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September 16, 2021

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

Attention: Christine E. Long, Registrar and OEB Secretary

Dear Ms. Long:

**Re: Low Income Energy Network (LIEN)
Updating the Conservation and Demand Management (“CDM”) Guidelines for
Electricity Distributors – Comments on OEB Discussion Paper
OEB File No. EB-2021-0106**

Please find enclosed LIEN’s comments on the OEB Staff Discussion Paper titled “Updating the Conservation and Demand Management Guidelines for Electricity Distributors EB-2021-0106” (the “Discussion Paper”).

Yours truly,



Matt Gardner
Partner
*Certified as a Specialist in Environmental
by the Law Society of Ontario*

**LIEN'S COMMENTS ON OEB STAFF DISCUSSION PAPER
"UPDATING CDM GUIDELINES FOR ELECTRICITY DISTRIBUTORS"
EB-2021-0106**

**DISTRIBUTION RATE-FUNDED CDM ACTIVITIES AND ROLE OF CDM IN
SYSTEM PLANNING**

TYPES OF CDM ACTIVITIES

The OEB 2015 CDM Guidelines consider four types of activities that can be treated as CDM: CDM programs that target distributor-specific peak demand reductions to address a local constraint, demand response (DR) programs to reduce peak reduction to defer capital investment for specific distribution infrastructure, programs to improve the efficiency of the distribution system and reduce distribution losses, and energy storage programs to defer distribution system capital spending. LIEN supports the continued treatment of these four types of activities as CDM.

The 2015 CDM Guidelines enable distributors to seek distribution rate funding for these four activities for the purpose of meeting identified distribution system needs, and this should continue. LIEN adds that since these activities are not mutually exclusive, including them as a set of activities to address distribution system needs should be permitted by the CDM Guidelines. Alone or in combination these activities may provide a more comprehensive, reliable and cost-effective solution than a traditional wires solution.

The nature of the electricity grid is evolving. The role and importance of distributed energy resources and non-wire alternatives to traditional system solutions is changing, with distributed energy resources becoming more widespread and cost-effective. As a result, the CDM Guidelines should provide latitude for new and innovative categories of solutions (e.g. microgrids, EVs - managing EV charging, using battery storage) to be added to CDM and to be eligible for rate-payer funding for CDM to address system needs.

LIEN'S RECOMMENDATIONS

LIEN recommends the OEB:

- ♦ Continue to define as CDM the four types of activities characterized by the 2015 CDM Guidelines as CDM - CDM programs that target distributor-specific peak demand reductions to address a local constraint, demand response (DR) programs to reduce peak reduction to defer capital investment, programs to improve the efficiency of the distribution system and reduce distribution losses, and energy storage programs to address distribution system needs.
- ♦ Designate as CDM these four types of activities, described above, either as stand-alone activities or in combination, and continue to enable them to be eligible for rate-payer funding.

- ♦ In addition to the four types of activities described above, provide latitude for new and innovative categories of solutions (e.g., microgrids, EVs - managing EV charging, using battery storage) to be added to CDM and to be eligible for rate-payer funding for CDM to address distribution system needs.

INCORPORATE CDM INTO DISTRIBUTION SYSTEM PLANNING PROCESS

LIEN supports introducing a requirement for distributors to incorporate CDM activities into their distribution system planning process. Such an approach helps to ensure that the most cost-effective approaches to addressing system needs and grid investment are taken by electricity distributors. The OEB should provide guidance to these distributors to help them to incorporate CDM effectively into their distribution system planning process. Such guidance should help to provide consistency in approach across distributors.

LIEN supports the key guidance steps that OEB Staff¹ recommend the OEB encourage distributors to take to incorporate CDM into their distribution system planning, with some enhancements:

- ♦ When assessing system needs, provide sufficient lead time to enable consideration of non-traditional solutions, including CDM activities.
 - This is important as certain CDM activities, such as targeted energy efficiency, may have a longer lead time to achieve the requisite amount of savings needed for deferral of an infrastructure investment, but achieve a more cost-effective and environmentally sound solution.
- ♦ Defining the types of system needs where CDM activities have the greatest potential to meet the system needs. In addition, any system needs where CDM has the potential to contribute to infrastructure investment deferral in whole or in part should be identified and considered as part of the distribution system planning process.
 - While it is important to understand where CDM can make the greatest contribution, it is also important to identify all opportunities where CDM can make a contribution in whole or in part to system needs. This broader treatment of CDM activities will contribute to a comprehensive and more integrated approach to distribution system planning which minimizes lost opportunities regarding CDM.
- ♦ Ensuring a process is in place to consider CDM as a potential solution for these types of system needs and to compare CDM to traditional wires solutions such that CDM is put on a level playing for comparison with traditional wires solutions.
 - LIEN is aware that the OEB's consultation about the Framework for Energy Innovation: Distributed Resources and Utility Incentives ("FEI") is investigating the treatment of distributed energy resources as alternatives to traditional wires solutions to meet distribution needs. However, LIEN notes it is important that until this FEI process is

¹ Discussion Paper, p. 9.

complete, CDM not be undervalued in distribution system planning when compared to traditional wires solutions.

- The OEB should provide a default approach to carrying out this comparison and permit distributors to develop an improved approach for their particular distribution system plan until such time as this matter has been determined in the FEI proceeding. Such a default approach should involve using a Utility Cost Test (UCT) with the same Non-Energy Benefit adder used for the Total Resource Cost Test in Ontario, which is a 15% adder. The UCT assesses the net benefits and costs from the utility perspective; therefore, if applied across all potential solutions for a given infrastructure investment (CDM and traditional wires solutions), it will yield an ‘apples to apples’ comparison.

LIEN'S RECOMMENDATIONS

LIEN recommends the OEB:

- ♦ Require electricity distributors to incorporate CDM activities into their distribution system planning process
- ♦ Encourage distributors to carry out the following steps to incorporate CDM into their distribution system planning:
 - When assessing the distributor's system needs, the distributor should provide sufficient lead time to enable consideration of non-traditional solutions, including CDM activities
 - Define the types of system needs where CDM activities have the greatest potential to meet system needs. In addition, identify any system need where CDM has the potential to contribute to addressing the need in whole or in part.
 - Ensure the distributor puts in place a process to consider CDM as a potential solution for these types of system needs and to compare CDM to traditional wires solutions such that CDM is put on a level playing field for comparison with traditional wires solutions.
- ♦ Provide a default methodology to carry out a comparison between CDM solutions and traditional wires solutions to address system needs, until such time as the matter has been determined in the FEI proceeding and permit distributors to develop an improved approach for their particular distribution system plan.
- ♦ Use as the default approach for comparing CDM solutions with traditional wires solutions, a modified Utility Cost Test (UCT) with the same Non-Energy Benefit adder used for the Total Resource Cost Test in Ontario, which is a 15% adder.

TIMING OF CDM APPLICATIONS

Electricity distributors should be permitted to make funding requests to the OEB for CDM activities as part of rebasing and between cost of service rate applications. This will enable distributors to address opportunities to utilize CDM activities to meet appropriate system needs in a timely manner. Distributors should not be encouraged to wait to submit during rebasing if that time frame will result in a potential lost opportunity for CDM.

LIEN'S RECOMMENDATIONS

LIEN recommends the OEB:

- ♦ Permit electricity distributors to make funding requests for CDM activities as part of rebasing or between cost of service applications.
- ♦ Encourage electricity distributors to make timely applications for CDM to avoid lost opportunities for CDM.

COST RECOVERY

LIEN supports electricity distributors being able to recover costs prudently incurred for any approved CDM activity either through updated base rates in a rate case or through the approach recommended by the distributor for cost recovery between rates cases. This is consistent with OEB's current cost recovery approach for distributor expenditures.

LIEN urges OEB to determine the utility approach to remuneration through the FEI as soon as possible. In addition, until OEB decides on related matters in the FEI consultation, LIEN supports distributors having the option to file a proposal for OEB approval regarding performance measures, targets, and its approach to revenue adjustments for CDM.

LIEN'S RECOMMENDATIONS

LIEN recommends the OEB:

- Permit electricity distributors to recover CDM costs either through updated base rates or through a distributor's recommended approach for cost recovery between rate cases.
- Give distributors the option to file a proposal for OEB approval regarding performance measures, targets and revenue adjustments for CDM, until the OEB decides on related matters in the FEI consultation.

REGIONAL PLANNING

LIEN supports preserving the ability of distributors to incorporate CDM activities within their distribution system plans to address, in whole or in part, regional needs. LIEN also supports distributors being required to identify the objective(s) of the CDM activity either for a distribution system need or a broader system need identified through the regional planning process, or some combination. This is consistent with current practice in Ontario and will contribute positively to an integrated approach to grid planning and modernization.

LIEN'S RECOMMENDATIONS

LIEN recommends the OEB:

- ♦ Preserve the ability of distributors to incorporate CDM activities into their distribution plans to address a broader system need identified through the regional planning process and to explain whether a CDM activity addresses either a distribution system need or a broader system need, or some combination of the two.

ROLE OF DISTRIBUTORS IN THE LOCAL INITIATIVES PROGRAM (LIP)

LIEN supports the LIP deferral account for tracking and recovery of costs associated with a distributor's role as an IESO partner in a LIP initiative. This is an appropriate way to track and dispense with prudently incurred costs.

LIEN'S RECOMMENDATIONS

LIEN recommends the OEB:

- ♦ Continue to enable electricity distributors that partner with IESO on LIP initiatives to recover costs through the use of the LIP Deferral Account.

DISTRIBUTOR STAFFING COSTS FOR CDM AND SUPPORTING ACTIVITIES

LIEN does not support limiting cost recovery to CDM which only addresses a distribution or regional need.² Non-targeted CDM can contribute to reducing distribution peak demand as well as broader system needs such as reducing system peak. This contribution should be recognized.

With the Customer Focus objective of the Renewed Regulatory Framework for Energy comes the responsibility for electricity distributors to identify and effectively address customer needs and preferences. As noted in the Discussion Paper³, eligible distributor costs to be recorded in the LIP deferral account may potentially include activities such as procurement support, providing access to data, supporting EM&V, and supporting marketing and outreach activities. LIEN submits that meeting the Customer Focus objective may require electricity distributors to assist their customers in participating in IESO CDM provincial programs, such as the Energy

² Discussion Paper, p. 10.

³ Discussion Paper, p. 14.

Performance Program, where participants are required to provide timely access to hourly electricity consumption data for a 12-month period. As well, many customers continue to view their utilities as trusted advisors and seek assistance from their local utility to enhance their electricity service and reduce their energy bills. As part of this service, distributors should be encouraged to stay on top not only of IESO CDM assistance available, but also that from other sources such as Green Municipal Fund, other federal programs, and the Canada Infrastructure Bank.

While such support may be minor compared with the support provided by program administrators such as the IESO's customer support for its CDM programs, electricity distributors still make an important contribution to customer service regarding CDM and this should be recognized as a contribution toward the distributor's achievement of the Customer Focus objective. Therefore, in order for electricity distributors to fulfill these limited CDM functions effectively, they should be able to recover costs associated with these functions.

Distributors should also be able to recover costs associated with identifying CDM options, assessing them and comparing them to traditional distribution solutions. The CDM Guidelines should make it clear that planning costs associated with CDM are eligible for cost recovery.

LIEN'S RECOMMENDATIONS

LIEN recommends the OEB:

- ♦ Enable electricity distributors to recover costs associated with fulfilling a limited customer service role/trusted advisor role for CDM, including providing customer data and other services for customers which are participating in CDM programming, and identifying opportunities for technical assistance and funding for the customer's CDM activities through IESO programming as well as other sources.
- ♦ Make planning costs associated with CDM eligible for cost recovery.

IMPACT OF CDM ON DISTRIBUTOR REVENUES

LOAD FORECAST

It is important for electricity distributors to continue to include CDM in their load forecasts. While electricity distributors may no longer be delivering CDM in the 2021-2024 CDM framework, CDM programming does impact customer electricity consumption as well as distribution system peak demand. Due to the lifetime of particular measures implemented in previous CDM frameworks, it is still necessary to take the savings from long-lived measures in use into account and include a forecast of those savings in the load forecast. Consistent with good practice, electricity distributors should provide supporting evidence and rationale for how CDM is incorporated into the load forecast. This includes describing how the interaction of CDM activity with other variables in the load forecast is addressed to avoid double-counting.

LIEN'S RECOMMENDATIONS

LIEN recommends the OEB:

- ♦ Continue to require electricity distributors to include CDM in their load forecasts and to provide supporting evidence and rationale for how CDM has been incorporated, including how double-counting has been avoided.

LRAM

LIEN supports preserving a Lost Revenue Adjustment Mechanism ("LRAM") to recover lost revenues from previous CDM frameworks and as an option for distribution rate-funded CDM activities and LIP activities. This is necessary to ensure electricity distributors are kept whole due to their efforts in CDM and contributes to putting CDM on a more level playing field with traditional distribution solutions. Electricity distributors that wish to exercise this option must provide supporting evidence and rationale for using LRAM as well as for the disposition of any funds in the LRAMVA proposed to be recovered.

LIEN'S RECOMMENDATIONS

LIEN recommends the OEB:

- ♦ Allow electricity distributors to use LRAM to recover lost revenues from previous CDM frameworks, for rate-funded CDM activities and for LIP activities, and require electricity distributors to provide supporting evidence and rationale for using LRAM and for dispensing with expenditures in the LRAMVA.

CDM/DSM CO-ORDINATION

LIEN supports encouraging electricity distributors to co-ordinate with entities delivering DSM and CDM programs. This is part of the distributor's customer service/trusted advisor role referred to earlier in Distributor Staffing Costs for CDM and Supporting Activities. Implementing this role will help to reduce program delivery costs and improve cost efficiencies for the program administrator and delivery agents. Therefore, costs incurred by electricity distributors for providing this assistance should be recoverable in rates.

LIEN'S RECOMMENDATIONS

- ♦ Encourage distributors to coordinate with entities delivering DSM and CDM programs and allow costs associated with this coordination to be recoverable in rates.

SUMMARY OF LIEN'S RECOMMENDATIONS

LIEN recommends the OEB:

- ♦ Continue to define as CDM the four types of activities characterized by the 2015 CDM Guidelines as CDM - CDM programs that target distributor-specific peak demand reductions to address a local constraint, demand response (DR) programs to reduce peak reduction to defer capital investment for specific distribution infrastructure, programs to improve the efficiency of the distribution system and reduce distribution losses, and energy storage programs to defer distribution system capital spending.
- ♦ Designate as CDM these four types of activities, described above, either as stand-alone activities or in combination, and continue to enable them to be eligible for rate-payer funding.
- ♦ In addition to the four types of activities described above, provide latitude for new and innovative categories of solutions (e.g. microgrids, EV's - managing EV charging, using battery storage) to be added to CDM and to be eligible for rate-payer funding for CDM to address distribution system needs.
- ♦ Require electricity distributors to incorporate CDM activities into their distribution system planning process.
- ♦ Encourage distributors to carry out the following steps to incorporate CDM into their distribution system planning:
 - When assessing the distributor's system needs, the distributor should provide sufficient lead time to enable consideration of non-traditional solutions, including CDM activities
 - Define the types of system needs where CDM activities have the greatest potential to meet system needs. In addition, identify any system need where CDM has the potential to contribute to addressing the need in whole or in part.
 - Ensure the distributor puts in place a process to consider CDM as a potential solution for these types of system needs and to compare CDM to traditional wires solutions such that CDM is put on a level playing for comparison with traditional wires solutions.
- ♦ Provide a default methodology to carry out a comparison between CDM solutions and traditional wires solutions to address system need, until such time as the matter has been determined by FEI proceeding and permit distributors to develop an improved approach for their particular distribution system plan.
- ♦ Use as the default approach for comparing CDM solutions with traditional wires solutions a modified Utility Cost Test (UCT) with the same Non-Energy Benefit adder used for the Total Resource Cost Test in Ontario, which is a 15% adder.

- ♦ Permit electricity distributors to make funding requests for CDM activities as part of rebasing or between cost of service applications.
- ♦ Encourage electricity distributors to make timely applications for CDM to avoid lost opportunities for CDM.
- ♦ Permit electricity distributors to recover CDM costs either through updated base rates or through a distributor's recommended approach for cost recovery between rates cases.
- ♦ Give distributors the option to file a proposal for OEB approval regarding performance measures, targets and revenue adjustments for CDM, until OEB decides on related matters in the FEI consultation.
- ♦ Preserve the ability of distributors to incorporate CDM activities into their distribution plans to address a broader system need identified through the regional planning process and to explain whether a CDM activity addresses either a distribution system need or a broader system need, or some combination.
- ♦ Continue to enable electricity distributors which partner with IESO on LIP initiatives to recover costs through the use of the LIP Deferral Account.
- ♦ Enable electricity distributors to recover costs associated with fulfilling a limited customer service role/trusted advisor role for CDM, including providing customer data and other services for customers which are participating in CDM programming, and identifying opportunities for technical assistance and funding for the customer's CDM activities through IESO programming as well as other sources.
- ♦ Make planning costs associated with CDM eligible for cost recovery.
- ♦ Continue to require electricity distributors to include CDM in their load forecasts and to provide supporting evidence and rationale for how CDM has been incorporated, including how double-counting has been avoided.
- ♦ Allow electricity distributors to use LRAM to recover lost revenues from previous CDM frameworks, for rate-funded CDM activities and for LIP activities, and require electricity distributors to provide supporting evidence and rationale for using LRAM and for dispensing with expenditures in the LRAMVA.
- ♦ Encourage distributors to coordinate with entities delivering DSM and CDM programs and allow costs associated with this coordination to be recoverable in rates.