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September 16, 2021

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

Attention: Christine Long, Board Registrar

Dear Ms. Long:

**Re: Ontario Sustainable Energy Association
Board File No. EB-2021-0106
Updating the CDM Guidelines for Electricity Distributors –Written Comments**

Please find enclosed the Ontario Sustainable Energy Association's written comments in the above-noted matter, which have been filed on the RESS.

Yours truly,



Raeya Jackiw

cc: Dan Goldberger, OSEA
Travis Lusney, Power Advisory LLC

Document #: 2016290

ONTARIO ENERGY BOARD

Invitation for Written Comments on the Ontario Energy Board's Staff Discussion Paper re Updating the Conservation and Demand Management Guidelines for Electricity Distributors

WRITTEN SUBMISSION OF ONTARIO SUSTAINABLE ENERGY ASSOCIATION ("OSEA")

September 16, 2021

On August 5, 2021, the Ontario Energy Board ("OEB") invited written comments on the OEB Staff's discussion paper titled *Updating the Conservation and Demand Management Guidelines for Electricity Distributors* ("Discussion Paper"), and proposed updates to the *Conservation and Demand Management Requirement Guidelines for Electricity Distributors* ("CDM Guidelines").

OSEA appreciates the opportunity to comment on the Discussion Paper and updates to the CDM Guidelines. Overall, OSEA supports the general direction of the updated CDM Guidelines presented by Staff in the Discussion Paper.

After over a decade of supply surplus, Ontario is rapidly approaching the need for new supply resources to meet resource adequacy needs as described in the Independent Electricity System Operator's ("IESO") Annual Planning Outlook.¹ Concurrently, the electricity sector is expected to undergo significant change as Ontario moves to meet the challenges of climate change. More efficient use of existing electricity infrastructure through CDM initiatives is important for meeting future system needs, and aligning system planning with government policy and customer preferences.

OSEA's comments, set out in more detail below, focus on

- ♦ enhancing the role of CDM in system planning through expanding the definition of CDM, acknowledging the flexibility and scalability of CDM as well as CDM's qualitative benefits, and engagement
- ♦ enabling rate-regulation of CDM, and

¹ IESO Planning and Forecasting Annual Planning Outlook retrieved from: <https://www.ieso.ca/en/Sector-Participants/Planning-and-Forecasting/Annual-Planning-Outlook>.

- ♦ the planning horizons and stakeholder engagement required to facilitate CDM and Demand Side Management (“DSM”) co-ordination.

ROLE OF CDM IN SYSTEM PLANNING

OSEA fully supports maintaining and enhancing the role of CDM in meeting system needs. Ontario’s power system planning process has continually evolved to incorporate new technologies and resources. With so many options available to address system needs, power system planning must have appropriate processes in place to ensure preferred solutions are prudent, reliable, safe and maintain good utility practices.

OSEA supports expanding the definition of CDM activities in the Updated Guidelines to lower barriers for new and innovative categories of solutions. Rapid technology change, falling costs, and customer adoption means many customer-based resources exist that can be deployed by distributors to meet system needs. CDM activities should be any action or investment that results in reduction of consumption and/or reduction of demand during system peak hours (i.e., local, regional or bulk system). This broad definition of CDM activities supports innovation and does not add unnecessary regulatory burden.

A key benefit of CDM activities is the variability of commitment terms. Unlike traditional utility investments that require rate-payer commitment of 40-60 years (e.g., poles and wires), CDM activities can be tailored to align with planning horizon uncertainties. This flexibility gives system planners valuable time to better understand evolving the magnitude of system needs. For example, electrification could result in significant demand growth, however, government policy and changing customer preferences makes it hard to determine how quickly system expansion may be required. CDM activities can be used to defer system expansion needs with the hope of having a better understanding of longer-term system needs. The scalability and flexibility of CDM activities should be reflected within the Updated CDM Guidelines.

CDM activities that can address local and regional system needs almost always involve investments or actions by customers and/or local communities. The Updated CDM Guidelines should encourage distributors and the IESO to continue to enhance their engagement processes with local communities and large customers. This will help ensure that customers and communities are informed about where their preferences align with electricity system needs.

Common objectives can reduce costs and benefit all rate-payers. In particular, OSEA encourages the OEB to consider supporting the evolution of distribution planning activities to align with other planning processes, such as community energy planning, through the Updated CDM Guidelines. Community energy plans are a key driver for future system needs, and integrating CDM activities with community decision making can optimize Ontario’s energy infrastructure.

The Updated CDM Guidelines should also encourage distributors and the IESO to assess potential additional benefits of CDM activities to local communities that can be reflected qualitatively in the selection process of preferred solutions for system needs. Qualitative benefits may include reduced emissions in the local community or lower system losses for the broader electricity market. In some cases, local community preference could be reflected by key stakeholders or the community itself contributing financing to the preferred solution. With many communities and corporate entities establishing ESG objectives, there is a potential for CDM activities to be partially funded by both rate-payers and local electricity consumers. System planning processes should be encouraged to seek out these cost sharing CDM solutions where available for the benefit of rate-payers.

RATE REGULATION

OSEA supports and encourages rate-regulation of CDM activities. When system planning identifies CDM activities as a viable, cost-effective solution to system needs, the Updated CDM Guidelines should support distributors in seeking and receiving cost recovery as a rate-regulated activity. Prudent system planning and regulatory oversight should not prefer any specific technology type such as traditional utility investments. Providing a path to fund CDM activities as rate-regulated investments ensures distributors will consider CDM activities as an option to meet system needs. Having more options available will reduce cost through competition and provide flexibility to manage the inherent uncertain future of distribution system planning.

COORDINATION OF CDM/DSM ACTIVITIES

OSEA supports OEB Staff's proposal to further encourage co-ordination between natural gas and electricity distributors for potential cost reduction and efficiency gain purposes. To maximize the benefits co-ordination, longer planning horizons may be required to ensure that co-ordination occurs early enough to develop CDM/DSM solutions.

While the electricity and natural gas sector have historically worked together as part of system expansion, the significant transition expected from climate change investments will require closer integration to ensure the appropriate solution for the broader energy network (i.e., both electricity and natural gas networks) is selected. This may require joint stakeholder engagement activities by electricity and natural gas distributors to gather stakeholder feedback and ensure alignment with community preferences.