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Ontario Energy Board
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March 27, 2020

Attn: Board Secretary

Re: Board File Number: EB-2018-0287/0288
Utility Remuneration and Responding to Distributed Energy Resources (DERs)

On behalf of the Canadian Solar Industries Association (CanSIA), I am pleased to provide the attached comments in respect of the Ontario Energy Board's (OEB) staff presentation "Sector Evolution: Utility Remuneration & Responding to DERs - Defining the Scope & Approach to Work Based on Stakeholder Input" which was presented on February 20, 2020 during a stakeholder meeting.

CanSIA and its members applaud the OEB staff for this undertaking which we believe has the potential for laying a clear framework for customers who choose to adopt solar PV and other distributed energy resources (DERs) such as energy storage. CanSIA has developed this submission in consultation with the members of Nexus - a strategic project founded by CanSIA and operating in collaboration with the Canadian Wind Energy Association (CanWEA) that focuses on customer adoption of energy management technologies and enabling broader uptake of renewable energy.

Guiding Principles
CanSIA agrees with the OEB staff's current thinking with respect to the guiding principles[1] which will serve as values, criteria or standards to compare different policy options and develop a preferred approach.[2] In particular, we are supportive of the emphasis on "consumer centric" which is consistent with CanSIA's recommendation for being "customer centric".

[1] February 20, 2020 Staff Presentation, slide 14.
[2] Ibid, slide 13.

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We offer the following recommendations for consideration and further clarification:

1) OEB staff have recommended the terminology "consumer centric" over "customer centric" as an acknowledgement that users of electricity may not be customers of a distributor. **CanSIA asserts that the use of the term "consumer" should not be used to imply that "consuming" electricity is inherently valuable**, acknowledging the benefits associated with energy efficiency, new choices that may be available to customers through self-supply options, and participation in Independent Electricity System Operator (IESO)-administered markets (i.e., Capacity Auction). We also note that the term "customer" is typically used by the OEB to refer to consumers and generators that have a connection to the distribution system.

2) Consistent with the focus on "consumer centric" and increasing consumer confidence, CanSIA recommends that this also include recognition of past investment made by customers in response to programs or price signals. Consumer confidence is intrinsically linked to providing consumer choice, especially as it relates to their confidence in making new investments.

3) CanSIA recommends that the guiding principles include a reference to "competition" within the electricity sector. While the OEB staff's current thinking articulates the priority for economic efficiency and performance, we believe that greater emphasis on promoting competition to drive cost reduction merits consideration. For example, the importance of ensuring an open and fair competition for the procurement of non-wires alternative (NWA) solutions.

OEB's Role and Approach

CanSIA agrees with the OEB staff's current thinking with respect to the OEB's role and approach[3]. We believe that it is appropriate for the OEB to "keep up" rather than to "lead" or to "follow". That said, in order to effectively "keep up", the OEB will need to dedicate resources to monitor trends and anticipate the need for changes to ensure that it does not find itself lagging. We also recommend that the OEB identify reporting metrics that could be used to assess whether the OEB is striking the right balance in its approach.

We recommend that the OEB more clearly articulate how recommended changes will be implemented. Certain changes may require legislative or regulatory amendments, while other changes may be implemented via an amendment to OEB codes, and industry requires clarification on the OEB's approach – For example, will the OEB prepare summary and recommendation reports for consideration by government decision-makers? If so, will the reports be publicly available?

[3] Ibid, slides 21-22.

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Need for Action

In response to feedback from stakeholders, the OEB staff have proposed "needs statements" to ensure that there is a common understanding of "what" the initiatives are trying to achieve and "why." While we understand the intent behind providing this guidance, CanSIA finds that the OEB staff's needs statements are somewhat vague and high-level[4].

Utility Remuneration:

1) Under the current framework, utilities should already "consider all viable and practicable options… in order to pursue the most cost-effective ones." The challenge is not that there are new options for delivering services, but that there is no established common framework for identifying, evaluating and selecting the option(s) that maximize value to customers. Given that "less capital-intensive solutions" or service-based solutions (i.e., OPEX) may be incorporated into distribution system plans over time, there is a need to ensure that the profit-making incentives to utilities are appropriate given the potential for a shrinking rate-base overtime.

2) The OEB staff have suggested that "[there] is a need for the regulator to continue to have appropriate information and tools to assess utility proposals". CanSIA asserts that beyond the regulator, customers also desire greater access to information for the purpose of informing usage and investment decisions. As distribution system planning becomes more complex, regulators have a risk of increasing information asymmetry with the utilities. Therefore, rather than burdening the regulator with an overwhelming volume of data, appropriate mechanisms need to be developed to manage information asymmetry when it occurs, and ensure that utilities make available the most accurate possible estimates of future expenditures.

3) CanSIA seeks clarification from the OEB staff with respect to "the need to appropriately allocate evolving risks". Specifically, we note that the OEB staff have stated that "cost allocation" is not in scope for this initiative. It would be challenging to evaluate risk allocation without also assessing cost allocation.

4) CanSIA asserts that the "continuous review and improvement" of regulation is not a novel element associate with utility remuneration. This should be a practice that is consistently applied to all aspects of electricity regulation and policy. CanSIA agrees that the review of utility remuneration should be "holistic", however, this is not a need in and of itself.

   The OEB acknowledges that effective regulation requires continued review and improvement and established a need to "review the OEB's approach to utility remuneration holistically to integrate adjustments in response to sector evolution". A well-defined procedure is needed to integrate this process in the broader regulatory environment and **ensure adequate and timely response to changes**

[4] Ibid, slide 25 and 27.

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in the sector. Disruption to the electricity sector will continue, and regulation needs to be nimble enough to ensure benefits are captured and unintended negative consequences are avoided.

5) CanSIA asks OEB staff to consider adding NWA sourcing (e.g., planning and procurement practices) as well as the identification of appropriate amendments for utility remuneration modeled (e.g., shared savings mechanisms) to the needs statement list.

Responding to DERs

1) CanSIA agrees with the emphasis on improved system planning. However, it appears that OEB staff are focusing on customer adoption of self-supply or other behind-the-meter resources. CanSIA asserts that the scope of this engagement should explicitly include "front-of-the-meter" applications that may be developed as NWAs or in response to another system need (i.e., Capacity Auction or other IESO procurement for resource adequacy purposes), or may otherwise be connected based on customer demand. For example, this may include the connection of renewable supply, energy storage, or hybrid renewable and storage systems.

2) CanSIA asks that the OEB staff consider adding "coordination between the distribution-transmission interface" to the needs statement list. This includes coordination in respect of planning, procurement and system operational considerations such as DER visibility. As more DERs are connected, utilities may need to take on new roles and responsibilities. The description of these new functions will inform the utility business model, approaches to distribution services, and ultimately should be aligned with the utility remuneration framework (i.e., performance of distribution services.)

Objectives

CanSIA agrees with the OEB staff's definition of "objective"[5]. While we agree with the intent of the objectives, we acknowledge that several the objectives are not exclusive to this initiative and in some cases are already adopted within the current regulatory framework (e.g., "focus on cost effectiveness"). We also recommend that the OEB provide more specificity to certain objectives to ensure that they are measurable.

[5] Ibid, slide 32.

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	Staff's current thinking	CanSIA's suggestion
Overarching	Strengthened utility focus on cost effectiveness and providing value for energy consumers as the sector evolves	This objective is not specific to this OEB initiative. The current framework already creates a need for the utilities to focus on cost effectiveness. Rather, the objective should focus on establishing a common framework for developing, evaluating and assessing options for continued cost-effective services.
	Consumers continue to be appropriately protected as markets for energy services evolve; customer choice does not negatively impact others	This objective is not specific to this OEB initiative. The current framework already establishes consumer protection against impacts with respect to the choices of others. Rather, this objective should focus on ensuring appropriate risk allocation and price signals to reflect the costs and benefits of customers who make use of the grid infrastructure in different ways.
Responding to DERs	DER adoption and integration enhances overall value to energy consumers	CanSIA agrees with this objective. CanSIA suggests that the OEB better define the meaning of "overall value" as this appears to be subjective and may not be uniform across all consumer groups.
	Utility infrastructure is optimally utilized as DER adoption grows; underutilization and stranding of assets minimized	CanSIA agrees with this objective, however we believe that it should be expanded to include optimal use of all grid connected assets. For example, contracts for services from customer assets, where cost effective and appropriate, before new utility investments are made (i.e., all technically feasible, cost-effective NWAs)
Utility Remuneration	Utility incentives are effective at encouraging greater efficiencies and cost effectiveness	This objective is not specific to this OEB initiative. The current framework already encourages utilities to be cost effective and efficient. Rather, the objective should focus on establishing appropriate profit-making incentives in recognition of DER adoption (i.e., new services, performance metrics.)
	Utilities consider all viable and practicable options for delivering utility services	CanSIA agrees with this objective, however it should be expanded to include selection and implementation of best-fit options.

Issues

CanSIA applauds the OEB staff for identifying and effectively categorizing the range of issues[6] that were identified during the September 2019 stakeholder meetings and subsequent written submissions. We recommend adding the following to the current list:

1) DER Value, Cost & Benefit (Slide 38 and 39):
    a. How will the IESO's Market Renewal Program impact the locational value of DERs with the implementation of locational marginal prices for electricity generation?
    b. How will revenues associated with wholesale market participation be applied to the DER value-stack?
    c. How will cost recovery mechanisms impact the value-stack of DERs (i.e., Global Adjustment)?

[6] Ibid, slides 25-49.

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d. How might customer-owned DERs be valued and leveraged by LDCs (i.e., ownership-agnostic approach)?
e. How do utility billing practices impact the value of DERs (i.e., Gross Load Billing)?

2) Planning and Operations (Slide 41 and 42): How should the planning at the distribution level align with planning and procurement for the purposes of resource adequacy (i.e., IESO Capacity Auction and other procurements)?
3) Role of Competition (Slide 44): How will activities at the distribution level impact wholesale market prices?
4) Change Management (Slide 47): Change management should also apply to the Industrial Conservation Incentive (ICI) participants.

We note that there is reference to utility deployment of NWA solutions, and recommend that the OEB also include a discussion on procurement practices that could be consistently applied across the province. For example, New York has established a common framework for the planning and procurement of NWAs, which is applied consistently across the state.[7]

Defining Scope

CanSIA is encouraged by the scope suggested by the OEB staff for both engagement initiatives[8]. The division of activities in each initiative is generally consistent with the breakdown suggested by CanSIA during the September 2019 stakeholder meetings. CanSIA offers the following for consideration.

General

CanSIA continues to assert that it will be difficult to avoid a discussion on cost allocation, pricing and rate design in the context of utility remuneration and responding to DERs. Pricing and electricity rate design are directly linked to the investment signal for consumers related to DER adoption and impact the revenue expectations of utilities.

We recommend that the OEB staff not shy away from these questions. We suggest that the OEB staff identify a clear process that would ensure that matters arising from further consultations on utility remuneration and responding to DERs related to cost allocation, pricing and rate design are tracked and accounted for in relevant future consultations.

[7] New York Joint Utilities. 2016. Supplemental Distributed System Implementation Plan. Case 16-M-0411 In the Matter of Distributed System Implementation Plans. Retrieved from: https://jointutilitiesofny.org/wp-content/uploads/2016/10/3A80BFC9-CBD4-4DFD-AE62-831271013816.pdf
[8] February 20, 2020 Staff Presentation, slides 51 and 52.

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Utility Remuneration

1) The scope should explicitly include reference to NWAs, specifically how NWAs are identified, selected and procured by utilities. The current scope does not sufficiently emphasize removing barriers for NWAs and ensuring that competitive mechanisms are used to select best-fit NWA solutions.

2) CanSIA seeks clarification regarding "Treatment of non-utility activities within the regulated utility". This appears to be overly broad and risks misinterpreteation. CanSIA assumes that the OEB will continue to maintain clear guidance on regulated utility activities that are eligible to receive a regulated return, and that services that could be provided from the competitive market would not be regulated.

Responding to DERs

1) CanSIA seeks clarification with respect to "Common framework for identifying DER costs and benefits in Ontario". Is this a common framework that should be applied across all Ontario utilities? Or is the scope broader to include IESO? As we have noted, the Market Renewal Program introduces locational marginal pricing, and the OEB has not yet clarified how OEB codes (i.e., Retail Settlement Code, Distribution System Code, etc.) would be revised to reflect locational pricing. It is particularly unclear how distribution-connected resources that are not IESO market participants would be compensated under the renewed market.

2) Specific to "enhanced system planning", CanSIA recommends that the scope specifically include information and data sharing that would affect DER uptake. While hosting capacity maps are a subject for discussion under the OEB's DER Connection Review (EB-2019-0207), hosting capacity maps on their own do not provide sufficient information to customers about the locational value of DERs (i.e., where might DERs provide benefits to the grid?). In addition, this topic should include information about optimizing the benefits of existing resources connected to the distribution system.

3) CanSIA seeks clarification with respect to "Roles, responsibilities, rules and requirements for sector participants engaging in DER activities." Does this include a review of coordination between the transmission and distribution interface? Can the OEB staff specify what DER activities should be included in this scope?

Other relevant initiatives

It is helpful that the OEB staff lists other OEB and IESO initiatives related to this engagement[9]. CanSIA would recommend adding the following IESO engagements to the lists:

1) Market Renewal Program
2) Capacity Auction Engagement

[9] Ibid, slides 54 and 55.

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3) Regional Planning Process Review
4) Energy Storage Advisory Group[10]
5) Annual Planning Outlook
6) Resource Adequacy Engagement

Further, CanSIA recommends including initiatives related to the Government of Ontario, specifically the continuation of the Consultation on Industrial Electricity Pricing, including considerations related to the ICI. In addition, the OEB should be mindful of potential regulatory changes that may occur, such as enhancements to the net-metering regulation.

Consultation Process

CanSIA appreciates that OEB staff have outlined the high-level objectives of the consultation process[11], and acknowledge that it is challenging to clearly describe the consultation at this stage. Once the scope has been finalized, we recommend that the OEB staff prepare a draft engagement workplan for stakeholder comment and input. The workplan should clearly articulate the priority files to be reviewed, suggested meeting schedule, and timeframes for research and stakeholder input.

Concluding Thoughts

CanSIA supports the steps OEB staff have taken in framing the discussion and assessing priorities. These initiatives will have a significant impact on the renewable energy and storage sectors, and could create a strong foundation for future investment opportunities recognizing the potential services that DERs may be able to offer cost-effectively to the electricity system and consumers.

The use of DERs as NWA solutions that can avoid or defer traditional infrastructure investments is a priority area of interest for CanSIA members. To this end, we have developed a discussion paper to review best practices for NWAs, appended to this submission for consideration.

We look forward to next steps and the opportunity to contribute to future discussions.

Sincerely,

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[10] While the Storage Design Project is listed, the mandate of the Energy Storage Advisory Group is broader.
[11] February 20, 2020 Staff Presentation, slides 58-60.