



Thursday January 24, 2019

**To:** Rosemarie T LeClair  
*Chair and CEO, Ontario Energy Board*

**Re:** EB-2018-0287  
Response to OEB Request For Comments on ACI Recommendations

Thank you for the opportunity to comment on the recommendations of the Advisory Committee on Innovation. The report and its recommendations are very much aligned with the comments and concerns we at the Advanced Energy Centre hear through our regular discussions with companies trying to provide innovative energy solutions to utilities and their customers and through our discussions with utilities themselves.

Our comments are structured in the order you asked for them. We use the recommendation numbering from the ACI report for clarity.

### **Top Priorities**

While all of the report's recommendations are worthy of pursuit, the recommendations that should be pursued with highest priority are:

- 1A. Improve the transparency and consistency of the connection process and cost responsibilities.
- 2A. Remunerate utilities to make them indifferent to conventional or alternative solutions regardless of ownership
- 2B. Establish an empirical evaluation methodology for cost benefit comparison so all proposals can be evaluated on a fair and consistent basis
- 2C. Establish a way to ensure DERS can be compensated for their services while paying their appropriate share of system costs
- 3A. Require utilities to publish information about the characteristics and capabilities of their systems to enhance transparency of distribution system needs and capabilities within the market

The solutions to the issues that underlie these five recommendations are fundamental to creating a path to cost effective innovative solutions;

- expose the needs of utilities to the market,
- fully value market solutions,
- incent (or require) utilities to consider alternative solutions,
- remunerate fairly for all services
- connect solutions through clear and consistent processes.

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## **Secondary Priorities**

Of the remaining recommendations we believe there are two that cut across many of the others and should be undertaken with some priority:

1D. Review the separation of regulated and competitive services

4D. Further examine OEB decision timelines to determine whether they can be shortened without compromising the effectiveness of stakeholder participation.

Finally, we support the launch of the OEB Innovation Sandbox. As we understand it, the sandbox will be a structured but less formal means of discussing innovative ideas to understand their potential customer benefits and regulatory implications. And it may allow temporary relaxation of regulatory requirements to demonstrate an innovative approach. This should be a useful first step to iron out potential issues before new approaches are the subject of the full rate hearing process.

## **Interdependencies (top priority)**

1A can be undertaken immediately and can stand alone from other activities. However, it could be linked to recommendation 1B if rules to optimize DER integration are to be developed. Although it appears as the last step in the "path to innovative solutions", clarifying the connection process should be pursued immediately as we have not followed an ideal path and solutions exist today for which the connection process is an issue.

2A also can be initiated on its own. However it is complex. It could interact with 2C as it relates to service provider compensation and payments. It could also interact with any other elements that involve revenues for regulated utilities (for example for data provision (3A), innovation funding (2D), partially competitive services (1D)). While fully changing the remuneration system is likely a multiyear process, any steps along the way that can better balance the existing incentives should be implemented as soon as practical.

2B on its face can be developed independent of other recommendations. However, to be truly effective, the compensation both for utilities (2A) and service providers (2C) must be such that they support the full consideration of properly valued alternative solutions. And an alternate evaluation methodology will only achieve real value if the needs and capabilities of the distribution system are known to the market (3A). The nature of these linkages suggests tying together the completion of regulatory actions rather than their start.

2C could have linkages to the way utilities are remunerated (2A) and is a precondition for creative solutions to be brought forward and valued (2B). It may also relate to the rules for DER integration (1B) to the extent that the rules require or allow compensation for allowing utility control or direction of DERs.

3A is largely independent of other recommendations with the possible exception of links to 2A which could involve new data driven revenues for the regulated utility.



So, it would seem that for the five recommendations we have suggested as highest priority, recommendations 2A, 2B, 2C and 3A could start largely independently but should be coordinated at some key touch points to reach some kind of solution alignment at about the same time. Recommendation 3A can run in parallel.

### **Interdependencies (Secondary Priorities)**

1D can proceed on its own track as it will be driven largely by principles that govern regulatory practice viewed in light of today's emerging and somewhat more complex technology and business process opportunities.

4D can be pursued in parallel with any of the other recommendations. To the extent that regulatory timelines can be drastically reduced, this may reduce the need to pursue recommendations 4A and 4C.

### **Gaps**

There are four issues that arise in conversations with innovators that are not explicitly covered in the ACI report. Consideration should be given to these as the consultation process is developed.

1. Flexibility in real time pricing alternatives should be available as an option for customers, particularly larger ones. To support this, granular consumption data is needed by solution providers. The unavailability of simple processes for consent and provision of customer data prevents novel solutions being developed and offered to customers. Recommendation 3A seems to deal with utility information but should be expanded to deal also with access to customer information.

2. Demand charges for storage solutions are inappropriate. Storage solutions consume energy off peak but are charged as if they consume on peak and contribute to the need for peak serving infrastructure. In fact storage can reduce the need for infrastructure investment. Rules and arrangements can be put in place to provide certainty of the time of consumption (2B).

3. While the report implies that non-wires alternatives will be considered on an equal footing by utilities (2A, 2B, 2C) it does not recommend an explicit requirement by the regulator that utilities consider such alternatives before any capital investment is made in traditional infrastructure. We generally support market incentives to drive desired outcomes. But to the extent these are not sufficient, a regulatory backstop may be warranted.

4. The report does not deal in any substantive way with the intersection of gas and electricity. Regulations around hydrogen and power to gas need to be modernized to ensure they do not unduly restrict cost effective applications.

### **Addressing The OEBs Strategic Blueprint Challenges**

A large part of the challenge of focusing on long term value for customers can be met by providing the right incentives and by enabling a range of solutions to be compared in a structured way. The recommendations listed above as top priority do exactly that. The range of solutions must be enabled at the planning stage, the valuation criteria must be clear, and utilities should be rewarded for implementing or procuring the best solution.



Those same recommendations are key to ensuring utilities and others are embracing innovation in their operations and the products they offer consumers. In particular, exposing information on needs, capabilities and use to the market and remunerating fully and fairly for the services that the consumer wants will go a long way to meeting this objective. Flexibility in service provision and pricing will provide customers more opportunity to get what they want in the way they want it.

The Advanced Energy Center and MaRS more broadly have unique skills and capabilities in the domain of innovation that could be useful as the consultation process on the ACI recommendations moves forward. We would be pleased to engage further to explore how we might be of assistance.

Thank you once again for the opportunity to offer our perspective on the priorities, linkages and gaps of the report of the Advisory Committee on Innovation.

Regards,

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