



October 15, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
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Toronto, ON M4P 1E4
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Filed by RESS and Email

Re: EB-2021-0180 OEB Innovation Sandbox Renewal Consultation
AMPCO's Comments

Dear Ms. Long:

In June 2021 the Ontario Energy Board (OEB) initiated a consultation to renew its Innovation Sandbox. The Initiation Letter dated June 23, 2021 indicates this work will proceed in parallel with the OEB's recently-announced joint call for projects under the IESO's Grid Innovation Fund, and represents another avenue through which the OEB is supporting purposeful innovation, as articulated in the OEB's Strategic Plan.

AMPCO participated in a small group meeting facilitated by OEB Staff on August 24, 2021. On September 30, 2021, AMPCO also attended the virtual stakeholder event where OEB staff reviewed its proposal for the Sandbox 2.0 based on input from the stakeholder meetings held in July and August. In addition to any comments provided orally during the stakeholder meetings, OEB staff welcomed written input on staff's proposal for the Sandbox 2.0 design. AMPCO appreciates the opportunity to provide further comments.

General Comments Regarding the Innovation Sandbox Methodology

AMPCO originally provided Innovation Sandbox comments on January 24, 2019 as part of its comments on the Chair's Advisory Committee on Innovation (ACI) Report. It was combined in such a way because the Sandbox was only disclosed publicly at the same stakeholder session that was hosted to present the ACI Report on January 19, 2019.

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At that time, AMPCO was critical of both the way in which the Sandbox was designed and disclosed as well as some of the features of the Sandbox. AMPCO's key areas of concern included transparency and potential areas of exemption, such as legislative provisions. While AMPCO is pleased to see the progress that is being proposed in regards to transparency, we still maintain our discomfort in the area of legislative exemptions. We will provide more detailed comments below in Section 4 - Support Limitations.

Finally, a general topic that was addressed during AMPCO's meeting on August 24, 2021 but does not appear to be addressed directly within Staff's PowerPoint Presentation is the general role that should be played by the Board in the area of Innovation. Again, AMPCO will include specific comments on this consideration under Section 4 below.

Section 1 - Proposed Sandbox Guiding Criteria¹

OEB staff proposes to establish the following Sandbox Goal:

To facilitate purposeful innovation that provides value to consumers, including protecting against risks to the grid and focusing on emerging system needs related to the energy transition.

The word facilitate in the proposed goal is important. AMPCO has previously stated its views that the role of the OEB should be to facilitate innovation not lead innovation, instead allowing the market to lead innovation based on customer preferences. Please see Section 4 below for additional discussion of the role of the OEB.

Value for consumers has different meanings for different stakeholders. In AMPCO's view, value for consumers through innovation means better affordability and/or improved reliability of the grid and the avoidance of stranded costs. For the Innovation Sandbox to be successful, AMPCO believes that there needs to be further agreement on what value for consumers through innovation actually means.

Often in discussions on innovation, "Affordability" is forced to be considered synonymous with "Value Creation for Customers". The two are not synonymous. Value creation means many things to many people. To some it may mean incremental service offerings. To others it may mean à la carte options on a bill, while others still may consider it to mean choices regarding supply options, reliability levels or payment options. None of these speaks to costs.

While AMPCO has no doubt that all of these choices (and many others) represent some amount of value to some consumers, AMPCO Members are much more concerned with their costs (and with reducing those costs) than they are with these other choices. For this reason, AMPCO disagrees with the broadening of an objective specifically focusing on "affordability" or "cost reduction" to one of "value creation". Cost reduction is specific - it

¹ OEB Staff PowerPoint Presentation Slide 6

requires the number at the bottom of the bill to get smaller, not bigger. Value creation, on the other hand, may not impact costs at all or may allow for cost increases in the belief that the benefit associated with the increase outweighs the cost. AMPCO submits that changes resulting from such increases in value should not be imposed upon those who have a strict cost focus, or more clearly, increases in cost associated with financing “innovation” should not be inflicted upon those who do not want them and cannot afford them. If the changes being considered are uneconomic, then perhaps they should be reconsidered when they can demonstrate that they are economic.

OEB Staff proposes to update the Project-Specific Eligibility Criteria as follows. Pilot projects seeking Project-Specific Support must meet all of the Eligibility Criteria set out below.

1. Consumer value & protection, including enhancing the resilience and reliability of the grid and anticipating carbon pricing and net zero mandates
2. True innovation
3. Potential for scalability and economic viability
4. Regulatory barrier for which the OEB can provide assistance
5. A commitment to measure success

In addition to the above, AMPCO believes that the eligibility criteria needs to consider the specific issue of stranded costs and how best to avoid or minimize them, due to the potential for such costs to be material in nature. Truly disruptive innovations could render portions of the existing rate base redundant, thereby resulting in a significant amount of asset stranding and costs. Part of the adoption of such technologies must be the consideration of this issue and how best to minimize the economic impact of the potential stranding.

Section 2 - Sandbox Awareness²

AMPCO supports Board Staff’s proposed improvements to the general area of Awareness.

Section 3 - Transparency and Communication³

AMPCO supports OEB Staff’s proposed improvements to the area of Transparency and Communication regarding the Sandbox in order to increase public knowledge and understanding of the initiative and the progress made over time.

² OEB Staff PowerPoint Presentation Slide 7

³ OEB Staff PowerPoint Presentation Slide 8

AMPCO further recommends that projects funded through the IESO's Grid Innovation Fund be posted and updated monthly on the OEB's website directly or through a link to the IESO's website to further increase transparency.

Section 4 - Support Limitations⁴

There are two issues listed on Board Staff's slide dealing with Support Limitations:

- Sandbox support is limited by lack of ability to provide relief from legislation and regulation
- Lack of funding

AMPCO will address both of these below.

Legislative and regulatory provisions exist to set undeniable laws and rules. There are clearly defined processes that have been established to create these instruments in a formal fashion and those processes provide for discussion and debate of all provisions where multiple viewpoints can be expressed in consideration of multiple objectives being served. AMPCO strongly disagrees with any suggestion that the OEB can simply set these provisions aside, even temporarily. Legislation and regulation is the purview of Government and no agency of Government should be empowered to unilaterally change it.

AMPCO understands that certain stakeholders would like to see the OEB involved in the area of innovation funding. In fact, there are many who would like to see the Board lead the innovation initiative. AMPCO disagrees with both of these perspectives.

The *Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Sched. B* sets out objectives for the Board in the area of electricity. The objective dealing with innovation reads "To facilitate innovation in the electricity sector." Facilitating and leading are two very different things.

To be clear, AMPCO does not oppose activities that will support the evolution of the sector, nor does it oppose actions taken by the Board that will clear unnecessary obstacles from legitimate innovative offerings. It does, however, oppose the OEB *leading* such initiatives, potentially determining winners and losers, and providing financial support for innovation activities that may not yet be economic. Whether included in its own budget or included in its Decisions regarding rate regulated entities, AMPCO does not believe that the OEB is empowered by legislation to fund innovation projects. Even if the Board was capable of causing such costs to flow to ratepayers, it would also need to consider how those same ratepayers should reap whatever benefits flow from those costs.

⁴ OEB Staff PowerPoint Presentation Slide 9

Section 5 - Additional Sandbox Activities⁵

5a. Concierge Service

According to Board Staff's materials, the sector needs someone to bring stakeholders together to discuss the potential to collaborate on innovative projects. Stakeholders recommended that the Sandbox could include a 'concierge' mechanism to connect stakeholders, and OEB staff is considering what a concierge service may include. Concierge services could include:

- Matchmaking utilities, energy companies, and customers
- Workshops for stakeholders to showcase innovations
- Maintaining a repository of information (e.g., funding opportunities, innovative companies, etc.)

In AMPCO's view, OEB Staff could informally connect stakeholders as part of its existing conversations with innovators. Additionally, the OEB in concert with the IESO could potentially help to connect entities that are considering similar proposals. However, there may be concerns here with respect to competition between entities that are moving in a similar direction - not all entities will want to talk with others who are considering similar projects. The OEB would need to ensure that both entities were in agreement regarding provision of contact information to the other. For this reason, a Concierge Service, formally sponsored by the OEB, may be excessive and inappropriate.

5b. Innovation Dialogue

According to Board Staff's materials, stakeholders want one place to direct all their ideas regarding innovation (and barriers to innovation) and that the Sandbox should provide an ongoing way for stakeholders to share the topics of biggest concern for them. Some stakeholders have recommended that the Sandbox should take on a new dedicated role to lead the conversation in Ontario about innovation, goals of innovation, regulatory barriers to innovation, etc. and that this dialogue should include utilities and intervenors as well as academics, private sector, municipalities, NGOs, and others who don't usually participate.

Similar to the concerns already expressed, AMPCO is reluctant to use the words "lead role" for the Board in any area pertaining to innovation. Again, the OEB's role is to facilitate innovation in the electricity sector, not lead it.

However, conducting inclusive stakeholder conversations is necessary and is likely within the Board's jurisdiction of facilitating innovation, so long as the actions coming out of those conversations do not cast the Board in an Innovation Champion role. Increased dialogue is useful and given the Board's statutory mandate to facilitate innovation it is likely a reasonable candidate for arranging and administering such discussions.

⁵ OEB Staff PowerPoint Presentation Slides 10, 11 & 12

All of which is respectfully submitted.

Best Regards,

A handwritten signature in blue ink, appearing to read 'Colin Anderson', with a stylized flourish at the end.

Colin Anderson
President

cc: Doug Yates, AMPCO