

ONTARIO ENERGY ASSOCIATION

UTILITY REMUNERATION AND RESPONDING TO DERs: EB-2018-0287/0288

February 17, 2021

To shape our energy future for a stronger Ontario.



ABOUT

The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research, but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

Together, we are working to build a stronger energy future for Ontario.

The recommendations contained in OEA papers represent the advice of the OEA as an organization. They are not meant to represent the positions or opinions of individual OEA members, OEA Board members, or their organizations. The OEA has a broad range of members, and there may not always be a 100 percent consensus on all positions and recommendations. Accordingly, the positions and opinions of individual members and their organizations may not be reflected in this report.

TABLE OF CONTENTS

INTRODUCTION	2
SUBMISSIONS	2
OBJECTIVES AND PROBLEM STATEMENTS	2
<i>Align with OEB and Provincial Energy Sector Objectives</i>	2
<i>Problem Statement for Remuneration</i>	3
<i>Problem Statement for DERs</i>	4
SCOPE	4

INTRODUCTION

On January 18, 2021 the OEB issued a letter inviting stakeholders to a meeting on February 3, 2021 (“the stakeholder meeting”) to discuss the results of LEI’s COVID-19 Impact Studies and ICF’s DER Impact Study.

Stakeholders were invited to comment on the findings and recommendations made by the experts. Stakeholders are also invited to discuss the implications of the studies on the appropriate focus areas and sequencing of next steps in these consultations.

The OEA welcomes this additional opportunity to participate in the OEB’s consultations on utility remuneration (UR) and distributed energy resources (DERs). These are significant issues, and policy or regulatory actions that are taken related to these issues will have a significant impact on Ontario’s energy system, utilities, market participants and consumers.

The OEA appreciates the efforts of OEB staff to advance the discussions with respect to these sector evolution discussions and looks forward to the advancement of the consultations now that the new OEB leadership is in place. Our submissions will focus on the need for a clear process these initiatives forward in a logical, timely and manageable way.

SUBMISSIONS

Objectives and Problem Statements

Align with OEB and Provincial Energy Sector Objectives

The OEB has collected a substantial amount of stakeholder input as well as LEI and ICF studies and research. This input includes a vast array of perspectives from utilities, generators, customer groups, third-party service providers, environmental groups, the Independent Electricity System Operator, and other stakeholders.

The OEA believes that the OEB has ample information to articulate a high-level policy framework that goes beyond the preliminary staff proposals from February 2020. This framework should clearly articulate the OEB’s role and approach to pursue and evaluate potential policy changes related to sector evolution.

This framework should:

1. Align with the provincial government’s vision for Ontario’s energy sector;
2. Align with the OEB’s legislative objectives with respect to electricity and gas; and,
3. Address the largely fixed/committed cost structure of the Ontario electricity system.

In an earlier submission in this consultation, the OEA indicated that a clear articulation by the provincial government of its long-term vision for the sector is necessary to allow the

OEB to achieve the proper outcomes for this exercise. Since that time, the government has completed the governance transition of the OEB and issued mandate letters to the OEB's [new Chair](#) and [new Chief Executive Officer](#). The mandate letter to the Chair indicated that one of the priorities for the new OEB is to "Promote performance improvements for regulated utilities and enable the cost-effective adoption of innovation and new technologies."

In addition, the government is currently seeking input on how to refocus the [current long-term energy planning process](#) to enable better use of resources and increase benefits to customers. Further, the government indicates in their posting that "A desired outcome of the new planning framework would be to empower expert technical planners, such as the IESO, to plan the most reliable and cost-effective system."

Based on the above, the OEA believes that the government has identified reliability and cost-effectiveness as primary drivers of its long-term vision for the sector. These criteria should guide the OEB's sector evolution activities.

Further, certain of the OEB's legislative objectives with regards to both electricity and gas should drive the OEB's determination of its role and approach to these initiatives.

With respect to electricity, the most relevant objectives in the Ontario Energy Board Act (the Act) are:

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.
4. To facilitate innovation in the electricity sector.

With respect to gas, the most relevant objectives as stated currently in the Act are:

2. To protect the interests of consumers with respect to prices and the reliability and quality of gas service.
3. To facilitate rational expansion of transmission and distribution systems.
- 5.1 To facilitate the maintenance of a financially viable gas industry for the transmission, distribution and storage of gas.

The above objectives are critical because sector evolution will have broad potential consequences for Ontario's energy system and economic competitiveness.

Problem Statement for Remuneration

The OEB's consultation rationale states that how utilities are remunerated can influence their ability and motivation to take advantage of emerging opportunities that can promote efficiency and delivery long term value to customers. For example, LDCs currently have requirements to explore grid modernization and non-wires alternatives (NWAs). The OEB should examine example cases where utilities have pursued NWAs and where they

haven't, and identify for stakeholders where they believe there are problems that require consideration.

The OEB should look to other jurisdictions for information and best practices on successful NWA deployments. However, while there is much to be learned from relevant experience in other jurisdictions, it is important is that to understand the policy impetus and the unique circumstances of each jurisdiction to ensure we are considering those specific policies and regulations that support the Ontario government's, OEB's and IESO's broader vision and objectives for the energy sector and consumers.

Further, the OEA notes that while the OEB has undertaken in-depth research on DERs in terms of potential impact and forecasts, that it does not appear that utility remuneration has received similar attention. The OEA would encourage the OEB to ensure that policy changes of this critical feature of sector evolution can be pursued in an informed way (e.g., are there particular aspects of the Renewed Regulatory Framework that require revision).

Problem Statement for DERs

In order to facilitate an informed discussion, the OEB should enumerate the issues and challenges associated with DERs based on requests for specific feedback from consultation participants and include consideration of the natural gas system. A clear understanding of the priority issues that need addressing will allow all participants to better participate in this consultation and will better inform potential solutions for Ontario.

Scope

For progress to be made on the UR and DER initiatives, it is necessary to clearly identify concrete problems that exist today and develop solutions. The OEA is of the view that once the OEB has determined its appropriate role, objectives, and problems statements it can proceed to articulate the scope of its sector evolution consultations. An appropriately focused scope will allow the OEB or stakeholders to get on with work towards tangible policy proposals or complete any work in a timely manner.

For example, the OEB's ongoing DER Connections Review (EB-2019-0207) is focused on addressing: connection process timelines, connection cost responsibility matters and technical connection requirements both for the distribution system and any requirements of transmitters for connection of DERs. The scope of this initiative is sufficiently focused to identify specific technical expertise required to work through issues and specific solutions (e.g., amendments to the Distribution System Code). OEA members have indicated that they are very satisfied with the EB-2019-0207 process and outcomes.

The OEA encourages the OEB to work towards an identification of issues to scope this consultation. What would be helpful is clear and specific identification of the issues that are not covered by existing policy initiatives (by the OEB and/or IESO) that should be addressed in the near term as part of the UR-DER review.

For example, during the February 2020 stakeholder meeting, the importance of specific items such as rate structure and certain charges (e.g., standby rates) was emphasized by some stakeholders. At the time, OEB staff's list indicated that rate design would be out-of-scope for this consultation because of the ongoing rate design consultation.

However, the OEA cautions (as did other stakeholders at the meeting) that this may not provide the clarity that OEB staff are seeking because the OEB's June 19, 2019 letter on the "Status of policy initiatives during the transition to a new governance structure" stated that Rate Design for Commercial and Industrial Customers (EB-2015-0043) was deferred during the governance transition. Now that governance transition is complete the status of EB-2015-0043 has not yet been made clear. Clarity on these matters is critical because certain aspects of rate design, such as the standby rate issue, are central to moving forward with DERs.

There may be other rate and/or billing issues (e.g., gross load billing) the clarification of which would immediately assist with DER deployment.

Therefore, the OEA would urge that the priority should be to identify on an evidence-based basis the specific policy and/or regulatory issues that need to be addressed (e.g., amendments to the distribution and/or affiliate relationship codes, rate application filing requirements, customer protection rules).

energyontario.ca

CONTACT

121 Richmond Street West
Suite 202

Toronto, Ontario M5H 2K1

416.961.2339

oea@energyontario.ca

 [@energyontario](https://twitter.com/energyontario)

energyontario.ca



Ontario Energy Association

Let's unravel complex energy challenges, together.