

April 30, 2020



**Via Email and RESS**

Ms. Christine Long  
Registrar and Board Secretary  
Ontario Energy Board  
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**Independent Electricity System Operator**

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Dear Ms. Long:

**Re: Independent Electricity System Operator Letter of Comment  
Stakeholder Session: Utility Remuneration and Responding to DERs Initiatives  
Ontario Energy Board File Numbers: EB-2018-0287 and EB-2018-0288**

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On February 20, 2020, Ontario Energy Board staff (OEB Staff) held a stakeholder session and gave a presentation on Energy Sector Evolution for its Utility Remuneration and Responding to Distributed Energy Resources (DERs) initiatives (collectively the “policy initiatives”). At this stakeholder meeting, OEB Staff set out its current thinking on guiding principles, objectives, preliminary issues, and the scopes for its policy initiatives and invited stakeholders comment on these items.

The Independent Electricity System Operator (IESO) is responsible for maintaining the security and reliability of electricity supply in Ontario and for directing the operations of the IESO-controlled grid. The IESO also has the mandate to ensure the adequacy and efficiency of electricity supply in the province through planning of electricity supply and demand.

The IESO is providing comment to OEB Staff’s presentation from the perspective of its responsibilities as the system operator and wholesale market administrator.

***Guiding Principles: Staff’s Current Thinking<sup>1</sup>***

The IESO is supportive of the proposed guiding principles for the policy initiatives but also recommends including an explicit reference to promoting fair competition. The IESO supports the current principles of maintaining a focus on enabling greater consumer choice and

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<sup>1</sup> OEB Staff Presentation, *Energy Sector Evolution: Utility Remuneration & Responding to DERs, Stakeholder Meeting*, February 20, 2020, P.14. Accessed via: <http://www.rds.oeb.ca/HPECMWebDrawer/Record/667338/File/document>

promoting economic efficiency, cost-effectiveness and reliability because these align with the IESO's purpose, vision and strategy.

As highlighted by the IESO and other stakeholders during this consultation process, enabling effective and fair competition amongst sector participants is a key mechanism to help ensure the objectives of these policy initiatives are achieved. It is the IESO's view that a regulatory environment that allows for open and fair competition to provide electricity products and services should result in the best long-term cost outcomes for Ontario ratepayers. As such, the IESO recommends that the OEB explicitly include the concept of promoting fair competition within the guiding principles.

In defining the OEB's role and approach, OEB Staff have noted that it is not the OEB's role to pick technology or market winners or losers, promote or prevent DER, or protect utilities or consumers from change. The IESO notes that by avoiding these roles the OEB is leaving these outcomes to the marketplace, further supporting the need for fair competition as a guiding principle within the policy initiatives.

#### ***OEB Staff's Preliminary Issues List<sup>2</sup>***

The IESO is supportive of OEB Staff's preliminary issues list but also recommends that the OEB modify the last sentence of the Planning and Operations issue to read, "How to encourage better coordination of planning and operations?" to reflect the need to better coordinate operation of DERs across the transmission and distribution systems as more DERs participate in wholesale markets. This clarification will help to ensure that the connection of DERs is well coordinated with the IESO's transmission planning activities such as getting the information it needs on DER installations. Currently, this is largely accomplished through regional planning.

#### ***Preliminary Scope: Utility Remuneration and Responding to DERs<sup>3</sup>***

The IESO is generally supportive of the proposed scope for the policy initiatives. However, the high level nature of the items within the Preliminary Scope for Responding to DERs should be clarified so that the scope of each item is consistent with the IESO's wholesale markets. As written, coordination is only explicitly called out for "enabling DER services to the distribution system, including aligning with other initiatives on enabling DER services to the bulk system and directly to consumers". The OEB's policy initiatives should focus on ensuring DERs are compensated for services that they provide and not covered by existing markets or markets that are being developed.

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<sup>2</sup> Ibid, P.14

<sup>3</sup> Ibid, P.51-52

Further clarity is also requested on whether discussion related to the potential for the creation of competitive distribution level markets for DER services is within scope. The IESO is of the view that the establishment of fair and competitive markets requires external, unbiased regulation, or, the establishment of a distribution level market administrator. As such, the potential for the creation and use of competitive markets should be within the scope of this initiative.

#### ***Relevant IESO Initiatives<sup>4</sup>***

The IESO would like to bring to the attention of OEB Staff that the list of relevant IESO initiatives does not list the IESO's Regional Planning Process Review initiative. The IESO is currently seeking feedback from stakeholders and communities to consider lessons learned and findings from the previous Regional Planning and other regional planning development initiatives, such as pilots and studies. As part of its stakeholder engagement, the IESO will be reviewing:

- key areas in the process for enhancement;
- potential barriers to implementing non-wires solutions (i.e., DERs) in regional planning;
- opportunities for potential coordination between bulk system planning, community energy planning, regional planning and market renewal;
- developing a coordinated, cost-effective, long-term approach to Replacing Transmission Assets at End of Life; and
- providing feedback and advice on engagement approaches and materials.

The IESO proposes the OEB to include the Regional Planning Process Review initiative to the list of relevant IESO initiatives as DER resources will be considered from a regional planning perspective and are within the scope of this initiatives.

#### ***Stakeholder Consultation Process***

The IESO is supportive of OEB Staff's proposed approach to managing ongoing consultation by prioritizing issues and using working groups to address specific topics or issues. This approach will allow for action on issues of immediate concern while also allowing larger policy questions to advance with the necessary discussion and consideration.

The IESO also highlights that several of the issues identified in the OEB Staff's Preliminary Issues List are related to IESO functions and initiatives. As such, the IESO supports close coordination with the OEB. For example, determining the Value, Cost and Benefits of DERs,

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<sup>4</sup> Ibid, P.55

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and encouraging efficient Planning and Operations, will likely require joint analysis and planning work in order to reach optimal outcomes. The IESO supports coordination for these types of shared issues.

By coordinating efforts within Ontario's electricity sector in support of improved cost-effectiveness and reliability for ratepayers, the OEB, the IESO and others can make efficient use of resources such as stakeholder and staff time while highlighting areas where integrated regulatory, market and policy efforts are necessary.

As a next step, the IESO proposes that the OEB seek feedback on the prioritization of issues to be addressed within this consultation in order to determine which issues could be addressed within shorter time frames.

The IESO appreciates the opportunity to provide comments on the issues and questions identified in the OEB's letter. If you have any questions, please contact me at 416-957-3594 or by email at [devon.huber@ieso.ca](mailto:devon.huber@ieso.ca).

Yours truly,

A handwritten signature in blue ink, appearing to read 'Devon Huber', is written over a light blue circular stamp.

Devon Huber  
Senior Manager, Regulatory Affairs