

Nancy Marconi
Registrar
Ontario Energy Board

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Cornerstone Hydro Electric Concepts (CHEC) comments on the Reports of the OEB's Framework for Energy Innovation (FEI) Working Groups

Introduction

CHEC is a collaborative association of local electrical distribution companies (LDCs). We believe in the importance of keeping local distribution companies in their communities, and our support allows our members to serve their customers and their shareholders cost-effectively and efficiently.

The current members of CHEC include Centre Wellington Hydro Ltd.; ERT Power Corp.; Fort Frances Power; Grimsby Power; InnPower; Lakefront Utilities Inc.; Lakeland Power Distribution Ltd.; Niagara on the Lake Hydro; Orangeville Hydro Ltd.; Ottawa River Power Corporation; Renfrew Hydro Inc., Rideau St. Lawrence Distribution Inc.; Tillsonburg Hydro; Wasaga Distribution Inc.; Wellington North Power Inc.

These comments are structured with summary comments and then responses to the specific questions posed by the OEB in their July 6, 2022, letter.

Summary Comments

As stated in the introduction to the FEI Working group report

"Through the Framework for Energy Innovation (FEI) consultation, the Ontario Energy Board (OEB) is seeking to provide increased regulatory clarity in the treatment of innovative energy services technologies and approaches, and support the deployment and adoption of novel, cost-effective solutions in electricity and gas services by utilities and other sector participants in ways that enhance value for consumers. The Framework for Energy Innovation Working Group (FEIWG) was formed to address two specific workstreams defined by the OEB to respond to the most pressing issues in this area and lay the foundations for future work. These two specific workstreams are:

1. DER Usage: *“to investigate and support utilities’ use of DERs they do not own as alternatives to traditional solutions to meet distribution system needs.”*

2. DER Integration: *“to ensure that utilities’ planning is appropriately informed by DER penetration and forecasts.”¹*

We were tasked with *“identifying options, developing proposals, and preparing written recommendations”* for the OEB to consider with respect to these priority workstreams. This report captures our discussions on these topics and offers recommendations to assist the OEB in its deliberations in furtherance of its objectives. Urge OEB to move quickly” ¹

The CHEC group agrees with the working groups comment that the OEB should move quickly on the information provided by the working groups as well as the feedback from the various stakeholders. The successful integration of DERs is an important issue facing the industry today. There is significant customer interest in the value that DERs can offer. Greater regulatory certainty and predictability with respect to their integration and impact on utilities will assist utilities in providing the best service possible to their customers.

In addition, CHEC submits that the role that distribution utilities are to play must be clarified as soon as possible. It would be beneficial to all parties for a clear regulatory framework is put in place. Presently there is much uncertainty for utilities, customers and DER providers. DERs raise many issues, as seen by the working group reports, however other jurisdictions have successfully incorporated them. CHEC feels that the OEB should look at other jurisdictions and tailor a ‘made in Ontario’ solution’.

The CHEC group also feels it is hard to deal with DERs in isolation. The role of the utility and the remuneration / compensation model should be discussed at the same time as the issues currently put to the working groups. CHEC agrees that the identified ‘cross – cutting’ issues are important considerations for the OEB to deal with and agrees with the recommended seven next steps. Again, CHEC urges the OEB to move quickly.

Until further direction is provided the CHEC group agrees that utilities need to move forward on DERs as they are brought forward by customers.

What follows is the CHEC group response to the 6 specific questions posed by the OEB

¹ Reference: page 3 of the FEI Working Group Report to the OEB

General

1. What is the relative priority of the issues and next steps identified by the FEIWG?

CHEC Response: The CHEC groups feels that the OEB needs to clarify the role of the Distribution Utilities in the DER space. The CHEC group also feels that the OEB needs to move quickly.

Developing a BCA Framework

2. What is the appropriate scope of a BCA Framework? In other words, should a narrow or broad set of benefits and costs be considered with respect to deployment of DERs as alternatives to traditional solutions to meet electricity distribution system needs?

CHEC Response: The CHEC group believes that a broad set of benefits and costs need to be considered with respect to the deployment of DERs. We do understand that this causes issues with respect to assigning costs to the benefits, notwithstanding CHEC believes that the OEB should proceed and develop a 'straw dog' BCA framework. The BCA framework also needs to include an easy-to-follow template, to avoid undue hardship for utilities

Developing and implementing utility incentives

3. How might the OEB remove disincentives for utilities to adopt DER solutions?
4. Is providing incentives to distributors to facilitate adoption of DER solutions (i.e., non-wires alternatives) appropriate? Under what circumstances?
5. If incentives are appropriate, how should the OEB select/develop the form of incentive that should be available? Are there options the Incentive Subgroup did not identify that should be considered?

CHEC Response: CHEC submits that incremental utility costs need to be considered in adopting DER solutions (e.g., new procurement processes). These incremental costs should be included in revenue requirement when a utility seeks a change in rates. CHEC also sees value in putting in place a shared savings mechanism. We also agree with the questions that the FEI Working Group indicated that the OEB needs to address when putting in place a DER incentive framework, i.e.

- Effectiveness of Incentive
- Cost to Customers

- Intended and unintended consequences
- Regulatory Simplicity

CHEC feels that performance based incentives could be useful if the definition of performance is clear and easy to determine. We suggest that the various incentives suggested by the Working group be tested against the scenarios as a next step.

Ensuring distribution planning is informed by DER adoption

6. What should the OEB consider when setting expectations to ensure distributors appropriately consider DER adoption when planning and operating their systems (e.g., industry guidance, additional filing requirements for Distribution System Plans, new requirements for reporting and sharing information)?

CHEC Response: The CHEC group agrees that information needs to be shared both ways to have an effective and efficient deployment of DERs. However, the impact on utilities of providing information needs to be taken into consideration. The information required from utilities needs to avoid a heavy burden and / or collecting information that is not needed. The information requirements need to be carefully developed with both utilities and DER providers providing input.

In conclusion CHEC appreciates the opportunity to comment on the FEI Working Group reports would appreciate being considered to be part of the working group in the next round of consultations.

A handwritten signature in black ink that reads "John Sherin".

John Sherin
President
Cornerstone Hydro Electric Concepts

cc: Greg Van Dusen – CHEC Regulatory Specialist