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Frank D'Andrea

Vice President, Reliability Standards and Chief Regulatory Officer

BY RESS AND EMAIL

September 16, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Long,

EB-2021-0106 – OEB CDM Guidelines for Electricity Distributors Update – HONI Submission

On August 5, 2021, the Ontario Energy Board (“OEB”) issued a letter which initiated a consultation to update its Conservation and Demand Management (CDM) Guidelines of Electricity Distributors. The OEB invited stakeholders to provide comments and feedback on the OEB Staff paper that outlines OEB staff’s proposed changes to the CDM Guidelines. Hydro One is pleased to provide comments.

Hydro One’s feedback provides recommendations to clarify the limitations on the use of CDM activities, to strengthen the proposal regarding recovery of CDM staff costs and to provide additional guidance on the timing of applications and data sharing for load forecasting. Hydro One also believes that the OEB should undertake this work in coordination with their other major policy initiatives (e.g. Framework for Energy Innovation) to ensure alignment and that the broader implications of all of the initiatives are considered together.

Please do not hesitate to contact Stephen Vetsis at Stephen.Vetsis@hydroone.com if you have any further questions regarding this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Frank D'Andrea", written in a cursive style.

Frank D'Andrea

Hydro One Comments

Conservation and Demand Management (CDM) Guidelines for Electricity Distributors Update (EB-2021-0106)

Introduction

On August 5, 2021, the Ontario Energy Board (“OEB”) issued a letter which initiated a consultation to update its Conservation and Demand Management (CDM) Guidelines of Electricity Distributors. The OEB invited stakeholders to provide comments and feedback on the OEB Staff paper that outlines OEB staff’s proposed changes to the CDM Guidelines.

Hydro One is supportive of updating the guidance to reflect the new centralized delivery of CDM frameworks in Ontario and also to provide additional guidance to utilities on integrating CDM into planning in alignment with the goals of the OEB’s Framework for Energy Innovation consultation.

Hydro One recognizes the OEB for its leadership in guiding utilities to integrate a broader range of resources into distribution system planning. This type of guidance is especially important as the energy sector prepares for potentially significant load growth over the long term resulting from the federal, municipal and customer net zero emissions targets. Hydro One believes that the important work being undertaken by the OEB under its related policy initiatives (e.g., CDM Guidelines update, Framework for Energy Innovation) should be coordinated so that progress across the initiatives is aligned, distributors fully understand the OEB’s expectations, and the broader implications of each initiative on the utility’s business and sector evolution are considered together.

The next section of this submission outlines Hydro One’s detailed feedback on the proposals outline in the OEB Staff paper. At a high-level Hydro One’s feedback recommends ensuring evaluation of CDM activities is appropriately scoped to enable regulatory efficiency, strengthening the proposal regarding recovery of CDM staff costs, and that the OEB provide additional guidance on the timing of applications and data sharing for load forecasting.

The feedback is organized under the following headings in the next section:

- Types of CDM
- Timing of Applications
- Funding for Staff Costs related to Distribution Rate-Funded CDM Activities
- Load Forecasting

Types of CDM

The OEB staff proposal states that while the four examples of CDM that are outlined on page 7 of the OEB staff paper would appear in the Updated Guidelines, these examples would not be considered an exhaustive list of the types of activities that could be considered¹. Hydro One is supportive of the OEB staff proposal to enable innovation by broadening the definition of CDM and affording utilities flexibility to identify new categories of activities to defer distribution system investments.

Hydro One is supportive of a less restrictive definition of CDM activities, and the OEB staff assertion that distributors should be encourage to “define the types of system needs where CDM activities have the greatest potential to meet the system need.”² Hydro One recommends that the OEB strengthen this assertion to explicitly recognize that CDM is not a suitable alternative for all types of traditional investments and acknowledge that CDM should be considered only where there is a reasonable chance that it could successfully avoid, delay or reduce a specific distribution investment. This recommendation aligns with Enbridge’s Integrated Resource Planning Framework³ and would mitigate any potential regulatory inefficiency that could otherwise arise if stakeholders seek to test CDM as alternatives to all types of utility investments in a rebasing proceeding.

To further ensure regulatory efficiency on ongoing hearings, Hydro One recommends that the updated guidelines explicitly state that they are effective on a prospective basis, once the OEB has issued its final guidance.

Timing of Applications

The OEB Staff proposal indicates that Custom IR applications should be informed by the cost of service filing requirements⁴, and, that the updated CDM Guidelines should preserve the option for distributors to submit applications between costs of service rate applications, if necessary⁵.

¹ OEB Staff Discussion Paper: Updating the CDM Guidelines for Electricity Distributors (EB-2021-0106), page 10

² Ibid, page 9

³ OEB Decision and Order Enbridge Gas Integrated Resource Planning Proposal (EB-2020-0091), July 22, 2021, page 5, *Binary Screening Criteria*.

⁴ OEB Staff Discussion Paper: Updating the CDM Guidelines for Electricity Distributors (EB-2021-0106), page 10, footnote 7

⁵ Ibid, page 11

However, there is a lack of clarity on if utilities that use the Custom IR rate setting methodology would also be able to submit stand alone applications for distribution-rate funded CDM between re-basing applications. The 2016 Rate Handbook states that for utilities under a Custom IR application that “the OEB expects there to be no further rate applications for annual updates within the five-year term, unless there are exceptional circumstances, with the exception of the clearance of established deferral and variance accounts”⁶. Hydro One recommends that the OEB clarify whether or not stand-alone applications for CDM funding are available for utilities in between rebasing that have set rates using a Custom IR.

In Hydro One’s view, stand-alone applications should be available to utilities under Custom IR in between rebasing applications even if there are no exceptional circumstances. In the early years of implementing the updated guidelines, it may be beneficial for the OEB to allow more stand-alone applications as utilities develop the experience with integrating and leveraging CDM activities. This approach would also support innovation in the sector by allowing for more frequent opportunities for utilities to seek OEB guidance and approvals for novel approaches during their multi-year rate setting cycles.

Funding for Staff Costs related to Distribution Rate-Funded CDM Activities

In the staff paper, OEB staff proposes that “the Updated CDM Guidelines could indicate that planning costs of this nature would be reviewed by the OEB as part of its overall review of OM&A costs”⁷. Hydro One recommends that this guidance be stronger to indicate that distributors *can* and *should* recover prudently incurred costs for such staffing activities in their rates. Strengthening this proposal will help avoid a scenario where distributors are not able to properly consider CDM options until they have CDM staff funding, but can’t fund the CDM staff until they have approved CDM activities.

Load Forecasting

Hydro One has integrated CDM energy and demand savings based on the IESO’s provincial reports into load forecasts for many years and thus does not have concerns regarding the OEB staff proposals in section 5.2.2⁸. However, as a transmitter and host distributor, it may become more challenging for Hydro One to incorporate CDM into load forecasts if CDM activities are used more frequently in Regional Planning or if a large number of distributors begin undertaking distribution rate-funded CDM activities to defer investments. Currently, Hydro One does not have a mechanism to receive forecasted savings from any CDM activities other than the provincial CDM Frameworks provided by the IESO and thus would not be able to capture these CDM impacts in future load forecasts. All other things equal, this would result in future load that would tend to be lower than the load forecast, reducing future revenue to a level below the approved revenue requirement.

⁶ OEB 2016 Rate Handbook, page 26

⁷ OEB Staff Discussion Paper: Updating the CDM Guidelines for Electricity Distributors (EB-2021-0106), page 17

⁸ Ibid, page 17

While in the early years of implementing the updated CDM Guidelines there may be limited applications by distributors connected to Hydro One's system, load forecasting challenges for Hydro One could emerge as the use of CDM to defer specific infrastructure becomes more wide spread, especially on the transmission side. As a result, Hydro One recommends that the OEB consider whether there are opportunities in the regulatory framework to encourage information sharing on planned CDM activities among regulated entities. This type of information sharing would ensure that all utilities, including Hydro One, as a transmitter and host distributor, have sufficient information for to inform load forecasting.

Conclusion

Hydro One recognizes OEB staff for their work in developing the proposed updates to the CDM Guidelines and appreciates the opportunity to provide comments to the OEB on this important consultation. We look forward to future opportunities for engagement on these issues.