conclusion, the OEA is pleased with and welcomes the OEB's stakeholder engagement on these significant policy matters. The OEA understands the importance of continuing to move these issues forward, and trusts the comments provided above will assist the OEB in doing so.

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