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Ms. Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge St., Suite 2700
Toronto, ON M4P 1E4

Submitted via RESS

Re: Utility Remuneration (EB-2018-0287) and Responding to Distributed Energy Resources (EB-2018-0288) – Toronto Hydro Submissions

Toronto Hydro-Electric System Ltd (“Toronto Hydro”) is the local electricity distribution company (“LDC”) for the City of Toronto, serves 780,000 customers, and delivers 18% of the electricity consumed in Ontario. Toronto Hydro implemented a rate reduction of 17.4% for the typical residential customer in 2020, the first year of a five-year plan approved by the OEB. That plan sought and received approval to use Distributed Energy Resources (“DERs”) in lieu of traditional utility investment and to better serve its customers. In addition, Toronto Hydro is a leading enabler of non-utility DERs, with more than 2,000 connected to its grid. This submission draws on these various regulatory, planning, and in-the-field experiences with DERs.

Toronto Hydro is a member of the Ontario Energy Association and the Coalition of Large Distributors and is a signatory to both of those submissions. Through this separate submission, Toronto Hydro is providing additional comments for the OEB’s consideration.

Context

This proceeding was initiated in 2018/2019, prior to the modernization of the Ontario Energy Board (“OEB”) and its change in leadership. While it is important for regulatory certainty to have continuity in policy-making over time, Toronto Hydro notes that the modernized OEB and the new leadership have a unique opportunity to reorient the focus of the OEB, including with respect to this file.

Customers over Technology

This policy proceeding was initiated with a decidedly technology-focused orientation. This is reflected in the recent and previous reports produced by the OEB’s consultants, LEI and ICF. The ethos appears to be that DERs are inherently good, and therefore all barriers to DER adoption ought to be removed. This technology-first refrain is familiar to many in the Ontario energy sector.

Toronto Hydro encourages the OEB to consider the history of putting technology first. One of the more infamous examples is the Liberal Government’s 2009 Green Energy and Green Economy Act (“Green Energy Act”). By picking certain technologies (which included DERs), the previous Government

committed Ontario to a path that had many consequences, including higher electricity prices. Those higher prices had significant repercussions, and were ultimately a major driver of opposition by communities and ratepayers across the province. Some of the signature actions of the current Progressive Conservative Government were aimed at reducing electricity prices, and dealing with generator citing considerations driven by the technology-first approach of its predecessor.

Toronto Hydro recommends that the OEB expressly refocus this proceeding on customers and how their needs and preferences are affected by DERs. Whereas the Green Energy Act by-passed the regulator, this DER policy proceeding is properly in the hands of the public interest regulator.

Customers, governments, and utilities are all in agreement that the three most important public interest priorities of the energy sector are price, reliability, and safety. If DERs improve those priority outcomes, then OEB policy should allow for them. The job of the OEB is not to create markets for DER companies. The OEB's mandate is to protect customers, including from those who would drive up prices or drive down reliability or safety. If the OEB is going to avoid the pitfalls of the Green Energy Act, it must weigh the benefits of DERs against the direct and indirect implications for price, reliability, and safety for all customers. The OEB is well-situated to perform these sorts of analyses, just as it did in Toronto Hydro's most recent major rate application.

Clean over Carbon

While price, reliability, and safety are consistently cited by the public as the top priorities for the energy sector, there is no question that combatting climate change is a pressing societal threat. However, the mantra touted by many to "get off the grid" through DERs as a climate-saving strategy is likely an American narrative that's spilled over the border. In 2020, the Ontario grid was 93% emissions-free. Meanwhile, DERs are often carbon-fueled.

Toronto Hydro encourages the OEB to consider that one of the most prevalent DERs in Ontario is natural gas-fired generation, often under such monikers as combined heat and power ("CHP"). Enabling DERs very much includes enabling GHG-producing DERs.¹ To the extent that new natural gas-fired DER generation is displacing clean grid-supplied generation, it moves Ontario away from a clean energy future. Despite a focus in this proceeding on photovoltaic and battery technologies, Toronto Hydro's experience is that CHP and other gas-fired DERs are a much bigger part of the DER footprint in Ontario.² Natural gas DERs are common features of many energy projects, such as district energy systems and microgrids. These are often characterized as clean despite carbon footprints that may in fact be substantially greater than the Ontario grid.

¹ To be clear, natural gas was and remains an essential "transitional fuel" on the path to a net zero future. Without natural gas as a thermal energy source or a fuel for electricity generation, Ontario would presently suffer major price and reliability shockwaves that would cause serious economic hardship and inconvenience.

² Toronto Hydro observes that many Global Adjustment Class A customers in Ontario have behind-the-meter gas-fired generation, as do a large number of Class B customers to support peak-shaving and back-up power.

Toronto Hydro recommends that the OEB consider the climate implications of the carbon-fueled resources that stand to be enabled by this proceeding. The Federal and Provincial Governments have made high profile commitments to address climate change, making it especially critical that this policy proceeding change course and demonstrate a climate change conscientiousness. The OEB's choices today in that regard will lock those resources into the supply mix out beyond 2040. It is in the public interest that better evidence come forward in this proceeding with respect to those lasting impacts.

Net Zero and Net Gain over Zero Sum

Toronto Hydro observes that during this policy proceeding, some participants have given voice to a "zero sum" perspective. They have cultivated a sense that LDCs need a reduced presence in the sector so that DER companies can fill that space.³ Toronto Hydro encourages the modernized OEB to reject that cynicism and take an optimistic and holistic view of the emerging energy sector.

As discussed in the section above, new technologies (or improved existing ones) that have beneficial price, reliability, safety, and climate outcomes are the sort of innovations that are both consistent with the OEB's renewed objectives and that align closely with the interests of customers, the government, and utilities. Moreover, the alternative orientation is outdated and pessimistic and misses the simple fact that Ontario will increasingly need more clean energy from its electricity providers, not less.

There may well be a significant place for DER companies in that future. Lately, the Ontario Government has intervened with multiple rounds of subsidies, recognizing that the IESO's electricity supply prices continue to escalate beyond what customers will tolerate. Eventually DERs may be able to compete in the IESO market on price and other features. As Ontario needs more clean electricity in the years and decades to come, as electrification increasingly displaces carbon-based energy sources, there will both be increased need for supply resources, as well as an increased need to connect those resources to customers to grids that spread the benefits broadly within and among communities.

Indeed, Toronto Hydro expects that DER manufacturers, installers, operators, maintainers, and other vendors in that technology space will deliver DERs that concurrently expand Ontario's electricity supply capacity and equip transmitters and distributors who will use them as part of increasingly complex grid operations. The OEB's decision in Toronto Hydro's major rate proceeding is evidence of that: funding approvals were granted both for utility DERs and utility investments to enable non-utility DERs. The economics of DER technology are already leading to their consideration as options for supply and distribution enablers with positive outcomes for all customers.

³ This framing is largely underpinned by the misguided notion that DER companies lower costs and improve reliability, relative to utilities. In fact, DER companies overwhelmingly rely on subsidies (e.g. NRCan grants, the IESO's Industrial Conservation Incentive), which simply shift costs to taxpayers or other ratepayers. That is, for every customer who pays less because of DERs, other customers, many of whom will never be able to afford DERs or have the sort of structure to host them, pay more.

Toronto Hydro recommends that the OEB reflect in its DER policy-making the foreseeable future's "rising tide that will raise all boats." That "tide" is already rising through the shifts by governments, consumers, and businesses toward carbon-neutral and carbon-reducing policies, choices, and products. Zero sum is out; net zero is in; net gain is in.

The modernized OEB is tasked with ensuring that the energy systems it oversees "innovate." Toronto Hydro respectfully submits that the OEB should do so not as a stand-alone pursuit, but as a means to statutory ends: customer protection on price, reliability, safety, etc.⁴ The "tide" does not require regulatory stimulation, it is already rising. However, the implications of that rising tide, especially as they impact customers, but also as they impact regulated utilities, ought to be the focus of the OEB in this policy proceeding.

Conclusion

Now is an optimal time for the OEB to take note of the issues laid out above and chart a course that is pro-customer and pro-clean, and net zero and net gain. Toronto Hydro respectfully submits that this is more positive path available to the modernized OEB in this important policy proceeding, and will result in better outcomes for customers and other stakeholders.

Please direct all correspondence, including any concerns with the above, to the email address regulatoryaffairs@torontohydro.com.

Sincerely,



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Toronto Hydro-Electric System Limited

⁴ See references above to the Green Energy Act where the objective of innovating overtook other outcomes that matter to customers. Price is often pointed to, but recall that innovation also led to location concerns, and there were consumer protection, building safety, and broader regulatory issues.