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February 26, 2021

Ontario Energy Board
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Toronto, ON M4P 1E4

RE: Utility Remuneration and Responding to Distributed Energy Resources (EB-2018-0287 & EB-2018-0288)

Overview

For more than a century, the Ontario Chamber of Commerce (OCC) has supported economic growth in Ontario by advocating for business priorities at Queen's Park on behalf of our diverse 60,000 members, including local chambers of commerce and boards of trades in over 140 communities. Our membership comprises energy stakeholders of various kinds – from generators and distributors to consumers of all sizes.

On February 3, 2021, the Ontario Energy Board (OEB) held an information session to discuss two reports that had been commissioned to inform its consultations on Utility Remuneration and Responding to Distributed Energy Resources (DERs):

1. COVID-19 Impact on DERs, by London Economics International (LEI)
2. Ontario DERs Impact Study, by ICF

However, these reports do not evaluate the system value that DERs provide to ratepayers, an important gap in the consultations to date. In fact, LEI recommended that decisions should not be made with the data that is presently available.

Going forward, the OEB should clarify the value DERs provide to the system and hence the basis for imposing (or not imposing) costs on ratepayers. Many decisions depend on this question, including the appropriate role of rate designs in incentivizing DERs.

The OCC would like to offer the following recommendations:

1. Carefully consider the relevance of these reports on decision-making in Ontario.
2. Prioritize studying the total system value to ratepayers of DERs in Ontario.
3. Consider DER integration system implications deferred from the DER Connections Working Group.

Recommendation #1: Carefully consider the relevance of these reports on decision-making in Ontario.

Both the LEI and ICF reports underscore how DER adoption in Ontario is a function of the financial incentives stemming from the province's Industrial Conservation Initiative (ICI) and net metering programs. LEI suggested that post-pandemic DER adoption will be similarly motivated, even with the observed decline in ICI value to DER adopters. Both reports have based their analyses on patterns in other jurisdictions and identified cost savings as the primary motivator. However, Ontario's unique pricing structure, incentive programs, geography, and market regulation are arguably quite dissimilar. Nothing contrasts these dissimilarities as starkly as the ICI program.

LEI identified that the Ontario government's recent decision to move Global Adjustment costs onto the tax base reduced the value derived from the ICI by 29 percent. Nonetheless, the ICI still provides almost eightfold higher revenue than recently valued by the IESO's Demand Response capacity auction. It is notable that the two other jurisdictions in the United States where DER adoption is high (New York and California), also offer high incentives for DER adoption, but still far less than in Ontario. Due to the high return that the ICI offers DER proponents, adoption in Ontario is currently more limited by how fast DERs can be implemented.

A proper analysis of DER adoption and impacts should consider its relation to rate design. A useful analytical benchmark would be to assume the ICI and net metering programs were removed, and under that scenario, identify the system benefit of DER adoption. That analysis can potentially be used to recommend more appropriate rate designs that consider the full system cost impact on all ratepayers.

Recommendation #2: Prioritize studying the total system value to ratepayers of DERs in Ontario.

Questions around the total system value to ratepayers have been raised throughout this consultation by several stakeholders. It has been emphasized that a net cost-benefit analysis (CBA) should be performed from the perspective of ratepayers. The ICF study only looked at DER penetration from the perspective of DER adopters, not whether DERs provide a system benefit. However, there is evidence that DERs are causing an increase to ratepayer bills.

The OEB mandate to protect ratepayers should be applied to ensure this fundamental issue of net benefits to ratepayers is addressed in this consultation. For this reason, CBAs should be used to provide evidence-based decision-making criteria that demonstrate cost benefits on consumer bills for the same or better services.

Recommendation #3: Consider DER integration system implications deferred from the DER Connections Working Group.

The DER Connections Review Working Group has been working in parallel with this consultation to simplify, clarify, and improve the interconnection process. The Working Group has made progress on several issues, some of which were reflected in the ICF report. However, questions

around broader DER system costs were deemed to be out of scope of the Working Group on the basis that they would be addressed in the Responding to DERs consultation. This consultation should consider the following system implications:

a) An IESO System Impact Assessment (SIA) should be more prevalent in the DER connections process. Currently, an SIA is only required to be completed for DER installations above 10 MW. This limit is an artifact of the Green Energy Act (GEA). SIAs in the connections process should be considered for three reasons:
   - The Working Group is looking to move away from a size-based framework towards a risk-based framework. This will require a change in the regulations stipulating when an SIA is triggered.
   - Small DERs may have an impact on the system in aggregate, similar to larger installations.
   - The IESO interoperability consultation has identified many factors that could impact system reliability due to the connection of DERs.

b) The Distributor System Code (DSC) and all related regulations should be reviewed to ensure they align with the government's changes to the GEA. The lack of a clear definition for DERs within the DSC is the source of confusion, including around the interpretation of requirements stemming from GEA-related regulations. For example, ICF refers to an obligation to connect DERs, but that obligation dates back to when loads had predictable and assumed behaviors that were modelled by local distribution companies in their planning. The DSC states that distributors can refuse connections if they have adverse system impacts. Therefore, the DSC warrants review.

The OCC supports continued improvements to the electricity system. We look forward to working with the OEB on its ongoing consultations.

Sincerely,

Rocco Rossi
President and CEO
Ontario Chamber of Commerce