CanSIA
CANADIAN SOLAR INDUSTRIES ASSOCIATION | L'ASSOCIATION DES INDUSTRIES SOLAIRES DU CANADA

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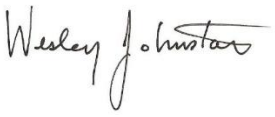
Board Secretary,
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto, Ontario M4P 1E4
Dear Board Secretary

Attn: Board Secretary

Re: OEB staff research paper with respect to the Examination of Alternative Price Designs for the Recovery of Global Adjustment Costs from Class B Consumers in Ontario
(Board File No. EB-2016-0201)

Please find attached the Canadian Solar Industries Association's comments on the February 28, 2019 OEB staff research paper with respect to the Examination of Alternative Price Designs for the Recovery of Global Adjustment Costs from Class B Consumers in Ontario.

Yours truly,



Wes Johnston

Vice President
Canadian Solar Industries Association

CC: John Gorman, President & CEO, Canadian Solar Industries Association

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Background

The Canadian Solar Industries Association (**CanSIA**) is a national trade association that represents the solar energy industry throughout Canada. CanSIA's vision for Canada's solar electricity industry is for solar electricity to be a mainstream energy source and an integral part of Canada's diversified electricity mix by 2020. CanSIA also intends for the solar electricity industry to be sustainable, with no direct subsidies, and operating in a supportive and stable policy and regulatory environment within a similar time frame. CanSIA is pleased to respond to the Ontario Energy Board's (**OEB**) staff research paper with respect to the Examination of Alternative Price Designs for the Recovery of Global Adjustment Costs from Class B Consumers in Ontario (the **Staff Research Paper**).

CanSIA supports the direction and findings of the Staff Research Paper which demonstrates the benefits of correlating Global Adjustment (**GA**) prices with electricity demand. The approach is consistent with recognizing the value of distributed energy resources (**DERs**), such as solar and energy storage, which are now more affordable and accessible for electricity customers. CanSIA has a significant interest in electricity pricing frameworks that provide investment signals to customers with respect to adopting solar and storage.

In response to electricity prices, customers can choose to consume, adjust consumption behavior (e.g., demand response) or invest in measures to self-supply all or a portion of their electricity needs while remaining connected to the distribution system. Behind-the-meter generation is considered a "load modifier" and reduces the Ontario demand for electricity. In other words, behind-the-meter generation effectively acts as an equivalent of conservation and demand management measure, reducing the amount of new resources that would be needed to meet the supply needs emerging as early as 2023[1].

General commentary

CanSIA recognizes that the examination of the Class B price design framework for the GA has not set out to specifically consider impacts of DERs. However, CanSIA wishes to emphasize that changes made to the Class B price design framework could have a positive impact on electricity customers who decide to invest in solar or energy storage. In reviewing the Staff Research Paper, CanSIA is supportive of the principled approach that considers the economic net benefit of various pricing prototypes.

CanSIA supports the findings from the Staff Research Paper which demonstrate that GA prices that correspond with electricity demand yields positive economic efficiency results. In addition, while the Staff Research Paper finds that that a demand-based framework would effectively induce a demand response, CanSIA offers that the framework would also serve as an investment signal to electricity customers who are considering investments in behind-the-meter solar or energy storage.

[1] Reference the Reliability Outlook from the Independent Electricity System Operator (**IESO**) which is available here: http://www.ieso.ca/Sector-Participants/Planning-and-Forecasting/Reliability-Outlook

In considering electricity pricing, CanSIA suggests that the following principles be adopted:

1. Affordability, stability and understandability;
2. Consumer choice and options to manage electricity costs;
3. Recognition of cost-causation and avoidance of cross-subsidy;
    - Encourage energy conservation and efficiency; and
    - Encourage reduction of both coincident and non-coincident peak demand;
4. Explicit and transparent incentives; and
5. Encourage economically efficient decision-making.

CanSIA finds that the methodology, approach and outcomes of the Staff Research Paper are consistent with these principles.

Going forward, CanSIA also urges the OEB staff to consider how the implementation of such reforms to Class B GA pricing is related to other initiatives which also have a direct impact on electricity pricing, including:

- Government of Ontario's consultation on industrial electricity pricing;
- Rate design for commercial and industrial customers (EB-2015-0043), with respect to distribution charges; and
- IESO's Market Renewal Program, which proposes locational marginal prices for market participants and a cost allocation methodology for new capacity charges resulting from incremental capacity auctions. While the IESO has indicated how the proposed changes would impact IESO market participants including distributors, the OEB has not yet provided an indication with respect to how these changes would be passed through to non-IESO market participants via distribution electricity pricing or rates.

CanSIA further encourages the OEB staff to consider the impacts electricity pricing and rates in context of newly announced consultations with respect to Responding to DERs (EB-2018-0287) and Utility Remuneration (EB-2018-0288). As demonstrated by the preceding discussion, investments in customer-driven DERs are primarily motivated by expectations for electricity savings.

In order to facilitate the implementation of more dynamic pricing frameworks, CanSIA would encourage the OEB staff to consider voluntary, opt-in provisions, which provide customers choice in electricity pricing. We believe that such options could be provided in parallel to any other consultations or stakeholder engagements on electricity pricing.

Feedback topics related directly with the methodology and results of the Staff Research Paper

Are there other sources of economic value to be considered in evaluating such pricing prototypes?

The Staff Research Paper considered value to businesses derived from using electricity to produce goods and services and the value residential consumers derive from amenities that use electricity in the "Net Benefit Approach". CanSIA supports this approach.

Are there other prototypes for Class B GA pricing design (significantly different from those introduced in the paper) that should be examined?

The Staff Research Paper covered an appropriate range of pricing design prototypes. We would anticipate that OEB staff would continue to explore variations of different dynamic pricing frameworks and encourage the OEB to consider how these scenarios impact investment decisions in DERs.

Any other concerns with the methodology and conclusions of the paper?

CanSIA does not have any concerns with the methodology or conclusion, recognizing that the intent of the Staff Research Paper was to explore the economic efficiency of various pricing prototypes.

Feedback topics related beyond those examined in the Staff Research Paper

The alternatives discussed today are assessed by reference to the economic efficiency and consumer cost impact. What non-economic factors should be considered in the evaluation of pricing designs going forward?

As illustrated in the in the principles proposed by CanSIA earlier in this submission, other non-economic factors that should be considered include affordability, stability, understandability, transparency, and enabling consumer choice. CanSIA also encourages the OEB to consider and report on any potential environmental impacts resulting from electricity pricing design. That said, we anticipate that correlating GA pricing with electricity demand, and other dynamic pricing prototypes, would yield positive results when evaluated against these metrics.

The results of the analysis show that dynamic pricing designs that respond to real-time conditions provide more value to consumers than less dynamic designs

> **What does the experience with Time-Of-Use or other variable prices (e.g., HOEP) suggest about the merits and drawbacks of exposing consumers to more dynamic prices?**
>
> CanSIA notes that many residential customers who have elected to install a net-metered system have been unable to to remain on Time-of Use rates due to technical challenges with distributor billing and settlement systems. CanSIA encourages the OEB to explore this challenge in more detail, especially when considering potential for dynamic pricing for Class B customers. CanSIA would stress the importance of being able to remain on dynamic pricing should a customer wish to pursue net-metering.
>
> **How far in advance do electricity prices in each hour need to be communicated to consumers under variable pricing approaches? Need the time period be as long as those available under foreword pricing plans like the RPP?**
>
> Customers who invest in energy storage would be more accepting of shorter notification timeframes since they would not be required to change consumption behaviour (e.g., can rely on stored energy rather than scale back business operations.) That said, providing visibility for pricing events would help customers plan and optimize the use of energy storage devices and other consumption behaviours.

What value do consumers place on less dynamic prices and how might that value be reflected? For instance, would general service customers be willing to pay a premium to be insulated from dynamic prices?

Per the principles outlined in this submission, CanSIA supports providing customers with options recognizing that individuals have different needs, risk tolerances and ability to shift consumption. Any options provided should be reflective of cost-causality and should not enable cross-subsidization. In other words, customers who avoid on-peak periods should be rewarded through the pricing design structure.

It is not uncommon for utilities in other jurisdictions to offer choice to electricity customers. For example, Arizona Public Service Electric Company offers customers a suite of choices with varying complexity that they can select based on their preferences and tolerances:

1) Flat rate structure
2) Time-of-use structure with super off-peak prices during the winter
3) Mixed time-of-use and demand charge structure
4) Mixed time-of-use and seasonal demand charge structure
5) Mixed time-of-use and seasonal demand charges with off-peak demand charge

Therefore, CanSIA suggests that the OEB need not consider applying one structure to all electricity customers; but rather could enable customers to choose from a range of acceptable pricing options.

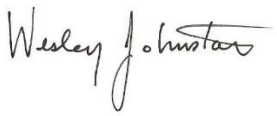
Conclusion

CanSIA supports the direction and findings of the Staff Research Paper which conveys the rationale on an economic basis for the adoption of a GA pricing framework that is correlated to electricity demand. Specifically, CanSIA is supportive of dynamic pricing frameworks. We recommend that the OEB explore immediate next steps for implementation of dynamic pricing for Class B customers on a voluntary, opt-in basis.

CanSIA would again like to emphasize the interrelated nature of electricity pricing and the upcoming OEB consultations on Utility Remuneration and Responding to DERs. CanSIA looks forward to being actively engaged in these consultations.

All of which is respectfully submitted.

Sincerely,



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