

ONTARIO ENERGY BOARD

**Utility Remuneration and
Responding to Distributed Energy Resources**

**Building Owners and Managers Association, Greater Toronto's ("BOMA")
Comments on OEB Staff Preliminary Proposals for the Scope of each Initiative related to
Utility Remuneration and Distributed Energy Resources**

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1. Background

BOMA is pleased to provide its comments on the various sections of this document, which are of most importance to its members, many of whom wish to take greater advantages of benefits of using distributed energy resources ("DERs"), including but not limited to:

- *adding to resilience for the business functions of its members whose tenants are major financial and information management businesses in Toronto, the heart of Canada's financial sector.*
- *Reducing sector costs with increased opportunities for achieving synergies between and among buildings which are adjacent to each other. (The City of Toronto identified over thirty such nodes in Toronto alone. Additional opportunities are available to member organizations with operations in other major metropolitan areas of Ontario.)*
- *DERs should be preferred over centralized generation, transmission and distribution where they are the least cost options.*

BOMA's Comment: Unless the Board fully integrates the elements listed in the Staff report, it may not be possible to achieve the necessary harmony in a consultation process. Having two separate consultation processes will not likely deliver the resolution required to address this issue that has plagued the electricity sector since its beginning.

2. Guiding Principles: Staff's Current Thinking

Consumer Centric:

- *The regulatory framework prioritizes cost containment and demonstrable value to consumers*
- *It enables greater consumer choice and control and empowers efficient investment decisions and behaviour*
- *It increases consumer confidence in the sector*

BOMA's Comment: Agreed, except a principle should be added with respect to environmental resilience.

Regulatory Effectiveness:

- *The regulatory framework is practical to administer in terms of cost and complexity while enabling appropriate oversight*
- *It is predictable insofar as its rules and requirements are applied consistently in similar circumstances*
- *It is also adaptable, flexible and sustainable*

BOMA's Comment: General agreement but without more clarity on enabling appropriate oversight, BOMA reserves comment on that principle.

Economic Efficiency and Performance:

- *The regulatory framework focuses on outcomes and promotes economic efficiency, cost-effectiveness, safety, reliability, service quality and long-term value for consumers*

BOMA's Comment: This principle's use of the term performance should include environmental and resilience.

Stable yet Evolving Sector:

- *The regulatory framework enables sector participants to adapt to change*
- *It maintains the opportunity for utilities to earn a fair return*
- *It neither precludes alternative business models that may be desirable nor impedes the entry of new entities*
- *It encourages optimal use of existing assets, as new technologies and approaches to providing energy services are adopted*

BOMA's Comment: Long term proposals for new capital investments by LDCs should be reviewed in ways that discourage the investment in new assets which then contribute to arguments with respect to stranded assets. The major LDCs have been approved to invest in their assets in the last decade at levels never seen before. Future distribution supply plans should include Local Integrated Resource planning and be consistent with Regional Energy Plans. The stranded asset argument has been used for decades with respect to any demand side options or distributed energy resources. An important regulatory principle is needed to end this specious argument.

3. OEB's Role & Approach: Staff's Current Thinking

The OEB should 'keep up' with sector evolution by:

- *Continuing to investigate whether and how current approaches may need to adapt*
- *Taking incremental steps to evolve the regulatory framework*
- *Proactively identifying and addressing issues (not waiting until problems occur to act)*

Rationale:

- *'Following' creates risk of excessive regulatory lag*
- *Heightened risk of cost avoidance by some customers*
- *Inadequate coordination of DER deployment and network modernization can delay and/or diminish potential benefits to consumers*
- *'Leading' creates risk of prematurely committing to a path*
- *Moving too quickly can increase risk of incurring higher than necessary costs for consumers*
- *Pace, trajectory and new drivers of change are unknown*

BOMA's Comment: These principles and their rationale are inherently contradictory. Ontario's generation, transmission and distribution utilities have had a protected role with respect to DERs since Ontario's Electricity Sector began' while the OEB has only had regulatory oversight for less than five percent (5%) of that time, its efforts of the past twenty plus years have been thwarted by the contractions that are represented in this staff position.

Having regard to the OEB's statutory objectives for natural gas and electricity, the role of OEB in responding to sector evolution should be to:

- *Engage and support the sector during a time of accelerating change*
- *Take steps to adapt the regulatory framework now that certain fundamental assumptions upon which it was premised are no longer true (e.g. you cannot store electricity, generation is always large scale and centralized, load will always grow, demand is passive)*
- *Help utilities adapt to change so consumers continue to be well-served*
- *Focus on removing unwarranted barriers so the market can evolve*

BOMA's Comment: Agreed.

The OEB's role should not be to:

- *Pick technology or market winners and losers*
- *Promote or prevent DER*
- *Protect utilities and consumers from change*

BOMA's Comment: Agreed but the second point should be governed by integrated resource planning.

4. Need for Action

Has staff accurately captured the opportunities and challenges for Utility Remuneration?

BOMA's Comment: Agreed.

Are the preliminary need statements appropriate?

Has staff accurately captured the opportunities and challenges for Responding to DERs?

BOMA's Comment: Agreed but the need statements must be clearer about what are the appropriate information and tools, e.g. Integrated Resource Planning and Consistency of Distribution System Plans with Regional Energy Plans. This underlying concept of integration will be a strong theme in all comments.

5. Objectives: Staff's Current Thinking

In staff's view, an objective is a specific outcome to be achieved by the policies being developed.

BOMA's Comment: Policies do not in and of themselves achieve outcomes. Outcomes are achieved through the combination of plans, programs and resources deployed within the limitations of policies governing the functions of the unit charged with achieving those objectives.

Overarching:

- *Strengthened utility focus on cost effectiveness and providing value for energy consumers as the sector evolves*
- *Consumers continue to be appropriately protected as markets for energy services evolve; customer choice does not negatively impact others*

Responding to DERs:

- *DER adoption and integration enhance overall value to energy consumers*
- *Utility infrastructure is optimally utilized as DER adoption grows; underutilized and stranded assets are minimized*

Utility Remuneration:

- *Utility incentives are effective at encouraging greater efficiencies and cost effectiveness*
- *Utilities consider all viable and practicable options for delivering utility services*

Has staff accurately captured stakeholders' input?

BOMA's Comment: None.

Are these objectives appropriate?

BOMA's Comment: The Statement of Objectives should not be separated into the two separate issues but stated in a way that captures the higher level of integration required for a successful consultation process. It is also unclear to whom these objectives would apply: the consultation process, the OEB, each utility or each DER.

6. Issues

Has staff accurately captured stakeholders' input?

BOMA's Comment: Agreed.

Are there any issues that have not been identified?

BOMA's Comment: BOMA supports an even broader definition possible for DERs referring to energy services in its broadest sense, including fuel switching, heat pumps and other technologies which fulfill the concept as distributed energy resources, but not limited to electricity or limited to connections or replacements of distribution level energy needs.

6.1 Staff's Preliminary Issues List

BOMA's Comment: While BOMA appreciates the creativity of this chart, it is not clear which organizations are responsible for managing which issues. The scope, contradictions and self interest in the full list of “*What we heard*” does not provide a basis for resolving such diverse sets of issues. Without clear overriding decision rules, such as integrated resource planning, environmental sustainability, and customer benefits, there will not be a possibility of consensus on the issues.

7. Defining the Scope

Is the preliminary scope appropriate?

BOMA Comment: There are two scopes included in Section 7. The Scope of the combined matters of EB-2019-0207/0288 needs to be determined prior to moving forward or individual working groups or proceedings will not find the common ground necessary to make the difficult decisions that will result in resolution of the long standing vested interests in the sector.

8. Consultation Process

Preliminary Guiding Principles for Consultations

- *Development of regulatory policies to support sector evolution is coordinated and consistent with other related OEB, IESO and Government initiatives*
- *Issues are prioritized and addressed in a measured and timely manner*
- *Development of regulatory policy options is informed by available evidence and empirical analysis*
- *Regulatory policy options are appropriate for Ontario*

BOMA's Comment: Until decisions with respect Issues and Scope, additional consultations will not likely be productive. The key step is a group commitment to the objectives.

ALL OF WHICH IS RESPECTFULLY SUBMITTED