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January 25, 2019

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli,

RE: EB-2018-0287 – Report of the Advisory Committee on Innovation (AIC)

The following submissions are made on behalf of the London Property Management Association (LPMA) on the AIC Report and innovation in general.

Innovation is generally defined as the process of translating an idea or innovation into a good or service that creates value or for which customers will pay. To be properly called an innovation, an idea or invention must be replicable at an economical cost and must satisfy a specific need, such as lower cost or a new or improved service that customers want. Indeed, innovation often results when ideas are applied by a company in order to further satisfy the needs and expectations of their customers.

Unfortunately, the advisory committee lacked representation from the very customers that innovation is meant to benefit. Based on the AIC Report and the presentation on January 16, 2019 it is clear that the advisory committee has a definition of innovation that excludes any thoughts about customers. Indeed, the definition of innovation used by the committee seems to be what can the utilities get involved in areas where they are not currently involved. There was a hasty retreat from this position during the presentation, when the various participants realized the lack of customer input. Only then did the definition of innovation evolve to add that the innovation must result in lower costs for customers in the long run and/or provide new services for customers. Of course, no one has bothered to ask customers what new services they might want and at what cost.

The presentation further emphasized the need to relax rules with respect to affiliates and the activities that they may want to undertake under the guise of innovation. Such activities should not be rate regulated and should not be subsidized in any way by distribution or transmission rates from the monopoly service providers.

Indeed, there seemed to be a biased view of the committee that innovation was the purview of only the utilities. LPMA begs to differ. In fact, LPMA believes that most innovation will come from customers and third party service providers. The role of the

utilities will be to find innovative and cost effective ways to assist customers and third party service providers in implementing their innovative ideas.

LPMA submits that utility affiliates should not get involved in areas that are open to competition from third parties without sufficient regulatory oversight to ensure that ratepayers are not subsidizing the affiliate. Such areas include distributed generation, distributed storage, customer generation, customer storage and a myriad of energy services that can be provided by unregulated entities. If a utility affiliate wants to get involved in a competitive market they should be allowed to do so, but they cannot be subsidized in any manner or form in doing so. Such a subsidy or advantage for an affiliate could harm or delay a competitive market from developing. Such an outcome would have negative consequences for the customers.

The vast majority of residential and small commercial customers want only reasonably priced and reliable service from their electricity provider. While larger customers may want special services or service enhancements and are willing to pay for them, the majority of small customers do not want to pay for services that have little or no value to them. Unfortunately, the Board is ignoring what these customers want and has skipped ahead to providing options for utilities to provide services that may not be desired by customers.

As the Board is aware, or at least should be, the biggest issue for customers is the cost of electricity, including the cost of generation, transmission and distribution. LPMA is concerned that the Board is heading down a path with respect to innovation that could be labelled “Innovation for the Sake of Innovation”.

Rather than focusing on what customers want and need, the Board appears to be focusing on what utilities want. LPMA has had the opportunity to see the January 24, 2019 letter from the School Energy Coalition and agrees with each of its three points related to the AIC composition, the innovation sandbox and cost eligibility. Clearly the Board does not want to hear from customers or their representatives. The sandbox has been reserved for utilities and OEB staff – customers are not allowed in. The Board is, in effect, kicking sand in the face of customers and telling them to go play someplace else.

For an organization that purports to be customer focused, LPMA is extremely disappointed with the Board’s approach to this consultation. It is clearly a one-sided approach that ignores customers and their needs and fawns to the wants of utilities.

Clearly the Board has lost its customer focus, if indeed, it ever really had it.

Innovation has the potential to give customers what they need – lower costs and reliable service. However, it also has the potential to give utilities what they do not want – less reliance by customers on the transmission and distribution system and a move to more self-sufficiency. LPMA sees the current consultation as a way for the utilities to protect themselves from innovative ideas that may lessen their role in the industry.

If the Board wants to make this consultation relevant and customer focused it needs to include customers and their representatives. This can be done through cost eligibility on a going forward basis for the remainder the consultation. It can be done by including third party service providers and customers access to the sandbox. It should make what goes on in the sandbox transparent to everyone by removing the walls of secrecy around it. This would not only benefit third party providers and customers with the ability to provide input, but it would also benefit utilities as they would be able to see what other parties, including other utilities are proposing. This could allow utilities to partner with one another or third parties, reducing not only the risk to a party of going it alone, but would enhance learning across the industry.

To be successful, LPMA believes that the Board has to move away from innovation driven by the utilities to innovation driven by third party service providers and customers. The Board needs to encourage these third parties and customers to come forward with their ideas and partner with one another and with interested utilities. Utilities should be encouraged to bring forward ideas that other parties (third party service providers and/or customers) can test and implement. Utilities should be encouraged and mandated to provide timely access to data to others and to work to facilitate the innovation of others on its system.

Finally, all of the innovation proposals should be made public on the Board's website, including monitoring and reporting on results. This should minimize or eliminate time spent by utilities in pursuing an idea that is already under consideration by someone else. Duplication is not innovation, it is a waste of resources.

Yours very truly,

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