ONTARIO ENERGY BOARD

Sector Evolution Consultations

Utility Remuneration and
Responding to Distributed Energy Resources Consultation

COMMENTS on
Consultant Reports and Next Steps

OF

INDUSTRIAL GAS USERS ASSOCIATION (IGUA)

1. In its letter to stakeholders of January 18, 2021 the Board invited comments on;

   (a) the findings and recommendations made by London Economics International (LEI) and ICF in their respective reports commissioned to inform the Board's policy work on sector evolution (responding to Distributed Energy Resources (DERs) and associated utility remuneration considerations); and

   (b) implications of the reports on the appropriate focus areas and sequencing of next steps in this policy work.

2. These consultations were initiated by the Board on the premise that adoption of DERs would continue and accelerate as energy production, conveyance and utilization technology evolves and costs related to alternative (i.e. non-traditional) energy services technologies fall.

3. While the LEI and ICF reports both suggest that the intervening COVID-19 pandemic, and the general economic and specific electricity cost government interventions that have resulted, have temporarily slowed the advent of DERs, they also conclude that the general trajectory towards energy sector evolution that drove these consultations in the first place has not been fundamentally altered. Both LEI and ICF have indicated their views that it is appropriate for the Board to continue its sector evolution policy work, with due regard to

the potential impacts that the pandemic and related events have had on observed data and may have on the near term priorities of both customers and regulated energy service providers and longer term energy usage patterns.

4. In previous materials developed in support of these consultations OEB Staff have suggested that *"[r]egulatory adaptation can help mitigate risks and help consumers benefit from emerging opportunities"*. [1] IGUA endorses this observation and the continuation of regulatory policy initiatives to consider opportunities to evolve the Board's regulatory framework in order to;

   (a) *"mitigate risks"* related to the potential impact of DERs on regulated utility businesses and their customers through appropriate regulatory tools and approaches which can assist utilities in managing the expected energy services transition; and

   (b) *"facilitate opportunities"* for both consumers and utilities by allowing for development of economically efficient energy services solutions, including by providing clarity on the appropriate role of the utilities in such development.

5. IGUA continues to caution that while the Board should not lag energy sector technological change, nor should it predetermine the directions for such change. Rather it should stay abreast of that change and take incremental steps to evolve the regulatory framework so as to provide regulated utilities and consumers (both customers and DERs providers) the ability and tools for embracing and benefitting from the opportunities presented by the ongoing technological change in the cost effective production, provision and consumption of energy.

6. OEB Staff have done a very good job throughout these consultations in identifying and facilitating discussion of a wide array of issues and questions related to the benefits and costs of, and preconditions for, broader adoption of DERs by both energy service providers and consumers.

7. Empirical work and "business cases" in support of DERs investments should now be developed and advanced by DERs proponents.

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[1] Staff Presentation to February 20, 2020 Stakeholder Conference, page 5.

8. Enbridge Gas Inc. (EGI) is doing just that through its proposal for an integrated resource planning (IRP) framework for consideration of alternative means to meet customer energy services demands, where appropriate, in place of simply building more conventional utility infrastructure. The Board's comprehensive ongoing consideration of EGI's IRP proposal [EB-2020-0091] includes consideration of planning requirements to ensure consideration of, and appropriate compensation to the regulated distributor for, deployment of non-traditional utility energy services initiatives to meet system and customer needs. The outcome of this proceeding will likely inform further policy development work in respect of sector evolution.

9. Subject to the outcome of the ongoing EGI IRP proceeding, there are some areas in which further near term policy work and OEB guidance would seem appropriate;

(a) Utilities could be encouraged to expressly consider DERs in forecasting and in asset management and investment planning. Formal consideration in utility planning of anticipated DERs development would be prudent and would provide visibility into;

(i) the expected pace, and nature, of DERs development and deployment by customers;

(ii) the benefits to utility operations of DERs solutions and the costs of enabling such solutions; and

(iii) appropriate near term utility technology investments to facilitate cost effective DERs adoption by the utility and its customers.

(b) The Board could also proceed in the near term to investigate and develop a utility remuneration model for DERs solutions that do not entail utility capital investment. Regulators in other jurisdictions have considered approaches to incenting and compensating regulated utilities for initiatives to meet customer service demands that do not involve traditional equity investments. The "utility remuneration" topic directly engages the Board's fundamental function of setting rates for regulated utilities, and is one which would merit further near term investigation, understanding and stakeholder input.

(c) Another consideration which directly engages the Board's fundamental rate setting function is how conventional utility rate structures may present barriers to otherwise cost effective DERs deployment by customers, and whether alternative rate structures would remove such barriers while ensuring that utility cost recovery continues to align with utility service benefits. (Work in this area should also be informed and coordinated with the Board's ongoing DERs connections work.)

10. Beyond such work, the Board should continue to be open to considering and, as required, sanctioning utility pilot programs which could help to understand, and demonstrate, the

value of DERs to utility operations and the future of DERs that utilities will need to be ready to respond to.

11. Through further policy development in support of incorporating DERs considerations into utility planning, developing alternative approaches to utility remuneration and sanctioning of appropriate utility pilot programs, the Board can continue its progress in understanding, and ensuring appropriate regulatory response to, technology and broader social policy driven evolution of the energy sector.

12. Subject to our closing comment regarding identification of further areas for defined, concrete response, what the Board should not do is;

    (a) Assume responsibility for a full “societal” cost/benefit study of DERs. This is an undertaking for DERs proponents and, ultimately, the market.

    (b) Undertake an open ended review of the Board’s existing Affiliate Relationships Code (ARC). Absent some concrete indication of one or more undue barriers to DERs development which the ARC currently presents such a review would seem of little direct benefit to advancement of the issues engaged by the instant consultations.

13. This consultation has served to both educate interested stakeholders, and to invite DERs proponents – regulated utilities, customers and DERs providers –to highlight their views and concerns about how the existing energy regulatory framework in Ontario may be constraining appropriate, customer benefiting DERs development. Where other participants in this process identify further areas for defined, concrete response it would be appropriate for the Board to consider such further work.

ALL OF WHICH IS RESPECTFULLY SUBMITTED by:

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