

October 15, 2021

Ms. Christine E. Long  
Registrar  
Ontario Energy Board  
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Toronto, ON M4P 1E4  
Email: registrar@oeb.ca

Dear Ms. Long,

### **EB-2021-0180 – Innovation Sandbox Renewal Consultation**

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In June the Ontario Energy Board (“OEB”) commenced a consultation intended to gather perspectives for advancing the Innovation Sandbox (“Sandbox 2.0”). Over the summer, OEB staff hosted meetings with stakeholders to collect preliminary input. The OEB then hosted a stakeholder conference on September 30, 2021 (“stakeholder conference”) and invited written comments on various aspects of the proposed Sandbox 2.0 design. These are the comments of the Coalition of Large Distributors (“CLD”).

The CLD consists of Alectra Utilities Corporation, Elexicon Energy Inc., Hydro One Networks Inc., Hydro Ottawa Limited, and Toronto Hydro-Electric System Limited. Together, the CLD’s members represent more than 3.6 million, or approximately 70% of electricity consumers located across the province.

From the CLD’s perspective, Sandbox 2.0 is an important feature that will assist the OEB in delivering its recently expanded mandate to foster innovation for Ontario’s electricity market. In general, the CLD is supportive of OEB staff’s efforts in this regard and commends the thoughtful organized methodology to approach consultation on this issue.

During the stakeholder session, OEB staff provided summary information regarding the feedback received thus far. OEB staff used this feedback to organize the discussion across five different dimensions, and to develop proposals for Sandbox 2.0 design. The five dimensions discussed were as follows:

- Guiding Criteria;
- Awareness;
- Transparency and Communication;
- Limitations;
- New Activities.

OEB staff have requested feedback in these areas and the CLD has organized its comments correspondingly.

## Comments

In general, stakeholders agreed with the intended purpose of the Sandbox but noted certain enhancements that would make it more useful and better understood within the sector. In addition, stakeholders commented that the OEB should provide updates more frequently and offer more transparency regarding Sandbox activity. Stakeholders also identified the OEB's inability to provide exemptions from legislation and lack of dedicated funding as key issues and restraints. Commentary in respect of each of the five dimensions presented by OEB staff is provided below.

### Goals, Objectives, and Guiding Criteria

The purpose of the Innovation Sandbox is to support innovative projects at various stages of conceptualization and development, and for project owners to receive guidance and support from OEB staff. OEB staff reported that feedback indicated that the purpose of the Sandbox should be aligned with certain key themes identified as follows: decarbonization, value to customers, scalability, reducing grid expansion, efficiency, future looking, acceptance of failure, and customer choice. The CLD would add to this list themes such as grid modernization and DER integration.

As a result OEB staff propose the establishment of a "Sandbox Goal" as follows:

*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.*

Further, OEB staff propose enhanced "Project-Specific Criteria" for project evaluation as follows:

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*

OEB staff suggest that for a pilot project to be eligible for support, it must meet all of the criteria identified above.

One of the OEB's objectives is to enable the cost-effective development and deployment of innovation and technologies. If the Sandbox is to be used as a tool to help deliver on this objective, then it stands to reason that it should have clear goals, measures, and evaluative criteria. The CLD agrees that further definitions and an articulation of detailed objectives that directly tie to the Sandbox's purpose or mission statement would be a valuable enhancement for Sandbox 2.0. This would help by providing focus and consistency for proponents as they develop

proposals for review. The CLD has no particular objection to the goal or criteria proposed by OEB staff but does offer four brief suggestions for further clarity in this regard.

First, it is not clear what “energy transition”, as written in the goal, is meant to convey. Should the transition be defined as a transition towards some specific outcome or target, or is it meant to simply convey that new technologies will transform the grid? The CLD proposes that the phrase, “related to the energy transition” be refined. The CLD sees value in giving this phrase greater meaning, value, and context.

Second, and consistent with further comments provided below, the CLD suggests that OEB staff be very clear and deliberate about the meaning and intention of the word “support”. This topic is covered discretely in response to the next topic area.

Third, the project-specific criterion labelled, “true innovation” is an abstract term that is perhaps duplicative and confusing. Specifically, what is true innovation relative to innovation? Accordingly, the CLD suggests that this criterion be removed.

Finally, as a general point, the CLD offers that the OEB should be open to further evolution and enhancement of Sandbox 2.0, even beyond this current consultation. As more projects or initiatives are discussed, more experience will be gained around process effectiveness and project evaluation, for which consideration should be given. It may be helpful for the OEB to identify and share with the sector how it will measure ‘success’ of the Sandbox in order to identify how the Sandbox can continue to evolve. Also, consistent with comments further below regarding other initiatives that seek to amend and/or enhance the regulatory framework (namely the Framework for Energy Innovation), it will be necessary to align the Sandbox with those outcomes.

### Sandbox Awareness

OEB staff reported that the Sandbox’s purpose is often confused with the Industry Relations email service. Staff articulated that Industry Relations inquiries are best suited to specific questions regarding regulatory requirements. In contrast, the Sandbox is intended as a forum for innovative ideas that need support to move forward. To this end, the Sandbox can assist a proponent with an application for a code exemption, which would then be filed directly with the OEB, either as a standalone application or as part of a rate application. Both services are intended to offer staff guidance, and neither are within the domain of Commissioners.

In order to enhance awareness and understanding, OEB staff propose the following: improvements to website communications (such as inclusion and definition of “support” and examples of projects facilitated through the Sandbox) as well as regular communications (at meetings and conferences) and specific training sessions facilitated by OEB staff. Staff also propose to formalize an internal system wherein items that come in through either the Industry Relations portal or the Sandbox forum can be directed in an appropriate manner. This would

essentially ensure that there is no 'wrong' way in which to make an inquiry, as OEB staff would ensure all inquiries are addressed through the right channel.

The CLD is supportive of efforts to enhance understanding and awareness of the Sandbox and all of its particular features. The specific ideas and examples raised by OEB staff are all good ones that will aid proponents and may even promote further projects flowing through the Sandbox.

The CLD believes that it would be valuable for the OEB to provide clarity on the types of support that would be offered. As discussed below, the CLD believes a meaningful enhancement to the Sandbox design would allow for access to funding. If this is the direction that Sandbox 2.0 takes, then communication for the meaning of "support" should be enhanced so as to include that concept.

Also, consistent with comments in the next section, any communication or offering of information regarding specific proposals should consider proponent approval. That is, prior to a certain stage in the process, proponents may have good and valid reasons that their proposals not be made public. Information that is made public on the website should be contingent on achieving certain milestones (in which the project may already be in the public domain) and/or express consent from the proponent has been obtained.

### Transparency and Communication

OEB staff provided a summary of feedback with respect to transparency that included several common themes. Among these were that stakeholders felt that there is a lack of transparency and information regarding Sandbox activities and projects, and that what reporting is provided is too high level. In addition, stakeholders were critical that to date only one staff bulletin has been issued as a result of Sandbox activity. Finally, some stakeholders felt that confidentiality should not limit transparency.

As a result of the foregoing, OEB staff propose to commit to annual reporting in which more detail of Sandbox activity and outcomes would be provided, such as project examples, common themes or issues identified, and a description of the support provided. Another idea also raised included the presentation of case studies from other jurisdictions. Among other proposals made by OEB staff were: greater use of staff bulletins; an annual webinar to discuss and present information related to the Sandbox; and enhancements to the website to include "dashboard" information. Staff suggest that "exit" surveys with proponents will help, presumably by gathering process performance data in order to make further refinements and improvements. Finally, staff also propose to work with proponents to narrow the scope of what information is confidential, against a framework of "transparency by default".

Subject to one critical exception, the CLD believes that all of the proposals made by OEB staff are sound and worthy of further consideration or implementation. The CLD, however, does have concerns with the apparent shift in philosophy wherein transparency is first, and confidentiality

second. The CLD understands that stakeholders generally want more information and detail, however, this cannot come at the expense of confidentiality. To do so would likely introduce a serious impediment to the process and may result in significantly fewer projects coming forward. An expectation of confidentiality first is critical.

The CLD is open to further discussion and consultation in this regard. It may be worthwhile to consider certain thresholds at which proponents understand and agree to the dissemination of information. For example, if an application is made, if funding is granted, or information otherwise becomes publicly available, then transparency could be the rule. For stages prior to these outcomes, however, proponents should have a direct say in what information is provided. That said, it may be the case that transparency is better suited to certain situations, or related to specific inquiries, if or when concerns regarding commercial interests or intellectual property are absent. In the end, however, the CLD cautions that proponents should have the comfort of knowing that discussions will be confidential, especially where proponents feel that confidentiality is imperative to keeping their innovative projects classified.

### Support Limitations

Two main areas were identified in which barriers to support have been identified. The first concerns a lack of ability for the Sandbox to provide relief from regulation or legislation. The second concerns funding opportunities.

Based on the feedback provided, staff proposed a process in which they would share lessons learned with the government to identify opportunities to facilitate innovation through legislative changes.

Subject to obtaining proponents' views on confidentiality and transparency as outlined above, the CLD is supportive of this proposal and believes that it could add tremendous value to the Sandbox initiative.

The second item identified as limiting the effectiveness of the Sandbox relates to funding. Stakeholders raised ideas ranging from new application processes specifically geared towards innovation funding, to exploring alternative ways to secure funding, to working with government (and/or their agencies) in order to facilitate government funding. OEB staff's proposal is to explore partnership opportunities with the federal and provincial governments for funding opportunities.

In the CLD's view, the lack of Sandbox funding is the single biggest impediment to the OEB's execution of its mandate to foster innovation. During the stakeholder conference there was discussion around the IESO's provision of the Grid Innovation Fund ("GIF") and supplying the Sandbox with a similar mission. OEB staff responded that this is the intention of the upcoming Joint Targeted Call. The CLD is optimistic and sees value in the Joint Targeted Call and expects that this will generate efficiencies and allow for greater OEB presence in the fulfilment of its innovation mandate.

The CLD notes that while collaboration with external funds (e.g. IESO's GIF, NRCan) can provide a source of funding, each of those funds will be associated with a specific set of expectations and outcomes that may not fully align with the goals of the OEB's Innovation Sandbox. For example, the IESO's GIF is focused on testing and providing value to Ontario's bulk electricity system, and thus may not be the best avenue for utilities to seek funding to test technologies / programs that provide value only at the distribution-level. Dedicated funding for encouraging distribution-level innovation could help the OEB further its innovation mandate.

Finally, related to the issue of lack of dedicated funding, the OEB has not provided a streamlined application process or enhanced certainty for bringing applications to scale up successful Sandbox pilot ideas. While OEB staff have indicated that there would be support in developing any applications to the OEB to scale up a successful pilot, the CLD notes that it would be beneficial to either provide a streamline process or additional certainty of application approval to help facilitate the transition of pilot projects to system wide innovation.

### New Sandbox Activity

At the stakeholder conference, OEB staff also facilitated discussion around potential new activities for Sandbox 2.0. These items concerned a concierge service, innovation dialogue events, and certain other clarifications.

Suggestions for what a concierge service might entail include matchmaking services, workshops, and a directory to maintain a repository of useful information, such as funding opportunities and available partnership contact information.

The CLD has no objection to a concierge service in whatever form it may take. The CLD believes this might be a service that is of great value to smaller utilities looking to undertake particular projects or seeking specific advice. If the OEB proceeds with this recommendation, the CLD recommends that the OEB define success and track to what extent the concierge service facilitates innovation to ensure that the service is adding value to the sector.

The innovation dialogue event was touted as a central place to direct ideas and identify barriers to innovation. Stakeholders saw that this could be a useful forum to focus on net zero mandates.

During the stakeholder conference there was some discussion about linkages between this proposal and the Framework for Energy Innovation ("FEI") work underway. In the CLD's view, these are entirely different undertakings with entirely different intentions, objectives, and outcomes. The FEI is expected to address items such as remuneration and establish an appropriate framework that can withstand and/or assist with distribution issues arising from a potential high DER environment in the future. The Innovation Sandbox, on the other hand, should be focused on implementing innovation within a given framework. The former will have an end and result in an enhanced framework, and the later should assist and support the framework. As

a result, there may be a need to continually evolve the Innovation Sandbox as the FEI work progresses or finalizes at some point in the future.

The CLD sees value in an annual innovation dialogue forum to maintain focus and to share findings, directions, successes, and identification of barriers.

Clarifications were also provided by OEB staff in response to stakeholder feedback in certain areas. One stakeholder recommendation was to establish an Electric Vehicle (“EV”) Working Group within the Sandbox 2.0 framework. While the CLD agrees with OEB staff that an EV policy consultation is outside the scope of the Innovation Sandbox, the CLD wishes to clarify that this position should not preclude EV-related projects from remaining within scope of the Innovation Sandbox. With respect to assistance preparing applications, the CLD agrees that nothing further is required to direct or involve staff in the preparation of application materials.

## Conclusion

The CLD appreciates being provided the opportunity to share its feedback on the Innovation Sandbox and looks forward to further engagement and consultation in this regard.

If you have any questions regarding any of the comments made herein, please contact the undersigned.

Sincerely,



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