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Sector Evolution Consultations on Utility Remuneration and Responding to Distributed Energy Resources

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Submission
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Vulnerable Energy Consumers Coalition
(VECC)

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Vulnerable Energy Consumers Coalition

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1. Introduction

On March 15, 2019 the Ontario Energy Board (OEB) initiated two integrated consultation processes to support the evolution of the sector: Utility Remuneration and Responding to Distributed Energy Resources (DERs). The stated intention of these policy initiatives was to:

• Facilitate lower costs, better service and more choice for customers by encouraging utilities and other service providers to embrace innovation in their operations and the products they offer to consumers, and

• Secure the benefits of sector transformation and mitigate any adverse consequences.

On September 17-19, 2019 the OEB held a three day stakeholder meeting at which parties were invited to make presentations and comment on the scope of these two initiatives. More specifically, the purpose was to address the following questions:

• What objectives should the Utility Remuneration and Responding to DERs initiatives aim to achieve?

• What specific problems or issues should each initiative address?

• What principles should guide the development and selection of policy options?

On February 20, 2020, OEB Staff hosted a stakeholder meeting where it reported on the input received and set out its current thinking on scope, including objectives, issues and guiding principles for each initiative. In addition to the comments received during the meeting, the parties were invited to provide written comments on OEB Staff's preliminary proposals for each initiative.

On September 24, 2020 the OEB issued a letter announcing two expert studies it had commissioned, a COVID-19 Impact Study and a DER Impact Study, to assist in confirming the scope and next steps in the two initiatives. The studies were released on December 16, 2020. One study dealt with the overall financial and demand impacts of COVID-19 on Ontario's electricity and natural gas distribution utilities. The second study dealt specifically with the impact of the pandemic on DER. A third study by completed by ICF was released on January 18, 2021 and dealt with the forecast adoption of distributed generation and storage in Ontario over the next 10 years. This study also identified potential signposts for the timing of regulatory policy.

On January 18, 2021 the OEB also issued a letter inviting stakeholders to a February 3, 2021 meeting to discuss the results of the three studies and the implications of the studies on next steps in the OEB's policy work. Stakeholders were also invited to provide comments following the meeting on the findings and recommendations made by the experts as well as on the implications of the studies on the appropriate focus areas and sequencing of next steps in the Board's consultations.

Correspondence[1] from the Board following the meeting provided further direction regarding its request for comments:

> *"The OEB believes it is important to confirm the sequencing and pacing of issues to be addressed in the near-term, in order to undertake policy work that supports the evolution and innovation in the sector. To that end, we would appreciate receiving written comments on what the near-term priority work streams should be in respect of the OEB's responses to DERs and also for any related considerations in respect of the ways utilities are remunerated."*

Set out below are VECC's comments. The comments are divided into two parts. The first part comments on the findings of the three reports with respect to the various projections made. The second part deals with the focus and sequencing of the Board's policy work in the near term.

2. Consultants' Reports with respect to Impacts and Projections

2.1 LEI's COVID-19 Impact Study

This report addressed the impacts of COVID-19 on utility financial health, short- and longer-term electricity and natural gas consumption, and an examination of the roles of stimulus programs. Key findings and conclusions from LEI's COVID-19 Impact Study include:

- Electricity Demand in the Short-Term. The Study concluded that, in the short term, it is likely that the impact of the COVID-19 pandemic and associated economic uncertainty may result in lower-than-anticipated demand growth[2]. However, the impacts are uneven across the customer segments. The residential sector has seen an increase in usage while commercial and industrial segments have seen a decline

[1] E-mail dated February 5, 2021
[2] Page 12

and these relative impacts are expected to be sustained for over the near term[3]. Furthermore the impacts on the industrial and commercials sectors also vary materially with some segments seeing greater (negative) economic impacts than others, with the Accommodation & Food and Arts, Entertainment & Recreation being two of the hardest hit[4].

- Electricity Demand in the Long Term. Some of the changes in consumer patterns observed during the COVID-19 pandemic are more likely than others to be permanent. Work-from-home arrangements are likely to persist among some employees, which may flatten load shapes, but also slightly increase residential load. More significant changes may be observed in commercial consumption patterns, as the shrinking of the retail sector accelerates, although this may be offset by an increase in warehouse and logistics space dedicated to online merchants and retailers[5].

  While LEI's analysis indicated that, in the long-term, the overall level of electricity used will be lower due to the sustained impacts of the pandemic, regional differences are likely to be observed in the impact to load. It is likely that the variations will be driven by the contribution of commercial buildings to load within each service territory. Utilities with large retail and office square footage will see greater (negative) impacts than utilities with larger residential proportions of load[6].

  LEI's analysis also suggested that there is considerable uncertainty as to the sustained impacts of the pandemic due to uncertainties around the length of the pandemic, the degree and extent of public health measures, the length of the economic recovery, and the extent of government assistance going forward[7].

- Financial Health of Electric Utilities. In spite of these negative revenue and cost pressures, the utilities sector has been better able to withstand the negative implications of COVID-19 compared to most other industries[8]. In particular LEI

[3] Pages 16-17
[4] Page 19
[5] Page 47
[6] Page 55
[7] Page 44
[8] Page 18

reported that the OEB's monitoring of the impact that the COVID-19 pandemic has had on utility financial health using confidential monthly data submitted by individual utilities has noted "that reporting has not identified any acute financial issues for utilities."[9]

The Study also looked at the increasing instances of bad debt due the pandemic and an indicative range of potential losses from non-payment by customers in the utility sector. The Study concluded that *"ultimately, an elevated level of bad debt expense under what can be considered a high-case bad debt scenario could impact the liquidity of Ontario's smaller utilities"*[10].

- Stimulus Programs. To date both federal and provincial government aid and stimulus packages have been significant and have served to help offset the impact of the pandemic on the economy overall as well as on utility load. Historically the extent and focus of government stimulus policies following economic turndowns have impacted both the degree of economic recovery and, more specifically, the evolution of the electricity sector. It is expected that extent and focus of future government policy stimulus policies) will similarly impact the electricity sector. However, such policies could have negative as well as positive impacts on DERs as demonstrated by the recently announced Ontario government measures that shift certain components of electricity costs from ratepayers to taxpayers[11].

In terms of implications for the Board's Responding to Distributed Energy Resources initiative VECC sees the following as key takeaways that need to be considered:

- The COVID-19 pandemic short-term impacts on load and financial impacts on customers (particularly certain customer segments) are likely to reduce the interest and uptake in DER in the near term. Similarly, the short-term impact of COVID-19 on utilities' load is also likely to impact capital planning and pacing, particularly on system expansion projects, the near term which may reduce the opportunity/need for DERs (as a planning solution). This short-term impact should afford the Board an

[9] Pages 19 and 33
[10] Page 42
[11] Page 84

opportunity to appropriately sequence its policy development initiatives as opposed to having to complete them all in the same time frame.

- Over the longer term, the impact of COVID-19 is likely to reduce load growth and therefore system expansion requirements. However, the degree of the impact will vary depending upon the customer mix of the utility and there is considerable uncertainty as to the overall long-term effect of the pandemic on load.
- The speed of economic recovery and longer term growth for electricity will depend on the extent and the longevity of any future federal and provincial stimulus programs as well as whether or not such programs focus on the energy sector (and DERs in particular) as a potential source for "growth". Indeed, future government policy – both economic policy and energy policy – will be a key determinant in the future growth for both overall load and, more specifically, DER and is, therefore, a key source of uncertainty. Furthermore, government policy can have both positive and negative impacts[12] on the demand for DER.
- These observations suggest that, in the context of the Board's Responding to DER initiative, initial policy work should focus more on preparing utilities to address an uncertain future regarding DER development as opposed to facilitating a specific DER development forecast.

2.2 LEI's COVID-19 Impact on DERs Study

This report focused on COVID-19's impact on DER adoption[13]. The report first looked at the drivers behind customer adoption of DER, it then looked at the impact of COVID-19 on these drivers in both the short and long term and drew conclusions regarding the implications for DER deployment in both the short (2021-22) and long (2022-2025) term.

Key findings and conclusions of the COVID-19 Impact on DERs Study include:

- *Key Drivers of DER Adoption*. The Study identified cost savings, environmental benefits through use of renewables, better supply reliability, greater independence through self-supply and the ability to take advantage of government incentives as the key drivers behind DER adoption. While the ranking/importance of the drivers

[12] As witnessed by the Ontario government's changes in the recovery of the Global Adjustment.
[13] Page 3

differed between households and businesses, a desire for cost savings was the most significant driving force for both segments[14].

- *Implications for DER Deployment*. The Study found that DER sales in the short-term have declined as a result of the COVID-19 pandemic[15]. Looking forward, LEI anticipates that DER adoption may slow in Ontario as a result of the COVID-19 pandemic, at least in the short-term[16]. This is due to the negative impacts the COVID-19 pandemic has had on cost savings and willingness to pay for environmental attributes – two of the key drivers of DER adoption[17].
  In the longer-term, as business confidence returns to normal, pent up savings may allow for additional investment, particularly if interest rate levels remain low. Actions by policymakers to reduce prices and reduction in demand may not be meaningful for DER investments as improvements in technology and load controllable technologies improve project economics, irrespective of long-term demand patterns[18]. With respect to willingness to pay for environmental benefits, the impact on DER deployment in the longer-term will ultimately depend on the pace of economic recovery, which will dictate how long households and businesses experience a decline in their income and hence a reduced WTP for environmental benefits[19].

Overall, this Study's conclusions regarding the impact of the COVID-19 pandemic on DER deployment align with and further substantiate the key takeaways and related implications for the Board's Responding to DER policy initiative noted by VECC with respect to LEI's broader COVID-19 Impact Study.

2.3 ICF's Ontario Distributed Energy Resources Impact Study

The purpose of the ICF Study was to forecast the adoption of distributed generation and storage in Ontario over the next 10 years. The study considered two of the most

[14] Pages 10-12
[15] Page 4
[16] Page 5
[17] Pages 17-24
[18] Page 23
[19] Page 24

common DER technologies that can inject power into the distribution system: solar photovoltaics (PV) and battery energy storage[20].

The Study used a scenario analysis approach and developed three projections (Low, Mid and High) where the factors considered and varied were: i) technology costs for DER adoption, ii) the value streams in terms of the potential range of revenues that PV and storage can earn, iii) customer tariffs and prices for electricity, iv) government policy and the extent to which it supported DER adoption, and v) the longer-term economic impacts of the COVID-19 pandemic[21]. The resulting projections indicated there was a wide range in the possible future growth rates for both solar PV and storage and that the growth rates should accelerate over time[22]. Finally, the Study noted that DER penetration is non-uniform in that within any given scenario there will be electricity distributors experiencing growth rates that are higher and others experiencing growth rates that are lower than those projected[23].

In terms of implications for the Board's Responding to Distributed Energy Resources initiative VECC sees the following as key takeaways that need to be considered:

- The future growth for DERs is uncertain. As a result, Board policies (and correspondingly initiatives regarding their development) need to put electricity distributors in a position where they can accommodate DERs in light of this uncertainty regarding future DER deployment. However, given this uncertainty, Board policies should not be requiring utilities to undertake activities that presume a high level of deployment. Indeed, one of key requirements for future policy development will be for the Board (and utilities) to develop monitoring and reporting processes that allow it to clearly gauge the ongoing/expected growth in DERs.
- Another requirement for future policy development will for the Board to work with all industry stakeholders to develop a clear and common understanding as to: i) the additional costs that distributors could incur in accommodating increased deployment of DERs and ii) when and how future distribution system plans could

[20] Page 3
[21] Pages 11-12
[22] Pages 13-21
[23] Page 5

benefit from the deployment of DERs. This will assist the Board in developing appropriate policies with respect to how the costs of responding to DERS should be shared and the incorporation of DERs into utility planning processes.

- Frequently, policy issues only arise or are identified within the context of a "real life" situation. Similarly, more complex policy issues are often better understood (and therefore dealt with) in the context of a "real life" situation. The fact that some utilities will be experiencing higher than average rates of growth for DER will provide an early opportunity for the Board and the distribution sector overall to address such policy issues.

3. Focus and Sequencing of Board's Policy Work re: DERs

3.1 Consultants' Finding/Observations

ICF's Ontario Distributed Energy Resources Impact Study

ICF has divided the need for new or revised Board policies in response to an anticipated increase in DER deployment into three broad areas:

- Process Impacts: Process impacts deal with issues and the need for new/revised policies related to the process of connecting DERs to a distribution system. This includes: the information required from/provided to customers; the circumstances under which connection can be denied and the cost sharing provisions related to connections and their complexity. In making its recommendations ICF acknowledged that substantial work in this area had already been accomplished to date by the Board's DER Connections Review Working Group which has been tasked with identifying any barriers to the connection of DER, and where appropriate to standardize and improve the connection process.
- Operations and Planning Impacts: Increasing DER penetration rates can prompt changes to distribution system operations and planning. With respect to operations this could include the need for greater situational awareness, enhanced system monitoring and control capabilities. In terms of planning, emerging trends and developments related to DER may impact how the distribution system should be planned and the investments required in order to accommodate DER deployment by

customers. At the same time, there may be circumstances where DER is a viable and cost effective alternative means for distributors to meet future system needs.

- Market Impacts: Market impacts deal with implications related to DER potentially participating in the IESO markets in the future and the potential value/coordination issues between transmission and distribution systems that could arise with greater DER deployment.

The ICF report also considered three timeframes:

- Near Term: 2021-2023
- Medium-Term: 2024-2026
- Long-Term: 2027-2030

The following table sets out ICF's recommended actions for the short-term which is the focus of the Board's request for comments regarding the sequencing and prioritization of policy work requirements related to DER[24].

Impact Area	**Recommended Actions**
Process Impact	• No specific recommendations
Operations/Planning Impact	• Encourage the LDCs to coalesce around common reporting requirements and best practices for data from DER • Convene stakeholders and hold discussions to develop frameworks to integrate DER into the fabric of electric distribution planning. • Organize technical workshops to generate discussion on implementation timelines and characteristics, share knowledge, and provide further support for LDC field pilots and projects on advanced capabilities
Market Impact	• Work with the LDCs to determine how potential DER growth trajectories within their respective territories may impact which DER use cases provide the greatest system value at the distribution level

Actions recommended by ICF in the Medium and Longer Term are more briefly summarized below[25].

[24] Pages 51-52
[25] Pages 52-54 and ICF Stakeholder Meeting Presentation, Slide 18

	Process Impact	Operations/Planning Impact	Market Impact
Medium Term	• No Specific Recommendations	• New frameworks for evaluating monitoring, control, and grid mod investments • Consideration of DER data-sharing initiatives • Guidance on enhanced distribution planning practices	• Guidelines for LDC performance in the coordination of DER participation in the IAMs
Long Term	• Investigation of flexible connections	• Consideration of centralized data hubs	• DER projections and bulk system value • Exploration of duplicative compensation risk mitigation • Distribution market coordination with the IAMs

LEI's COVID-19 Impact on DER Study

With respect to the Board's policy work regarding DERs, the Study concluded[26]:

> *"In light of the anticipated slowdown in DER adoption due to the pandemic, the uncertainty that the pandemic has created, and the emergence of regulatory initiatives directly related to the pandemic, a more meaningful consultation might be achieved as more clarity emerges on the industry outlook, and as participating stakeholders are able to re-prioritize."*

However, when asked at the stakeholder meeting for clarification, LEI explained[27]:

> *"I think that one thing that was driving our thinking on timing was really about bandwidth of stakeholders.*
>
> *If you are fighting other fires, are you going to be able to provide quality interactions on detailed DER-related matters. And, you know, I realize that people can walk and chew gum at the same time and that you can have multiple*

[26] Page 40
[27] February 3, 2021 Transcript, page 23

priorities that are achieved. But that really was -- one of our concerns is whether the quality of interaction would be the same, you know, if you're trying to figure out, well, how do I deal with a large drop in commercial industrial load and I am concerned about other financial stability issues, DER might not be the top priority of management in the next few months.

Now, just turning to the high-level issue streams that you raise, I think that you're right. Those issues don't go away, and continuing to work on things like demystifying the connection process, looking at the ability of utilities to increase situational awareness and communicate that in a meaningful way to the DER community about where there might be mutually beneficial installation points and addressing the interface with, I would say, with the wholesale market, in addition to the interface with transmission, those issues all continue to be important, and I don't see any particular reason to pause or slow discussions on that. But I think that we do need to be mindful of making sure that consultations are high quality and that participants have appropriate bandwidth to meaningfully interact."

More specifically when asked about the recommendations in the ICF Report as to the areas/issues that could be pursued in the short-term, LEI responded[28]:

"I think that continuing to discuss the issues that Ian framed[29] nicely is really congruent with what is in the ICF report.

I think that our view is that you can divide the discussions into kind of technical interface-related issues and financial issues, and I think our conclusion is you've got some time to look at the financial implications, and that, you know, forcing that consultation into something that occurs in the next six months may not be necessary, but, you know, pausing completely discussions on these matters is not what we are recommending either."

In response to subsequent questions LEI was generally supportive of ICF's recommendations as to actions that should be undertaken in the short-term[30].

[28] February 3, 2021 Transcript, page 25
[29] February 3, 2021 Transcript, page 21
[30] February 3, 2021 Transcript, page 27

3.2 Context for VECC's Current Comments

Neither the Board Staff nor the Board have followed up on the February 2020 meeting and formally communicated to stakeholders any final determination as to the objectives, issues and guiding principles for the Responding to DER initiative. As result, VECC's April 30, 2020 comments regarding the guiding principles and objectives for this initiative form the basis for VECC current comments regarding the near term priorities for the Board's policy work.

VECC notes that since the filing of its initial comments in April 2020 the Board's objectives with respect to electricity have been amended and now are as follows:

> 1. To inform consumers and protect their interests with respect to prices and the adequacy, reliability and quality of electricity service.
> 2. To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.
> 3. To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances.
> 4. To facilitate innovation in the electricity sector.

One of the major changes was the addition of objective (4) in lieu of the following previous objectives:

- To facilitate the implementation of a smart grid in Ontario.
- To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

In VECC's view, these changes in the objectives of the OEB with respect to electricity do no change the relevancy or the applicability of VECC's April 2020 comments. The Board's role is to "facilitate" innovation not itself to be an innovator when it comes to how electricity services should be supplied or used. Facilitating innovation in the electricity sector is not a mandate to "evolve" the sector. Rather it is a mandate to ensure the distribution and transmission systems do not confound but rather support consumers and other users of the electricity system in their efforts to innovate. In the context of DER's this would include consumers seeking to adopt DER technologies to

assist in the management of their own electricity/energy use as well as parties seeking to implement DER technologies for purposes of injecting energy into the electricity system. It is also a mandate to insure that new and innovative ways of providing transmission and distribution services are actively considered in future required investments and adopted where cost effective to do so.

Also this new objective does not override the Board's other objectives, in particular the first objective *"to inform consumers and protect their interests with respect to prices and the adequacy, reliability and quality of electricity service"*. In this regard, the new objective (4) is not a mandate for cross subsidies among rate payers or a means to "tax" the general body of ratepayers in aid of speculative technologies and private market investments.

Summarized below are the key comments from VECC's April 2020 submission that are directly related to and provide the context for VECC's current comments regarding the near term priorities for the Board's policy work related to DERs:

- VECC supports "Consumer Centric" as being one of the guiding principles. This is directly aligned with the OEB's statutory objective to "inform consumers and protect their interests with respect to prices and the adequacy, reliability of electricity service." It fits well within the first objective of the Act. It is our view that the order of objectives is purposeful, the primary objective of the Board is to ensure that consumers have access to reliable safe power at a reasonable price[31].
- The OEB's mandate is only with respect to five entities in the electricity sector: generators, transmitters, distributors, energy marketers and end-use energy consumers. The Board does not have any broader legislative mandate as an advocate of technological change or social welfare. Whether laudable or not the Board has no specific legislative authority to pursue the reduction of greenhouse gases, to be an advocate for electrical (or natural gas) vehicles or, in this case, to be an advocate for DERs. Where the Government has wanted broader social goals to be implemented by the Board it has laid these out in the specific either in the form of

[31] Ibid, page 4

legislation or a formal Directive[32]. It is important for the Board's activities have reference to its specific mandate.

- In our view the Board has no mandate to "evolve" the electricity sector. The law does not provide it with the role to advocate for (or against) distributed energy systems for the simple sake of change or even on the speculation such change might provide broader societal benefits (externalities). VECC sees the role more as being one of facilitating changes that consumers want rather than "picking winners and losers"[33].
- What the Board does have a responsibility for is to ensure the electricity (and natural gas) systems are able to function efficiently[34]. While this can accommodate some broader societal goals, the activities must be tied to the Board's mandate on efficiency. For example, Board sponsored conservation (electricity) and demand side management (gas) programs are (at least theoretically) anchored on the premise that they are the least cost alternative.
- With respect to the Staff's first DER objective[35], in VECC's view there is a distinction between "enhancing overall value to energy consumers" (as the Staff objective is currently worded) and "enhancing overall value to all energy consumers". The first just looks at total value or welfare and does not consider whether there are losers as well as winners[36]. If DER has value for the utility and <u>all</u> of its consumers then there is role for the Board in "encouraging" it (consistent with its efficiency objective) and for utilities to actively pursue it.
- However, if the value being referred to is specific to just certain consumers or third parties then the role of the utility (and the OEB) should be to support those consumers or third parties interested in pursuing such options through information sharing and supporting requests for interconnection.[37]. At the same time, customer choice should not negatively impact others. In this regard the focus of any policy development must also consider how to protect customers who may not necessarily benefit from the change and ensure that consumers/parties pursuing DERs bear the

[32] Submission of VECC, April 30, 2020, page 3
[33] Ibid, page 6
[34] Submission of VECC, April 30, 2020, page 4
[35] As set out in Staff's February 2020 presentations
[36] Ibid, page 11
[37] Ibid, page 9

cost and risk responsibility for the choices they make (i.e., those who benefit pay)[38]. In non-monopoly markets consumers are not generally asked to pay for options they have no need or for which they receive no benefit. In VECC's view, ensuring that customer choice does not negatively impact others (i.e., those who benefit pay), minimizing stranded assets and appropriately allocating the costs associated with stranded assets are key elements in ensuring that DER enhances the overall value to all energy consumers[39].

- In the case of DERs, it is important to note that while one can develop a common understanding as to what the potential sources of costs and benefits of DER are, the actual costs and benefits will vary by utility depending upon individual circumstances[40]. Policies with respect to DER must recognize that a "one size fits all approach" to how utilities should respond to and, in particular utilize DER, will not work but rather provide framework as to how distributors should consider DER.
- In VECC's view it (i.e., the scope of the DER initiative) should include not only who pays for investments made by the utility (i.e., when are investments included in the revenue requirement and recovered from all ratepayers versus when are they recovered from individual customers seeking to integrate their DER choices with the system) but also include what investments related to enabling/integrating DERS the utilities should be expected to make simply in anticipation of future deployment of DERs[41].

3.3 VECC's Comments re: Near Term Priority Work

Both the Consultants' Reports and the discussion during the stakeholder session have suggested that there could be a range of roles for distributors (or their affiliates) with regards to DERs, including: i) a supplier of DER, ii) a procurer/user of DER, iii) a service provider for DER (i.e., distribution services) and iv) an aggregator of DER. Consistent with VECC's earlier submissions, it is VECC's view that first priority for the Board's policy work with respect to DERs should be addressing those issues that impact electricity distributors in their role as a "distributor" (i.e., owner/operator of a

[38] Ibid, page 6
[39] Ibid, page 11
[40] Ibid, page 13
[41] Ibid, page 15

system for distributing electricity). With this priority in mind, near term focus should be placed on DER issues related to an electricity distributor's operations and planning activities.

VECC notes that the Electricity Act (Section 71(3)) does permit distributors to own certain types of DER. However, given that there is "competitive market" for DER, the Board should give near term priority to policy issues related to distributors owning/developing DER either for self-supply or supply to other parties (e.g. other distributors). For those distributors proposing to self-supply DER as part of their system plan, the policy issues are related to ensuring DER is not only the most cost effective planning alternative but that self-supply by the utility is the most cost effective way to acquire DER, given there exists a competitive DER market. For those distributors proposing to supply DER to other utilities (as part of their regulated activities) the policy issues are related to ensuring that the distributor's own ratepayers benefit (or at minimum are held harmless) from such activities and that the provision of such services does not harm the competitiveness of the DER market.

VECC is also of the view that an issue cannot be addressed until it is clearly understood. In the context of DER this means first having a common understanding (and hopefully agreement) on: i) the status of DER deployment, ii) what the impacts of increased DER deployment by consumers and other parties will be on distributors' operations and planning requirements and iii) what kinds of DER services might be useful to distributors. As a result, VECC agrees with ICF's recommendation that action is needed in the short-term to:

- Establish common reporting requirements and best practices regarding the data that should be collected concerning DERs. This applies not only to the connection process where work is currently underway, but also in terms of the overall penetration of DER within a given utility and the DERs capabilities/requirements as they relate to the operation/planning of a distribution system. (i.e., establish what information does a distributor require regarding existing DERs to effectively operate and make future system plans and then establish how best to obtain this information?)

However, in VECC's view, this action should also include a consideration as to the types of reports that utilities should be preparing and making publically available regarding the ability of their system to connect additional DERs as well as where on their system (or in future system plans) they could benefit from the addition of new DERs.

- Organize technical workshops to generate discussion on implementation timelines and characteristics, share knowledge, and provide further support for LDC pilots and projects on advance capabilities. VECC sees this activity as focusing on ensuring there is a full and common understanding as to the impacts DER has on a distribution system's operation and future planning requirements through a sharing of existing knowledge and the initiation of pilot projects where such knowledge is needed but currently deficient. However, it is important to emphasize that such pilots should focus on the implications DER technologies have for system operation and planning and not be used as a testing ground for the development of new technologies unless the "development" has the potential to provide clear distribution system benefits.

In the short-term ICF also recommended that the OEB should convene stakeholders and hold discussions to develop frameworks to integrate DER into the fabric of electric distribution planning. VECC agrees that such work needs to be undertaken and notes there are two distinct ways in which DER can impact distribution planning. First, increased deployment of DER by consumers and by other parties[42] can impact future system needs and policies are required as to the types and levels of investment distributor should make in anticipation of such needs, particularly given the uncertainty associated with future DER deployment. Similarly, policies are needed that deal with cost recovery (i.e., who pays), particularly in those circumstances where not all customers benefit. Second, there will be situations where DER should be actively considered as a "solution" in the electric distribution system planning process and policies are required to ensure that DER-based solutions are considered when/where

[42] In VECC's view there is likely a distinction to be made in terms of system impacts, benefits and costs between consumers whose purpose in deploying DERs is to offset their need to purchase power from the local utility but overall are still net power purchasers versus other parties whose purpose in deploying DERs is to sell power (and potentially other services) to system.

appropriate. Similarly, polices are needed to address if and when it is appropriate for distributors to supply the DER solutions themselves.

However, from a sequencing perspective, there first needs to be a clear understanding as to what the potential impacts and benefits of DER are for distribution systems. In this regard VECC sees the workshops and information gather/sharing exercise discussed in the previous paragraph as being a necessary prelude to developing such frameworks. Without a clear and common understanding as to the system impacts and potential benefits, it will be difficult for parties to come to any agreement on a framework for incorporating DER into "the fabric of electric distribution planning".

With respect to the near-term, ICF's fourth recommended action was that the OEB work with the LDCs to determine how potential DER growth trajectories within their respective territories may impact which DER use cases provide the greatest system value at the distribution level[43]. By "use cases" VECC assumes that ICF is referring to the fact there are various types of DER technologies available and therefore a question arises as to which ones can provide the greatest benefit given an electric distributor's particular circumstances. In this context, VECC agrees that such work needs to be undertaken and sees this activity as being closely related to the development of a framework to integrate DER into the distribution planning process. Again and for similar reasons, in VECC's view such work would be more readily accomplished after parties have gained a better and mutual understanding as to the impacts, benefits and capabilities of DER.

As previously noted the Board has already established a Working Group[44] to identify any barriers to the connection of DERs, and where appropriate to standardize and improve the connection process. It is VECC's understanding that the focus of this working group is on the connection process, timelines, technical requirements and cost related issues for generation and storage DERs with a view to providing guidance to the industry or amendments to the Distribution System Code (DSC). However, in VECC's view there may be additional issues with Section 3 (Connections and Expansions) of the DSC that need to be addressed but appear to be outside the scope of this working group. In VECC's view these could include:

[43] Page 45
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- How DERs impact the interpretation of the definitions for customer, consumer and generator, particularly for customers who are both consumers and generators (i.e. load customer who deploy DERs both to reduce their own usage but also (potentially) to inject power into the electricity system).
- Do the renewable enabling improvements set out in Section 3.3.2 of the DSC align with the system requirements need to accommodate the deployment of DERs?
- What types/levels of investment should distribution utilities include in their system plans (consistent with good utility practice) to accommodate future DERs, particularly in view of the uncertainty regarding the future growth in deployment of DERs. This issue may have implications for both the Expansions and Enhancements subsections of the DSC.

Consideration of these issues should also be sequenced so as to follow shortly after those activities focusing on ensuring there is a full and common understanding as to the impacts DER has on a distribution system's operation and future planning requirements have been completed.

In summary, VECC submits that the Board's near-term policy work priorities with respect to the Responding to DER Initiative should focus on:

- Those issues that impact electricity distributors in their role as a "distributor" (i.e., owner/operator of a system for distributing electricity). With this priority in mind, near term focus should be placed on DER issues related to an electricity distributor's connection processes as well as its operations and planning activities.
- Ensuring there is a clear and common understanding as to the cost implications for distributors' operations and system investment requirements due increased DER deployments as well as the potential benefits DER can provide in meeting future system needs.
- Building on this "understanding" to provide policy guidance to distributors as to:
    - When/to what extent the investments needed to accommodate the deployment of future DERs by customers should be incorporated into the system planning process as opposed to being driven by (and paid for by) specific customer requests.

- When/how DERs provided by either a 3rd party or the distributor itself should be considered in the system planning process as a solution to meet an identified system need.

We thank the Board for providing the opportunity to comment.