

Ms. Christine Long
OEB Registrar
Ontario Energy Board
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2300 Yonge Street
Toronto, ON M4P 1E4

October 13, 2021

**Re: EB-2021-0180 OEB Innovation Sandbox Renewal Consultation
Pollution Probe Comments**

Dear Ms. Long:

In accordance with the OEB's letter dated August 26, 2021 for the above-noted consultation, please find below Pollution Probe's comments related to the Innovation Sandbox.

Pollution Probe commends the OEB's efforts for continuous improvement related to the Innovation Sandbox. The energy industry is not stagnant and requires continuous improvement in order to enable innovation, modernization and meet the needs of Ontario's consumers and communities. Pollution Probe generally agrees with the materials summarized by OEB staff in their September 27, 2021 presentation deck. However, that was just a high-level summary and the needs are certainly more comprehensive than the materials summarized in the deck. The summary also highlighted a need to go beyond the usual industry stakeholders and ensure broader engagement tools. Pollution Probe is always interested in helping the OEB reach end use consumers, communities and related stakeholders and has invited the OEB to participate in previous stakeholder sessions. If the OEB develops an advisory group to break down those barriers, Pollution Probe would be interested in supporting those efforts.

Pollution Probe collaborates with consumers, communities and other stakeholders and is in a unique position to provide knowledgeable input on opportunities to enhance the Innovation Sandbox. Pollution Probe is currently collaborating on an Innovation Sandbox project to encourage and enable the innovation needed to meet our low-carbon targets through the use of Innovation Sandboxes in jurisdictions across Canada. Pollution Probe had an opportunity to share key feedback during our one-on-one OEB online session August 31, 2021 and also participated actively in the broader online consultation on September 30, 2021. In addition, Pollution Probe, in cooperation with QUEST, organized a stakeholder workshop on September 1, 2021 to gather additional input. Pollution Probe does not intend to reiterate all of the

feedback it provided previously in the OEB sessions, but has consolidated key points below. In addition, the Innovation Sandbox research and reports can be found at the following links.

<https://www.pollutionprobe.org/energy/innovation-sandboxes-project/>

<https://www.pollutionprobe.org/wp-content/uploads/2021/09/A-State-of-Renewal-Ontarios-Innovation-Sandboxes.pdf>

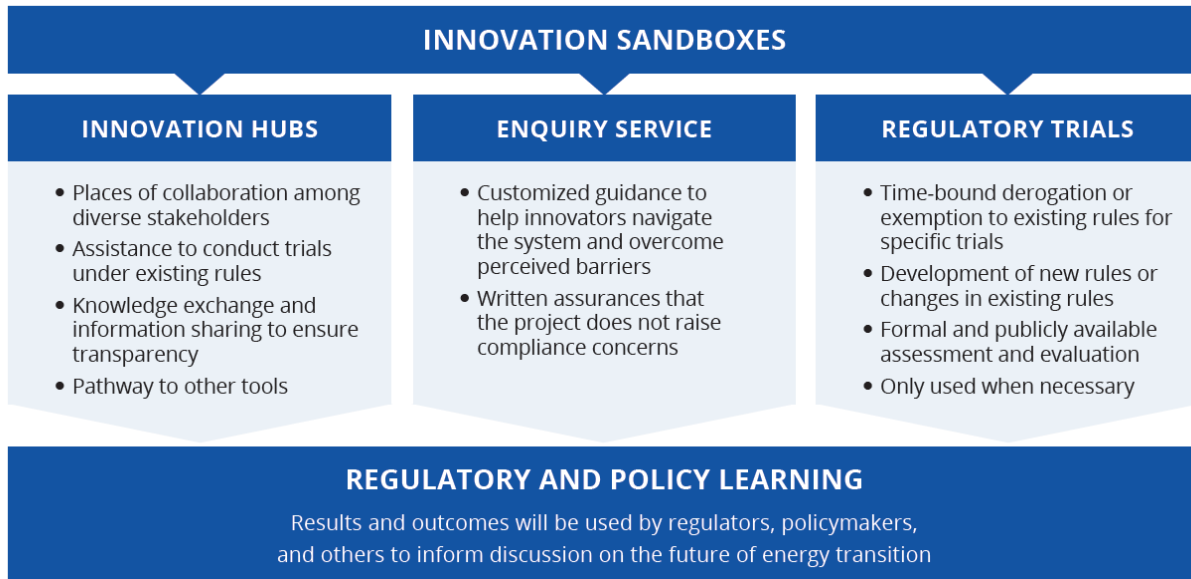
Context

The energy industry in Ontario and the related regulatory structure is complex and often difficult to navigate. Pollution Probe hears from consumers, communities and industry stakeholders on a regular basis that it is difficult to understand how to engage in regulatory initiatives. This is true of many regulated entities, but even more true of the end consumers, communities and related stakeholders that the OEB seeks to represent. The Innovation Sandbox cannot just be a tool for monopoly utilities, but must be a broader initiative to enable best practices, change and innovation. Pollution Probe has held workshops to help community stakeholders understand the regulatory landscape and how to engage. Pollution Probe also often partners with a broad range of stakeholders and includes their input in regulatory submissions, advisory groups and related initiatives. It is always important to remember that the Innovation Sandbox should support positive end outcomes for Ontario consumers and communities. Breaking down barriers, plus enhancing openness and transparency is key to ensuring that a broader set of views are included in OEB policies, guidelines and decisions.

Innovation sandboxes use three tools — innovation hubs, enquiry services and regulatory trials — to effectively promote system-level innovation. Innovation hubs use collaborative tools or platforms that allow the sharing of information and lessons among the diverse stakeholders in the energy sector. Enquiry services help innovators navigate the complex landscape and understand the barriers. Sometimes those barriers are not real, so this stage clears up any potential misconceptions. Finally, regulatory trials address real regulatory barriers by granting innovators temporary exemptions to test new ways of doing things. Findings and experience from the innovation sandboxes are then used to inform policy and regulatory changes.

Innovation sandboxes can be used to test new business models and regulatory structures in all areas, from electric-vehicle smart charging, smart homes, different transportation fuels such as hydrogen, and local markets for solar and storage, among others.

The four tools of Innovation Sandboxes



At the same time, an Innovation Sandbox is not an island and must be considered in the broader context of the OEB and its staff. The OEB is not a homogeneous organization and there is significant variation in the level of knowledge, expertise, initiative and risk tolerance across all levels of the organization. If all policies, guideline and decisions by the OEB do not align with the OEB goals to drive innovation and modernization, the Innovation Sandbox will fail. The Innovation Sandbox has a key role to play, but must be supported by the broader culture, actions and decisions of the OEB. It is a difficult challenge in any organization, but it appears that the OEB is willing to take on this difficult challenge and understands the long-term benefits that will result.

Overcoming Challenges

The status quo in the energy sector developed over the last century is well entrenched and will be difficult to change. There are also implicit biases that need to be overcome. For example, the current rules favour traditional capital infrastructure solutions over more cost-effective, clean and long-term community solutions such as Distributed Energy Resources (DERs). This recognition has led the OEB to initiate change enablers through many of the current initiatives (e.g. FEI, RPPAG, etc.). Status quo barriers were also very visible through recent OEB proceedings such as the Integrated Resource Planning proceeding (EB-2020-0091). A single OEB decision alone will not lead to sustainable change, but will require ongoing and persistent reinforcement. It is apparent that the OEB has an interest to drive change and innovation and it will be important to continue to enhance openness, education and learning within and outside

OEB. Some barriers still exist to enable OEB staff to participate in community events and without the ability to extend past the walls of the OEB, staff be restricted from interacting with innovative thought leaders and hearing directly from consumers and communities that the OEB serves.

“Meaningful change is not random. It is not coincidental. It is deliberate and disciplined, well planned and well executed. It requires very specific goals and measures, along with a clearly articulated process for reaching those goals and mechanisms for course correction when necessary.” [OEB Strategic Plan, Page 3]

Innovation for innovation’s sake is not sustainable, and will not get Ontario to where it needs to be. Direction is needed based on best practices and broad consultation, extending beyond the usual players. This needs to include stakeholders beyond the “status quo” regulatory participants to identify constraints and highlight opportunities. Doing the same thing over and over again and expecting a different result is futile. Change is needed.

The OEB could also engage with broader stakeholders to identify topics of interest to Ontario’s energy systems. Partnering with organizations like the Clean Air Partnership, Association of Municipalities Ontario, Pollution Probe and other organization connected to consumers and communities across Ontario would help ensure that a broader audience is reached. It will also be important to translate industry and regulatory speak into common terminology that aligns with the general public terminology. Municipalities across Ontario have developed energy and emissions plans that are community centric and fuel agnostic. Many Ontario communities are already ahead of the energy industry and provide a potential compass to drive community based innovative thinking and solutions.

Based on external input and advice, the OEB could proactively select areas where innovation is needed (V2G for example) and have targeted calls for potential projects. This could be done in addition with the current system of having open calls for projects, in partnership with IESO.

In addition, for any project selected for the Innovation Sandbox, it is important that “real innovation” is promoted; in other words, innovation that is more than just cost shifting or status quo proposals. Cost shifting is not real innovation.

Additional Considerations

1. Need a “provincial sandbox”

A Province-wide focus would engage broader stakeholders and identify pockets of innovation that could be extrapolated more broadly. There are leaders and laggards in the industry and a broad reach helps balance those out. Regulations are not always barrier and there is a significant variation in the competency of stakeholders to understand and navigate those requirements. The energy sector is not an island and needs to align with broader policy at all levels and systematically identify and address market barriers. Sometimes this is squarely in the domain of the OEB and other times, the OEB will need to partner with others to remove those barriers. Ignoring barriers that are external to the OEB will impede progress and potentially cause the Innovation Sandbox to fail.

The OEB has a lot of options available to drive progress. In some cases, the OEB can undertake direct initiatives (e.g. FEI, RPPAG, IRP, etc.) or sponsor consultations or consultant reports. In other cases, the OEB can partner or connect on projects with other funders. The OEB can also learn from leading communities in Ontario as they deliver integrated energy and emission plans for local consumers.

2. Connect with wider energy community

Use the Innovation Sandbox as a space to create a wider conversation with the sector on innovation and the needs in Ontario. This could be through conferences, workshops, trade shows, etc. This must include more than just the usual regulatory players and leverage outreach to broader consumers, communities and related stakeholders. Innovation Sandbox can be a place to connect new entrants, utilities, regulators, civil society and academia on the innovation that is needed. It is a paradigm shift in community engagements.

3. Change utility culture

Innovation is not a priority in many LDCs, particularly those where the status quo approach is more profitable. There are also systematic biases that incent old school capital solutions when the future demands a better solution. With the trend of consolidation, these issues will become even more important. The Innovation Sandbox set of tools can be leveraged to help change utility culture/expectations to make innovation more acceptable and expected. The OEB will also need to think about how to handle situations when a utility is the barrier to innovation and meeting long term needs of customers and communities in Ontario. The same challenge exists with some other stakeholders in the regulatory arena that are too comfortable with the status quo and resistant to change.



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Respectfully submitted on behalf of Pollution Probe.

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