April 14, 2021

Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Attention: Ms. C. Long
Registrar

Dear Ms. Long

Re: **EB-2021-0118**

The Electricity Distributors Association (EDA) represents local hydro utilities, the part of our electricity system that is closest to customers. Local hydro utilities are on the front lines of power, and we know that the most important conversations about energy happen around the kitchen table, not the boardroom table.

We were pleased to read the Ontario Energy Board's (OEB) March 23 letter describing the continuation of the Utility Remuneration (EB-2018-0287) and Responding to Distributed Energy Resources (EB-2018-0288) initiatives as the Framework for Energy Innovation: Distributed Resources and Utility Resources (EB-2021-0118). We look forward to continuing to participate as the OEB develops its framework.

Our comments to the March 23 are rooted in our members' ongoing responsibility to provide their customers with distribution service at an appropriate level of reliability and quality that represents good value for the rates paid by the customer, and to do so on an ongoing basis. Local distribution companies (LDCs) can achieve these outcomes by deploying a range of infrastructure and strategies including legacy infrastructure, distributed energy resources (DERs), and/or by incenting their customers to achieve specific outcomes through well designed price signals such as interruptible or curtailable rates, among other things.

Our comments focus on the inter-related topics of the OEB identified priority work streams, the proposed work plan and project management, and the formation of the proposed Working Group.

Priority Work Streams

The OEB has identified two near term priority work streams:

Electricity Distributors Association
3700 Steeles Ave. W., Suite 1100, Vaughan, Ontario L4L 8K8 Tel/Fax 647.EDA.5300 1.877.262.8593 email@eda-on.ca www.eda-on.ca

- the analysis of utilizing cost effective[1] DERs where the LDC does not have an equity interest, and
- a review of utility planning for whether it is informed by DER penetration and forecasts.

LDCs strive to provide distribution services that customers value. They will need an opportunity to explore the consumer-oriented concerns of deploying DERs that the LDC does not have an equity interest in, including:

- who will serve the consumer on an ongoing basis and to what standard, and
- the conditions under which the non-LDC owner of the DER may decline to make the DER available to support the provision of distribution service and the role of the LDC in this scenario (e.g., whether the LDC is the provider of last resort).

These and other consumer issues will need to be scoped and addressed so that the consumer is well served and appropriately protected in both the near term and longer term.

The March 23 letter refers to utility incentives, rather than utility remuneration, which was the subject of EB-2018-0287. It is clear that remuneration and incentives are not identical (e.g., each provides unique opportunities and risks). We wish to better understand how the OEB is using the term incentives (e.g., who will be incented? What outcome will be incented? How will the provision of incentives impact LDCs' ability to access financial resources required to support the provision of service on an ongoing basis?) and what motivated the OEB to alter the orientation of this initiative from remuneration to incentives.

We anticipate that all stakeholders in this consultation will want to engage in the discussion of incentives. Like all the stakeholders of this initiative, our comments are provided in the absence of information on the purpose and nature of any resulting incentives and of the implications of the transition from remuneration to incentive. We may wish to provide additional comments once we receive clarity on the driver for this change from remuneration to incentive.

The OEB's letter implies that incentives are expected to support cost effectiveness and the DERs that are not owned by the LDC are expected to be cost effective. Energy consumers and investors alike need to know the full extent of what "cost effective" means in the context of this initiative (e.g., if cost effective means the lowest cost or lowest sustainable cost, how costs will be evaluated relative to the level of service to be provided, e.g., reliability, reactive power levels provided). While the OEB's approach to assessing cost effectiveness is set out at a high level as measuring the benefits of DERs relative to the costs, cost effectiveness is a broad and relative measure. It can be demonstrated by comparing the costs of competing alternatives or by comparing the costs incurred to the value of the outcomes achieved. We seek to learn the

[1] The OEB's March 23 letter states: "Defining an approach to measure the benefits of these DER use cases relative to costs and assess the value of DERs relative to traditional distribution investments."

origin of the OEB's prioritization of non-LDC owned DERs and of the OEB's associated analysis of the cost effectiveness of this alternative.

Clarifying what "cost effective" means should increase both consumer confidence and investor confidence. Consumers will understand that they will be appropriately served and at a fair price whereas investors will have information to support their decision making. That said, while the lowest cost alternative may be cost effective, it is not always the preferred alternative.

Relying on DERs to support the provision of distribution service may negatively impact charge parameters, for example by permanently lowering the customer's need for energy deliveries, metered demand or both. The OEB's definition of "cost effective" must be appropriately robust to address this situation. These impacts are among those expected to impact the shareholders of Ontario's LDCs. We seek to understand whether and when the OEB will consider LDC ownership of DERs. This information is expected to address LDC shareholders' need to understand:

- whether and under what conditions LDCs will be able to provide DERs in which they have an equity interest, and
- whether LDC owned DERs will be treated consistently versus non-LDC owned DERs.

We seek to align the OEB Staff Bulletin on the deployment of battery storage devices controlled by the LDC and situated on the customer's premises that are also owned by the LDC with the OEB's prioritization of non-LDC owned DERs.

LDCs have been deploying innovative technologies, and the associated enabling infrastructure, on an ongoing basis. Much like the deployment of smart meters required investment in enabling infrastructure (e.g., Automated Metering Infrastructure), deploying DERs will similarly require enabling infrastructure so that the distribution system can operate safely under all conditions, to support correctly understanding the impact to the system's technical capacity (e.g., short circuit capacity), to manage power flows, to have the technical visibility to support managing DERs. While it is not unreasonable to expect that some level of DER deployment can be facilitated/hosted using manual processes, this approach will become increasingly unviable and untenable as the diversity of DERs increases. Similarly, planning the system when few DERs are connected to it is considerably less challenging than planning the system when numerous, diverse DERs are deployed potentially throughout the service area.

Complexity depends on the number of DERs, the diversity of technologies, the diversity of sizes, and the diversity of location (to be clear whether the DER is situated in-front-of or behind the meter will matter in some but not all cases), among other things. As DER complexity increases so will system planning complexity, and the likelihood that manual or simplistic processes will cease to be suitable (e.g., to minimize the risk of error, to avoid sub-optimal outcomes). Whether the deployment of DERs is simple or complex, there will be an ongoing need to appropriately protect and safeguard customer information and protect the devices and the grid they are connected to from cyber threats. As our vision papers on DERs set out, LDC investment in foundational infrastructure needs to be explicitly considered as DERs are deployed in the LDC's service area so that the LDC can serve the customer on an ongoing basis with safe, appropriately reliable distribution service and at an appropriate level of quality.

Other sources of complexity include whether the device participates in the IESO Administered Market, whether it is available just to the LDC or both, and whether specific conditions must be satisfied so that the LDC can dispatch DER infrastructure. DERs can be connected to transmission infrastructure, distribution infrastructure, or both and the connection needs to be carefully managed (e.g., to avoid the system operator and the distributor issuing conflicting dispatch instructions).

<u>The OEB's Proposed Work Plan and Overall Project Plan</u>
The OEB set out its priority work streams in its March 23 letter. As is stated elsewhere in these comments, we wish to understand the process(es) the OEB relied on to identify these two priority work streams. The OEB's identification of these two work streams may convey to stakeholders that the OEB is willing to assess the provision of services by third party owned devices. This implies that the regulator, either intentionally or unintentionally, has an interest in understanding the existence and/or formation of a market for distribution services provided by non-LDCs. We would like to know whether and when the OEB will consider LDC ownership of DERs.

We acknowledge that this file engages multiple technical, commercial and policy issues simultaneously. We look forward to learning the OEB's overall project plan for:

- how it plans to coordinate between and among issues, pace the analysis of the issues and their resolution and sequence tasks,
- whether unintended outcomes or unaddressed issues may occur, and
- how it incorporates or intersects with other OEB policy proceedings (e.g., commercial and industrial rate design, whether existing cost allocation factors will continue to be suitable).

LDCs are conversant with project planning and project management. They know that the documented plan is a living document that requires ongoing updating to reflect changing circumstances.

<u>The Proposed Working Group</u>
We support the formation of the proposed FEI Working Group. The FEI Working Group's two near term work streams, and the associated deliverables, raise a concern that the initiative may be too narrowly scoped at this early stage. Without knowledge of the overall project plan it is difficult to understand whether narrowly scoping this stage of the initiative will support its completion or create longer term risks (e.g., that customers may lack a clear understanding of who their Provider of Last Resort is, whether the customer will be served by legacy infrastructure because no third party offered to make a DER that it has an equity position in available, or for other reasons beyond the customer's control).

We look forward to learning the Working Group's mandate, its scope of work, how the FEI Working Group will interface with OEB staff, how it will be resourced and other aspects of working group design and administration. The activities of the Working Group will be more readily understood, and in the appropriate context, if the OEB provides its overall FEI project plan.

LDCs task their internal subject matter experts with fulfilling the customers' ongoing needs and there is a risk that some LDCs will have few, or no, suitably experienced staff available to participate on the proposed Working Group. We suggest that the OEB consider permitting LDCs flexibility (e.g., to allow changes to the identified representative so that the representative's skills/experiences align with the issue(s) being considered, with respect to internal resourcing commitments or project commitments) so that their subject matter experts can appropriately participate on the Working Group.

Thank you again for the opportunity to comment on these matters. If you have any questions or require clarification on any aspects of these comments, please do not hesitate to contact Kathi Farmer, the EDA's Senior Regulatory Affairs Advisor, at 416.659.1546 or at kfarmer@eda-on.ca.

Sincerely,

Teresa Sarkesian
President and Chief Executive Officer