

Elson Advocacy

BY RESS AND EMAIL

September 16, 2021

Ms. Christine Long

Registrar
Ontario Energy Board
2300 Yonge Street, 27th floor, P.O. Box 2319
Toronto, Ontario M4P 1E4

Dear Ms. Long:

Re: EB-2021-0106 – Updating the CDM Guidelines for Electricity Distributors

I am writing on behalf of Environmental Defence to provide comments on the OEB staff discussion paper, *Updating the Conservation and Demand Management Guidelines for Electricity Distributors*. As detailed below, Environmental Defence strongly supports including the requirement that LDCs consider non-wires alternatives (“NWAs”) as part of their distribution system planning process in the updated CDM Guidelines for Electricity Distributors (“CDM Guidelines”). In addition, Environmental Defence also requests that the OEB:

- Expand the obligation to consider NWAs to all infrastructure spending, including projects funded by customer capital contributions; and
- Explicitly allow LDCs to apply for a return on NWA spending on a case-by-case basis with the proviso that it be consistent with the return that would have been earned on the infrastructure alternative.

This would help to address two barriers to the implementation of NWAs that have the potential to be a cost-effective approach to lowering the bills of electricity customers.

(1) Integrated distribution system planning requirement

Environmental Defence strongly supports the proposal to strengthen the updated CDM Guidelines by requiring LDCs to incorporate consideration of CDM activities, including NWAs, into their distribution system planning process. NWAs have the potential to lower customer bills by cost-effectively avoiding or deferring otherwise necessary infrastructure projects. They bring about other benefits as well. For example, NWAs are often procured incrementally over time. This allows utilities to re-assess whether a forecasted need is actually arising, thereby mitigating forecasting risks. In some cases, NWAs have allowed utilities to completely avoid expected spending when the forecasted growth did not materialize.

If NWAs are not considered at the time of equipment replacement or purchase, important opportunities can be lost. By requiring an assessment earlier on in the planning process, LDCs are more likely to have adequate lead time to fully assess NWA solutions options rather than falling back on the default of like-for-like wires replacements.

In sum, this is a very positive step forward that Environmental Defence strongly supports.

(2) Expanding integrated planning requirement to all infrastructure

Environmental Defence requests that the requirement to consider NWAs be expanded to cover all LDC infrastructure spending, or clarification that this is already the case. In particular, LDCs should be required to consider NWAs for infrastructure projects funded by customer capital contributions. It is not clear whether this is captured by the current OEB Staff proposal.

Take, for instance, significant upstream distribution upgrades that are required for expanded production at an industrial facility or a new residential development. There may be an opportunity to cost-effectively avoid some of the upgrades. For example, this could be done by utilizing a storage facility along the same feeder, contracting for demand response on that feeder, or otherwise. It is important that these be considered because this kind of spending can be a very large component of overall utility spending. Although specific customers will be paying for the infrastructure directly (not through the revenue requirement), the OEB nevertheless has a mandate to ensure that the LDC is finding the lowest possible price.

In addition, the utility has an important role to play even though the project is customer-driven and customer-funded. It may be that the most cost-effective NWA or the only cost-effective NWA would be located at a different point along the line from the relevant feeder (e.g., demand response from another customer, new storage installed at another site, etc.). The customer driving the project may not be the same customer that can provide the NWA. The LDC can coordinate the needs of both customers to lower each customer's overall electricity costs.

The OEB's customer protection mandate is particularly important with respect to the future owners of new homes in a residential development that requires upstream distribution system upgrades. In this context, the developer will arrange with the LDC to have the infrastructure constructed but it is the future homeowners that will pay over time on their electricity bills. The homeowners have no role up front. The developers negotiate agreements with the LDC but they do not have a significant interest in keeping costs down as they do not pay those costs and home buyers rarely factor these costs into their purchase decisions. Therefore, in the interest of protecting these residential customers, LDCs should be required to consider whether NWAs could cost-effectively avoid or reduce the cost of some of the upstream distribution infrastructure.

As noted above, it is not clear to us whether the OEB Staff proposal would require LDCs to consider NWAs prior to any kind of infrastructure build. That may already be the intent. If so, this should be clarified. If not, we request that the requirement be expanded to cover all infrastructure.

(3) Creating incentives for NWAs to level the playing field

Environmental Defence recommends that the CDM guidelines expressly allow LDCs to propose a return on NWAs that would be at a level consistent with the return on infrastructure spending. The OEB Staff proposal raises this as a possibility. We believe it is essential. Without a return on NWA spending, LDCs will have a perverse financial incentive in favour of traditional infrastructure even if it is much more expensive than an NWA. In some cases, this could lead LDCs to adopt a sub-optimal solution to the detriment of customers.

We understand that OEB Staff is not proposing specific NWA incentives/returns because this matter is currently being discussed in the Framework for Energy Innovation process. However, that should not prevent LDCs from making once-off proposals in the interim, which the OEB would then be able to approve, deny, or adjust when the matter comes before it. We strongly recommend language in the CDM guidelines to invite LDCs to do this so that NWAs and traditional infrastructure will be on a more level playing field.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Kent Elson', with a stylized, cursive script.

Kent Elson