April 14, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge St., Suite 2700
Toronto, ON M4P 1E4
Email: registrar@oeb.ca

Dear Ms. Long,

EB-2021-0188 - Framework for Energy Innovation: Distributed Resources and Utility Incentives, Coalition of Large Distributors ("CLD") Written Comments

On March 23, 2021, the Ontario Energy Board (OEB) issued a letter which reformed the Utility Remuneration (EB-2018-0287) and Responding to Distributed Energy Resources (DERs) (EB-2018-0288) initiatives under a new name and file number. The OEB's letter also set out two proposed near-term priority workstreams and the approach to the work for this policy consultation.

The CLD is pleased to offer comments on this important policy file. The CLD consists of Alectra Utilities Corporation, Elexicon Energy Inc., Hydro One Networks Inc., Hydro Ottawa Limited, and Toronto Hydro-Electric System Limited. Together, CLD members represent more than 3.6 million, or approximately 70% of electricity consumers located across the province. CLD members are on the forefront of the energy transformation in Ontario and are actively working with customers to enable DER connections, while managing the impacts on the electricity system. A material amount of the DERs currently connected in Ontario are connected to the grids of CLD members.

CLD members support the OEB's recognition of the importance of this sector evolution consultation. The CLD also supports addressing a manageable suite of issues in the near-term by leveraging industry expertise through the formation of an FEI Working Group.

The proposed activities under the near-term priorities identified by the OEB reflect some of the areas identified by stakeholders for consideration by the OEB in prior engagements.

CLD members submit that the OEB and FEI Working Group must view this consultation through a "customer lens" that both addresses the barriers customers face (e.g. connection process) and ensures that the integration of DERs does not negatively impact the cost, reliability or safety of the electricity system for all customers. CLD members see the potential for third-party owned DERs as one of the tools utilities can leverage to provide service to customers, and appreciate the OEB's near-term focus on providing guidance on this front. The CLD notes that the OEB has already provided some guidance on utility ownership of DERs placed in front of the meter through application approvals of assets addressing distribution needs,[1] as well as assets placed behind the meter when the purpose is to improve reliability for a customer such that it is more in line with that of a distributor's other customers in the same rate class.[2]

The focus on third-party ownership is timely given the myriad of parallel engagements across the sector that are looking at ways to leverage third-party owned DERs to address system needs (e.g. IESO's Enabling Resource engagement, IESO Market Renewal Program, Innovation White Paper series, Local Initiatives Program under the 2021-24 CDM Framework, etc.). As is evident from the many IESO initiatives there is a need for the OEB to coordinate with the IESO, and for this OEB consultation to proceed in a timely manner to ensure the sector has the regulatory guidance necessary to move forward and address customer needs. There is limited existing regulatory guidance on utility use of third-party owned DERs, including how these resources can be leveraged as non-wires alternatives (NWA) in a cost effective manner that continues to ensure safe, reliable operation of the system for the benefit of our customers.

[1] E.g. Toronto Hydro Application. EB-2018-0165, Decision page 114, December 19, 2019.
[2] OEB Bulletin: "Ownership and operation of behind-the-meter energy storage assets for remediating reliability of service", issued August 6, 2020.

That said, CLD members suggest that the OEB be mindful of the need for a holistic approach to its consideration of the regulatory framework. Further, CLD members caution that the desire for near-term progress on a limited number of issues ought not to supersede the need for consideration of broader, foundational issues, including roles and responsibilities, a variety of DER ownership and operating models, and potential changes to utility remuneration.

This submission provides feedback in the following three areas:

1. Importance of a long term plan for the consultation;
2. Comments on the OEB's identified near-term priorities; and
3. Proposed additional near-term workstreams to address customer concerns.

1. Importance of a Long-Term Plan for the Consultation

While CLD members recognize the need for a manageable scope for the near-term priorities in this consultation, stakeholders have provided comments over the last two years on the need to examine a wide variety of issues and consider the broader regulatory framework for DERs and utility remuneration.

CLD members recognize the need to move forward on this holistic engagement in a stepwise fashion. However, a strong, flexible regulatory framework to address DERs will need holistic consideration of a wider range of issues than those currently contemplated in the OEB's proposed workstreams, including a variety of DER ownership and operating models (e.g., through utility affiliates), roles and responsibilities of sector participants and potential changes to the utility remuneration structure. In its letter, the OEB indicates that progress on the near-term priorities will inform subsequent areas of focus, yet no clear path forward has been articulated. Absent a plan for dealing with the broader regulatory framework, stakeholders are left with the impression that the OEB may have made some determinations about what will and will not be addressed going forward.

Customers and stakeholders would benefit from knowing the OEB's overarching plan for this consultation, including which issues are planned to be addressed in the medium and long terms and when they are expected to commence and conclude. This overarching plan, developed with consideration of IESO initiatives, would help stakeholders understand the full scope of work to be considered by the OEB as it evaluates the existing regulatory framework and the interdependencies between this consultation and other OEB work (e.g. commercial and industrial rate design, DER connection process, etc.). Setting out an overarching plan would also enable the FEI Working Group to keep the near-term work in context and avoid the pitfalls of the current priorities preempting OEB consideration and decisions on broader, foundational issues such as roles and responsibilities in the sector.

If no long term plan has been developed, the CLD suggests that the FEI Working Group be tasked to work alongside the OEB in developing such a plan as their first order of business, including consideration of IESO initiatives.

2. Comments on Identified Near-Term Priorities

The comments below provide some additional suggestions on areas that may be explored by the FEI Working Group in the OEB's identified near-term workstreams.

The CLD submits that the OEB and FEI Working Group consider the need for and design of alternative approaches to planning that allows for proactive assessments and enabling investments as part of a utility's normal planning processes, to enable greater DER connection capacity. The current DER connection assessment process does not allow for proactive assessment or enabling investments in local distribution or transmission capacity to enable more DER connections. Nor is the current framework clear on whether and to what extent utilities can reserve DER connection capacity for utility-owned assets to address reliability needs. As a result, utilities are unable to proactively plan for DERs and make incremental investments to provide greater connection capacity, consequently

causing delays and additional costs for enabling investments that are often incurred at a single customer's expense.

When developing approaches to measure the costs and benefits of DERs, CLD members recommend that the OEB and FEI Working Group consider of the costs of foundational investments required for utilities to enable the use and integration of DERs into their systems. While some utilities have already started making these foundational investments, further investment may be required to support the increasing number and diversity of DERs that are expected to be connected to the distribution system over time. In addition, the costs and benefits to host distributors and transmitters should also be considered to ensure that utilities, DER proponents and customers understand the full costs and benefits of DER installations when assessing them as alternatives to traditional wires investments.

When developing high-value, non-utility-owned DER use cases, the OEB and FEI Working Group should consider if third-party standalone DER resources would be best deployed in partnerships or joint ventures with utilities or other parties. This consideration would ensure that the use cases comprehensively identify the optimal deployment of DERs for customers, third parties and utilities going forward.

CLD members have also received interest from municipalities in how utilities consider NWAs to address system needs, including the use of non-emitting resources. Municipalities across Ontario have developed municipal or community energy plans to help achieve their net zero goals. In addition, the federal and provincial governments are looking to drive greater electrification as a means to help achieve their climate goals. These trends are expected to lead to significant load growth, including great penetration of electrified transit, which requires utilities to start planning now and consider if near-term capital investments will provide for lower rates in the long term compared to temporary deferral of investments using NWAs.

3. Proposed Additional Near-Term Workstreams to Address Customer Concerns

Utilities recognize their important role in managing the grid, driving its evolution/modernization, integrating DERs, and supporting consumers through that evolution. Utilities also have an important relationship with their customers and see some active areas of customer concern that are not being considered by the OEB in any of its current consultations or in the proposed near-term FEI workstreams. While the CLD expects that broader issues such as remuneration will be dealt with over a longer timeframe, the issues identified below are near-term considerations that are already posing challenges for utilities and their customers and would benefit from regulatory guidance in the near-term.

In recent years, utilities have seen an increase in the number of requests to connect energy storage resources to the grid. Current regulatory instruments (e.g. codes and tariffs) largely look at the grid through the lens of connections being either load or generation, whereas energy storage resources exhibit the characteristics of both. In addition, under the current framework customers are unable to capture the value that storage can provide to the grid. While utilities are currently working with customers to enable energy storage solutions through interpretation of existing OEB rules, regulatory guidance is required to ensure that customers benefit from a consistent, province-wide approach to avoid continued customer confusion and dissatisfaction. CLD members recommend that the OEB undertake a third near-term workstream that focuses on providing greater clarity and guidance for the integration of energy storage solutions.

The OEB should also consider a separate workstream to evaluate the approach to connection cost recovery specifically for customers installing charging facilities for electric vehicles (EVs). Given recent federal stimulus programs and desire for increased electrification to combat climate change, it is expected that EV adoption will increase in the near term, which will place pressure on existing distribution infrastructure. Some CLD members have already heard significant customer concerns regarding the connection

costs for residential electric vehicle owners in congested areas. This issue is expected to be exacerbated as EV penetration continues to increase, not only requiring distribution upgrades, but potentially also transmission upgrades, where the costs are much higher. The OEB should consider whether any regulatory changes are required to ensure that utilities are not unintentionally acting as a barrier to the achievement of important policy objectives.

Conclusion

DER installations can help support Ontario's economic growth and recovery by providing customers with greater choice and options to help meet their loads and reduce their electricity bills. The work of this consultation is paramount to enable customers to achieve these benefits while ensuring utilities are able to meet their obligations of providing safe, reliable and high quality electricity services to all of their customers in a cost efficient manner.

The CLD recognizes OEB staff for their ongoing work in this consultation, appreciates the opportunity to provide comments to the OEB, and looks forward to future opportunities for engagement.

If you have any questions regarding our comments, please contact the undersigned.

Sincerely,

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