

Canadian Manufacturers and Exporters (CME) Submission on DER Connections EB-2019-0207

September 17th, 2019

Executive Summary:

CME is pleased to provide input on the OEB's call for comments for their DER Connections Review. CME appreciates the OEB's continued efforts to deliver an efficient regulatory system, and to protect ratepayers. We wish to ensure that the OEB keeps the interests of ratepayers first in mind as it considers its regulatory approach options for DER. While innovations in this field show promise, we are concerned that some may result in the rate base bearing undue costs. Electricity rates impact on the province's economic growth and development, particularly for the manufacturing sector which continues to be the most critical engine of Ontario's economy. To this end, the OEB should ensure that DER adds value to the electricity system while avoiding increasing costs to Ontario ratepayers.

Based on the collective concerns of our membership, CME recommends that an approach for developing solutions include:

1. The OEB must ensure that costs to connect DERs fall on those that realize the benefits.
2. Identify all associated costs with connecting DERs.
3. Require a business case against total system costs to be borne by ratepayers for connecting DERs.
4. Conduct all processes in an open and transparent manner.

Context:

Both customers and DER providers have identified a number of concerns around a lack of clear rules and uncertainty when it comes to connecting new DER systems to the grid. These same issues have also been identified in the Advisory Committee on Innovation (ACI) report to the OEB. The current Distribution System Code was last updated in 2009, and unfortunately reflects the limited experience Ontario had with DERs at that time. There are concerns that this lack of clarity is inhibiting the growth of these new technologies in Ontario.

In response to these concerns, the OEB has sought to minimize differences in its treatment of customers across different service areas. It intends to develop further requirements to standardize connection processes, while maintaining the reliability of the Dx system and fairness to customers. This standardization effort forms a part of a broader consultation process being led by the OEB.

This most recent consultation focuses specifically on connection issues in the context of DER technologies. The OEB has identified several high-level issues with the connections process, including standardization and clarity of definitions across jurisdictions, cost responsibility, timelines, and technical requirements. The OEB has sought input on the scope of a staff research report that will be done on these issues. CME is pleased to provide input and bring the perspective of Ontario's manufacturing sector to this consultation.

Detailed Comments:

Cost Responsibility

First and foremost, the CME believes that the OEB should focus on the impact any regulations will have on ratepayers. To this end, the OEB should consider the impact of DERs on the total system cost in order to inform individual cost responsibilities.

Before the OEB approves the costs of connecting a DER system, it should consider if doing so will create a net benefit to the system, or if the benefits will only accrue to the DER customer. This will require a business case, which in turn will require knowing all of the costs associated with connecting DERs. These would include the physical connection costs, ancillary costs, shared organizational costs, market costs, and possibly others. The OEB must consider how these costs would be determined, and who would pay for what.

CME believes that if such a business case can show that a DER connection provides a benefit to the total system cost, then it should be regulated. Since all ratepayers will benefit from the connection, it is fair that they should share in the cost. However, if the business case fails to show any net benefit, then the technology should be kept in the unregulated base. Since only the DER customer will benefit, they should bear the costs, and all associated costs should be kept out of the ratebase. It would be unfair and uneconomic to expect Ontario ratepayers to foot the bill for systems that only benefit certain customers.

Standardization

CME agrees that it is important to get everyone on the same page throughout the process. Achieving this means standardizing processes and definitions, so that they do not differ between jurisdictions.

Process Timelines

CME considers that process timelines will be associated with the actual needs of the system for DERs. If a business case can prove that this need exists, then DERs should proceed. So long as this is done, CME has no position on how long the process may take.

Solution Development Approach

Whichever solution is pursued or developed, CME believes there are a number of principles that should be followed by the OEB when developing an approach which includes:

- **Evidence-based objectiveness:** To objectively prove the benefits and feasibility of a given solution.
- **A transparent process:** To inspire trust in the regulatory process, and show to ratepayers that they are being protected.
- **The consideration of all stakeholders:** To ensure that everyone is protected equally and fairly.
- **Lower total system costs:** To ensure DERs being connected are benefiting all ratepayers and conversely, so that a few customers do not benefit at the expense of other ratepayers.
- **A business case:** To clearly show the costs and benefits of connecting DERs so that more informed decisions can be made.

Recommendations:

Based on the collective concerns of our membership, CME recommends that an approach for developing solutions should include:

1. **The OEB must ensure that costs to connect DERs fall on those that are reaping the benefits.** Whether that is all ratepayers because the addition of these technologies provide a net benefit to all, or the individual customers who are opting to purchase for themselves. This is the only way that makes sure the costs are distributed fairly.
2. **Identify all associated costs with connecting DERs.** To prove that connecting a DER provides more value to the system than it's cost requires a full accounting of the associated costs prior to connection. This extends beyond the physical connection costs to any costs that appear due to the DER such as ancillary costs due to increased intermittency. inspire trust in regulatory process, and confirm to ratepayers that they are protected.
3. **Require a business case for connecting DERs.** There needs to be a formalized process that accounts for all of the benefits and costs associated with the connection of a DER that then determine whether the costs should be shared by all and put into the ratebase, or borne by the DER customer.
4. **Conduct all processes in an open and transparent manner.** Determining which costs are put into the ratebase needs to be transparent to all and be supported by evidence-based objectiveness, so that it is clear to all ratepayers why they may see their costs go up, and what the associated benefits of that are.

CME would be pleased to discuss with the OEB our response in more detail.



About Canadian Manufacturers & Exporters (CME)

Since 1871, CME has been fighting for the future of Canada's manufacturing and exporting communities and helping them grow. The association directly represents more than 2,500 leading companies nationwide. More than 85 per cent of CME's members are small and medium-sized enterprises. As Canada's leading business network, CME, through various initiatives including the establishment of the Canadian Manufacturing Coalition, touches more than 100,000 companies from coast to coast, engaged in manufacturing, global business and service-related industries. CME's membership network accounts for an estimated 82 per cent of total manufacturing production and 90 per cent of Canada's exports.

Contact Information:

Alex Greco

Director, Manufacturing Policy, Canadian Manufacturers & Exporters

Alex.greco@cme-mec.ca

Marc Brouillette

Principle, Strategic Policy Economics

Special Advisor, Energy and Environment, Canadian Manufacturers & Exporters

marc@strapolec.ca