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Via RESS

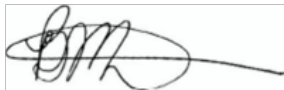
Ruta Budininkas
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor Toronto, ON M4P 1E4

Re: EB-2018-0287/0288 OPG Comments

Please find attached Ontario Power Generation Inc.'s comments in the OEB's consultation for the above referenced initiatives.

If there are any questions with respect to these comments, please do not hesitate to contact me.

Yours truly,



Brenda MacDonald

Introduction

The Ontario Energy Board (“OEB”) held a stakeholder meeting on February 3, 2021 as part of its Utility Remuneration and Responding to Distributed Energy Resources (“DERs”) consultation processes. The stakeholder meeting featured presentations of study results from London Economics International LLC and ICF. The OEB notified stakeholders on January 18, 2021 of the opportunity to file written comments on the findings and recommendations made in the two reports, as well as next steps in these consultations.

The following comments from OPG respond to recommendations put forth in ICF’s DER Impact Study (“the ICF report”), and focus on two areas:

- 1) The need for a competitive and level playing field; and
- 2) The timeliness of addressing recommendations.

Commitment to a Competitive and Level Playing Field

OPG continues to believe that developing an operating framework that delivers a level playing field is of utmost importance in ensuring that the full benefits of DERs are realized. In considering the recommendations laid out in the ICF report, OPG cautions the OEB against prioritizing areas that will simply increase the monopoly position of LDCs.

1. System Planning

One of ICF’s medium-term recommendations is to:

“Assess new frameworks for LDCs to evaluate the prudence and cost-effectiveness of monitoring and control and grid modernization investments”.¹

While OPG acknowledges that many LDCs currently lack frameworks for evaluating DERs as an alternative to investments in traditional poles and wires, grid modernization efforts will not succeed if their purpose is solely to have LDCs become more effective at integrating DERs into system planning. OPG generally supports ICF’s recommendation but suggests it be expanded to encourage competitive procurement of DER services. If an assessment framework is prioritized in isolation, as currently written in the ICF report, the initiative may produce barriers to entry for DER solutions not affiliated with the LDC. ICF identifies “practical challenges of competitive procurements” in New York and California² and offers standardized procurement frameworks as a potential long-term consideration, but it does not include this consideration within its summary of recommendations. OPG suggests that Ontario should place a higher priority on procurement framework and build on the lessons learned from jurisdictions such as

¹ ICF report, p. 52.

² ICF report, p. 43.

New York and California. Expanding ICF's recommendation to include competitive procurement will maintain the desired effect of increasing the use of DERs when cost effective to do so, while also ensuring that DER services are procured on a competitive basis.

2. Integration of LDC and IESO Administered Markets

Barriers to entry can be exacerbated depending on the integration of LDCs and the IESO administered markets, as highlighted on page 47 of the ICF report:

“[I]f DER are required to submit bids to LDCs for wholesale market participation in a layered coordination model, there may be concerns over transparency and creating a fair and competitive market arena for DER, particularly if the LDC is allowed to bid its own resources into the wholesale market... For instance, the OEB could consider the establishment of open-access guidelines governing LDC performance that ensure that an LDC's own (or an affiliate's) DER is not given a competitive advantage in instances of layered coordination models, where the LDC acts as the single point of contact for participation of DER in the wholesale market.”

This point also appears as a medium-term recommendation in the ICF report. OPG suggests that the OEB put a high priority on this recommendation and address as soon as feasible.

In its long-term recommendations, ICF suggests that the OEB:

“Collaborate with the IESO and LDCs to explore ways to place appropriate measures on DER participation in IAMs that minimize the risks for duplicative compensation”.³

While avoiding duplicative compensation is a valid concern, OPG suggests that this recommendation be broadened to “Collaborate with the IESO and LDCs to explore ways to place appropriate measures on DER participation in IAMs that minimize the risks for duplicative compensation, **promote competition and customer choice, and maximize benefits for ratepayers**”.

3. Data Sharing and Information Transparency

As communicated in previous submissions in this proceeding, OPG believes that a commitment to competition requires information transparency. In this regard, OPG agrees with ICF and encourages the OEB to focus on reporting requirements and data sharing as a priority item.

³ ICF report, p. 42.

In particular, OPG supports investigating what ICF describes as “[a] unified hub for sharing data from and between individual DER generators, aggregators, LDCs, and the IESO [that] could allow both DER and larger central station generators to offer flexibility services to the bulk electric grid”.⁴

Similarly, on page 40 of the ICF report, ICF recommends:

“Working with DER developers, LDCs, and the IESO to assess the need for centralized data hubs, as well as the types of data housed in these repositories, to provide timely information to all parties”.

OPG would like to underscore the need for this information to be shared with all parties. For a DER market to work efficiently and effectively, DER owners should have access to all relevant information in real-time and should not be at an information disadvantage vis-à-vis LDCs. This is particularly true in the case where LDCs are allowed to own DERs and operate in this space.

OPG’s only objection with ICF’s recommendation on centralized data hubs is that it appears as a long-term recommendation in ICF’s report. While OPG understands that a unified hub may take time to become established and effective, exploring the notion of such a hub, and ensuring open access to information, should be a priority consideration in the near-to-mid term.

Timeliness

OPG acknowledges that ICF’s timeline for recommendations is rooted in DER adoption assumptions that are subject to change. Nevertheless, OPG is discomfited by seeing important decision points contemplated in the 2027-2030 timeframe. The integration of DERs offer Ontario an opportunity to lower ratepayer costs, improve cost effectiveness of the grid and increase customer choice. Timely guidance on DER integration is imperative to realize the full benefits of DERs, and to ensure Ontario does not fall behind neighbouring jurisdictions.

For example, OPG has concerns with ICF’s comment that:

“While LDCs should be encouraged to find ways to integrate DER in the near- and mid-term, a common NWA cost benefit framework or solicitation guide may be best suited for medium and high DER penetration environments in the long-term (2027-2030).”⁵

⁴ ICF report, p. 38.

⁵ ICF report, p. 45.

This comment does not appear to be aligned with the point made elsewhere in the ICF report that New York and California are already in the early stages of incentivizing DERs where they can provide value to ratepayers as non-wire alternatives. While there have undoubtedly been challenges with these programs, ICF appears to be taking an unduly pessimistic view and ignores that New York and California will be well positioned to adapt its programs based on the learnings to date. Ontario will be left far behind other jurisdictions and will forego the potential benefits of cost savings of DERs if these issues are not addressed in the near future. For this reason, OPG does not support waiting until the end of this decade to develop an appropriate NWA framework.

Similarly, page 47 of the ICF report notes that:

“This study assumes integration of DER into the IAMs along the following timeframes: 2029 in the Low Scenario, 2026 in the Mid Scenario, and 2024 in the High Scenario”.

In regards to these timelines, OPG would simply draw attention to FERC Order 2222 and suggest that Ontario should avoid falling too far behind its U.S. neighbour. If regulatory action is delayed until the late 2020s, Ontario will have lost a major opportunity to lower ratepayer costs, improve the cost effectiveness of the grid, increase customer choice, and develop a vibrant homegrown DER industry in Ontario.