VIA RESS

September 2, 2022

Ms. Nancy Marconi Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi,

EB-2022-0118 – Framework for Energy Innovation: Distributed Resources and Utility Incentives

On July 7, 2022, the Ontario Energy Board ("OEB") issued the final report(s) ("Reports") from the Framework for Energy Innovation ("FEI") Working Group ("FEIWG"). In addition to the release of the Reports, the OEB requested stakeholders provide general comments and respond to six questions by September 2, 2022.

The enclosed is Elexicon Energy Inc's. ("Elexicon") general comments along with specific responses to the six questions listed by the OEB.

Elexicon looks forward to its continuing participation in this proceeding. Please contact me directly at cchan@elexiconenergy.com if you have any questions.

Sincerely,

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Elexicon Energy Inc.'s Stakeholder Comments to FEIWG Report(s)

Introduction and Summary of Elexicon's Recommendations

1. On July 6, 2022, the Ontario Energy Board's ("OEB" or the "Board") Framework for Energy Innovation Working Group ("FEIWG") issued its Report to the OEB (the "FEIWG Report"). Elexicon Energy ("Elexicon") was actively involved in the FEIWG and provided input into the FEIWG Report.

2. Accompanying the FEIWG Report was a letter (the "Letter") from the OEB, inviting interested parties to submit comments for the Board's consideration, and providing six specific questions for comment. Elexicon comments on the FEIWG Report and the status of Distributed Energy Resource ("DER") enabling regulatory policy in Ontario are included in the following submission. Elexicon's submission first provides the organization's views regarding the state of DER-enabling regulatory policy, including six specific recommendations. Subsequently, Elexicon's submission addresses each of the questions posed by the OEB in the Letter.

3. The FEIWG Report calls on the OEB to investigate and issue clear guidance in a number of areas; from the assumed role of distributors with respect to DERs, to the establishment of the appropriate Benefit Cost Assessment ("BCA") or series of BCAs. Elexicon is supportive of additional OEB guidance on a forward-looking basis. However, Elexicon submits that many of the technologies exist today to allow for greater DER uptake. As a central point, Elexicon does not believe that the development of future OEB guidance as proposed in the FEIWG Report should obstruct applicants that are willing to advance innovative, well substantiated proposals with material benefits for customers. In practice, and as discussed further below, local distribution companies ("LDCs") face impediments that prevent the widespread filing of applications to the OEB requesting approval of DER-enabling investments.

4. Elexicon views new guidance from the OEB as a result of the Framework on Energy Innovation ("FEI") as building upon existing guidance and mandates for regulated entities willing to propose DER enabling investments, including:

    a. The Minister of Energy's November 15, 2021 mandate letter to the OEB that articulated the prioritization of innovation and non-wires alternatives ("NWAs").[1]

    b. The OEB's *2023 Filing Requirements for Electricity Distribution Rate Applications*, that require that distributors identify how innovation has informed their business planning and specific proposals, including "*facilitating it's customer's ability to innovate in how it receives electricity service*."[2]

    c. The OEB's Guidance in Response to the Regional Planning Process Advisory Group ("RPPAG") Report, that identified the opportunity for new communities to opt for "premium" solutions such as NWAs to reflect "local preferences"[3], and

    d. The OEB's Conservation and Demand Management ("CDM") Guidelines, that require that distributors make reasonable efforts to incorporate CDM into distribution system planning to avoid or defer spending on traditional investments.[4]

5. The above list of existing OEB guidance and Ministry of Energy mandates is in addition to the Renewed Regulatory Framework ("RRF") which sets out the core principles and constructs used by the OEB to regulate LDCs. Elexicon submits that the OEB is already positioned to approve DER-enabling investment proposals based on this existing collection of guidance. Indeed the OEB has approved such investments on a one-off basis, where applicants have brought-forward innovative and well-substantiated proposals.[5]

6. In addition to providing responses to the six questions posed by the OEB, Elexicon's submission provides an overarching set of recommendations for the OEB's consideration within the context of the FEI and DER enablement.

[1] Minister of Energy Todd Smith, Renewed Mandate Letter to the Ontario Energy Board, November 15, 2021
[2] Filing Requirements, Section 2.1.7, page 12
[3] EB-2020-0176, OEB Response to RPPAG Recommendations to Improve the Regional Planning Process, April 28, 2022
[4] CDM Guidelines, page 6
[5] e.g., PUC's Sault Smart Grid, Hydro Ottawa's MiGen, Toronto Hydro Energy Storage Systems

7. Elexicon's recommendations can be divided into two broad categories:

    1) **Recommendations regarding OEB Guidance**:

        i. LDCs have the opportunity today to propose innovative solutions that can facilitate greater penetration of DERs. Applicants with strong and well substantiated proposals should not be asked to wait for policy guidance from the FEI. The FEI policy consultation can instead gain better understanding and experience through adjudication and implementation of such proposals and investments.

        ii. LDCs are and should continue to be responsible for their system planning. No outcome of the FEI should alter this fundamental principle.

    2) **Recommendations regarding OEB Funding of Grid Modernization**:

        i. The OEB should establish a fund available to LDCs to evaluate and validate emerging technologies that support DERs on a manageable pilot study basis. One potential avenue is to link such a fund to the OEB Innovation Sandbox, which has as a commitment to explore funding opportunities in the coming months and years.

        ii. The OEB should act as an information hub to share all technical and system data collected from an LDC's evaluation of emerging technologies. Again, this hub could be built upon the OEB's existing and growing Innovation Sandbox.

        iii. Once an emerging technology/investment is validated for its contributions to grid modernization, the OEB should include this technology/investment in an approved list of grid modernization technologies. The creation of such a list would allow for:

            1. LDCs to file applications proposing investments in proven and OEB accepted grid modernization technologies, and the OEB will have confidence in the technical and economic value of such

investments. This approach will allow for greater certainty in evaluating and proposing innovative investments, and greater regulatory efficiency.

2. Existing DER providers and investors in DERs will have greater certainty that their investments will be deployed in a landscape of certainty, which has an established process to facilitate the integration of DERs.

8. While other details relevant to DERs, such as the appropriate BCA, remain important to assess, the areas identified by Elexicon above address the most pressing immediate gaps to enabling broad DER deployment. In order to allow willing distributors to proceed to propose DER enabling capital investments, a clear expression of the OEB's willingness to hear and approve innovative and well-substantiated investments with customer benefits is needed, as such guidance will solidify the various guidance on this subject that already exists. Similarly, a process to establish verified grid modernization technologies, as well as the evidence required to substantiate them, would greatly accelerate the number of LDCs willing to propose innovative investments to enable DERs.

Elexicon's Recommendations

Recommendation 1) i: The FEI Should not Hinder Applicants that are Ready Now

9. As noted above, the OEB and Ministry of Energy currently have guidance in place that steers LDCs to make DER-enabling investments where there is an opportunity to do so in a prudent manner when customer benefits presents itself.

10. Elexicon is appreciative of the OEB and FEIWG's efforts to forward policy conversation to further the broad deployment of DERs and capture the potential benefits of their integration into distribution systems and system planning. However, industry-wide policy making is by its very nature challenging. The OEB and FEIWG seek to balance a wide variety of sometimes competing perspectives and challenges; addressing not only

diversity of view amongst different types of stakeholders (e.g., distributors, DER providers, customers), but diversity amongst distributors themselves with respect to size, system composition, and the demographics of their customer bases.

11. Appropriately addressing all potential challenges in a hypothetical context is: challenging; requires significant lead time; and, by necessity, results in guidance that is broad and flexible enough to address the multitude of hypothetical proposals and challenges which may arise. In applying policies of this nature to actual applications before the OEB, the end result is that the guidance is so broad in order to be inclusive, that the assessment of specific applications and circumstances may be unclear to adjudicators.

12. Given that enough guidance for DER-enabling investments exists today and OEB Commissioners are positioned to adjudicate proposals today, Elexicon submits that distributors should not be restricted from making such proposals today for the Board's consideration.

13. Given the Independent Electricity System Operator ("IESO") has identified the potential for supply constraints over the remainder of this decade, Ontario's electricity sector will benefit from the proliferation of DERs. To hold back proposals on the justification that a future FEI policy must precede them will result in lost opportunities for customers, DER providers, and distributors alike. Before and after the finalization of a FEI policy, distributors will be required to substantiate their applications, and demonstrate how they are in the best interests of customers. Those that have opportunities available now should not be hindered in doing so.

Recommendation 1) ii: LDCs Must Remain Responsible for their Systems (Planning, Operations, Maintenance, Safety, etc.)

14. LDCs are the stewards of the electricity distribution system, and understand the distribution grid along with its needs. The OEB's granting of a license to operate is predicated on the LDC discharging its responsibilities. As the OEB contemplates development of new policies or updating existing policies, it would be beneficial to maintain the principle of LDCs being stewards of the electricity distribution system.

15. While the OEB expects that DSPs or other evidence will demonstrate prudent planning in which all available alternatives have been examined, in order to select the ideal preferred option, this simply reflects the Board's long history of clearly placing the onus of system planning upon utilities.

16. Elexicon urges the OEB to be conscious in the maintenance of this critical regulatory principle as it develops and finalizes the FEI. The advent of DERs and NWAs is likely to bring about more scrutiny and discussion of a utility's selected investments, as these alternative investments unlock new possibilities for both customers and system operators. However, none of this additional activity should alter the ultimate ability of utilities to plan and operate their systems. Any changes should be limited to an expansion of the potential alternatives explored, and analysis of the potential costs and benefits of these new investments relative to traditional ones. This expansion fits easily into existing constructs for reviewing and approving utility investment plans, and does not warrant any meaningful alteration to such constructs, at this time.

Recommendation 2) i & ii: The OEB Should Seek out or Enable Funding for Grid Modernization & Become a Hub for Relevant Data and Information

17. Elexicon sees two large and related impediments to LDCs filing more applications seeking funding for grid modernization and DER enablement. The first is the identification of appropriate grid modernization technologies. LDCs are not research and development entities, and inevitably assessment of grid modernization investments may require piloting, testing and verification of savings.

18. The second natural impediment is funding. LDCs are aware that funding for pilots or technology assessments are not always favoured by the OEB, particularly where bill impacts are certain, and customer benefits are less certain. There is also a natural barrier due to negative economies of scale, as a given distributor seeking ratepayer funding will impose such costs only on its customers, even where the initiative undertaken may benefit all Ontario ratepayers in the long-term.

19. The OEB has the ability to relieve LDCs of both of these impediments by funding the assessment of grid modernization technologies on a pilot study basis on behalf of all Ontarians. The funding to support this initiative should be recovered from all electricity distributor ratepayers given the outcomes will benefit all Ontario electricity customers. The OEB Innovation Sandbox could be the organization that reviews LDC technology proposals and approves projects that will identify categories of assets and verify the technical elements of these assets so LDCs can deploy them. Additionally, the OEB Innovation Sandbox can act as the information hub to share information across Ontario's electricity sector.

20. In many respects, this recommendation represents the next natural step for the evolution of the OEB Innovation Sandbox. The Sandbox 2.0 Design already commits to exploring funding opportunities with provincial and federal governments, and has increased the transparency of initiatives taking place with the support of the OEB Innovation Sandbox. Elexicon believes the realization of these plans is crucial to the broad deployment of DERs and the grid modernization investments required to facilitate them.

Recommendation 2) iii: The OEB Should Establish a List of Approved Grid Modernization Technologies

21. Elexicon recommends that the primary output of the OEB's funding and data initiatives detailed above should be an approved list of grid modernization and DER enabling technologies ("List of Technologies"), that LDCs can select from for deployment in their distribution systems. Setting up a List of Technologies will provide certainty for the regulatory process that LDCs and the OEB undertake when evaluating DER enabling applications. Additionally, Ontario's electricity sector will benefit from having a standard assessment process in place. Manufacturers can similarly work with LDCs and the OEB to use this process to accelerate commercialization of innovative technologies and services, ultimately allowing the most effective solutions to emerge or proliferate.

22. Ontario's electricity distributors are currently able to propose investments in DER enablement by either filing standalone applications with the OEB at anytime,[6] or requesting approval for funding at the time of their Rate Application.

23. In practice, LDCs have filed a limited number of applications proposing these types of investments.[7] Some of the reasons for this have been covered above; there is no mandate for LDCs to assess these types of investments, LDCs are not research and development entities, and the lack of regulatory certainty.

24. Elexicon believes its collective recommendations will alleviate most of the impediments preventing LDCs from filing DER enabling investment applications. The OEB has the ability to remove one final impediment, which is the lack of regulatory certainty.

25. Ultimately, Elexicon recognizes that the proposal of capital expenditures to deploy DER enabling and grid modernization technologies, whether in a Rate Application or Incremental Capital Module ("ICM setting, will require adjudication. However, if the OEB were to establish the List of Technologies, Elexicon expects regulatory efficiency would be greatly improved, and the overall number of applications in this area would significantly increase.

26. Under this proposal, adjudication would be focused on system specific characteristics, project-specific costs, and the accuracy of forecasts which relate specifically to the given distributor's application of a proven technology in their system. Issues such as the efficacy of the technology proposed and the acceptance of customer benefits (subject to utility-specific quantification on known and accepted parameters) would be informed by the advanced work done by the OEB in preparing the List of Technologies.

27. Similarly, to the degree that distributors choose to make investments from the List of Technologies utilizing their existing capital envelopes within a rate term, the presence of such investments on the List of Technologies should provide reasonable assurance of

[6] e.g. CDM applications, ICM applications

[7] Elexicon notes only a handful of applications have been filed with the OEB. Examples are PUC Distribution's Smart Grid, Elexicon's Smart Grid, Hydro Ottawa's MiGen Project, and the four projects funded by the IESO Grid Innovation Fund and supported by the OEB Innovation Sandbox

inclusion in rate base at the distributor's next Rate Application. As always, the inclusion of capital in rate base will be evaluated by an OEB Panel of Commissioners to ensure the investments made were prudent. However, the nature of the investment itself should not present an issue for inclusion in rate base, on account of its inclusion on the List of Technologies.

28. If the recommendations in this submission are enacted, LDCs' applications will include evaluation of NWAs and DER enabling investments as part of their DSP, and proposed technologies will have been selected from the OEB's List of Technologies. The certainty provided to the OEB should allow for it to process these applications in a streamlined and efficient manner, which encourages LDCs with less available regulatory resources to bring forward valid investments for their customers.

Conclusions

29. The FEIWG Report, and the FEI more broadly, explores important subjects that, once brought to conclusion, will provide welcome guidance to distributors in their engagement with DERs and related investments. Of note, the technologies and regulatory constructs exist today for distributors to bring forward innovative, well-substantiated proposals which both enable DERs and create tangible customer benefits. The OEB does not have to wait for the conclusion of the FEI consultation to enact many of the recommendations above to remove the impediments preventing LDCs from filing applications requesting funding for DER enabling investments. In the immediate future the OEB can provide clear guidance that it welcomes utility applications in this area, and provide a sustainable path for the LDCs to identify future technologies that will benefit electricity customers by expanding the OEB Innovation Sandbox to include funding the development of an approved list of grid modernization and DER enabling technologies.

FEI WG – Elexicon Response to OEB Questions

The OEB's July 6, 2022 letter identified six areas for stakeholder comment. The following section provides Elexicon's responses and comments on these areas.

General

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

Response:

a) The OEB should use applications such as PUC Distribution, Hydro Ottawa MiGen, and Elexicon's Whitby Smart Grid and Sustainable Brooklin Projects to support the testing of benefit cost analyses [8], and let Decision(s) from the adjudication process provide guidance on a go-forward basis[9]. Such guidance will be informative to applicants in the immediate future, and can subsequently form the basis for future OEB policies of a formal nature.

b) Additionally, the OEB should focus on:
   a. Removing DER disincentives[10]
   b. Establish an initial policy of sharing information between the OEB and LDCs[11]
   c. Establish a DER incentives policy that includes testing of incentive structures with LDC projects via the OEB Innovation Sandbox[12]

[8] Framework on Energy Innovation Report to OEB June 30, 2022 Recommendation #3, page 18 of 19
[9] Framework on Energy Innovation Report to OEB June 30, 2022 Recommendation #1, page 17 of 19
[10] Framework on Energy Innovation Report to OEB June 30, 2022 Recommendation #4, page 18 of 19
[11] Framework on Energy Innovation Report to OEB June 30, 2022 Recommendation #6, page 18 of 19
[12] Framework on Energy Innovation Report to OEB June 30, 2022 Recommendation #5, page 18 of 19

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?**

Response:

a) The appropriate scope of the BCA framework is to measure all potential benefits that can arise from the deployment of the proposed technology. The scope of a specific BCA review should not extend beyond the benefits outlined by the proposed solution (i.e., if the solution proposes to save energy consumption, this should be the limit of the benefits evaluated).

Developing and implementing utility incentives

3. **How might the OEB remove disincentives for utilities to adopt DER solutions?**

Response:

The OEB can remove disincentives by:

a) Revisit its current PEG econometric benchmarking, scorecard performance benchmarking, and activity and program benchmarking actually to identify to what extent this benchmarking cements the status-quo and acts as a disincentive to utilities adopting DER solutions. Currently a utility that adopts DER enabling technologies will be penalized in the current benchmarking approaches which fail to consider or account for the broader benefits associated with DERs.
b) Establishing a funding framework to provide a List of Technologies from which LDCs can file applications to the OEB.
c) Approve the applicant's proposed solution and bill impacts where local constituents such as city councils or customers have accepted the applicant's proposed solution, consistent with the OEB's guidance in its response to the RPPAG.

d) Implement symmetrical bonus or penalty mechanisms hinging on a baseline set of benefits to be achieved by the applicant's proposed solution.
e) Update the utility filing requirements to require utilities propose innovative solutions which are DER based.

4. Is providing incentives to distributors to facilitate adoption of DER solutions (i.e., non-wires alternatives) appropriate? Under what circumstances?

Response:

a) The OEB should implement incentive mechanisms that encourage or require distributors to propose DER solutions. The OEB adjudicative process should determine whether the applicant's proposed solution benefits ratepayers and has the support of the community. Applicants should be able to propose incentive mechanisms (e.g., a symmetrical bonus/penalty framework around a baseline set of benefit metrics). Ultimately, the OEB should adopt or standardize a few incentive mechanisms after it adjudicates several applications or the OEB Innovation Sandbox has assessed and approved several DER enabling technologies.

5. If incentives are appropriate, how should the OEB select/develop the form of incentive that should be available?

a) Are there options the Incentive Subgroup did not identify that should be considered?

Response:

a) Elexicon recommends that the OEB focus on establishing a sustainable assessment and development framework that produces the List of Technologies as described above in Elexicon's recommendations.

b) Incentives of various forms may prove to be appropriate. These should be informed by reasonable adjudication of well substantiated applications. Applicants should not be required to wait for a framework to propose such solutions.

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)?**

Response:

The OEB should establish:

a) A minimum set of filing requirements with respect to the DER solutions that are to be considered by the distributor. This could be informed by the List of Technologies noted above.
b) In the near term, the existing benefit cost analysis of PUC Distribution and Elexicon as a template for their chosen DER based technology deployments. This template would apply for proposals that share enough common characteristics with these applications in terms of customer benefits. In the future, establish a funding and assessment framework as per Elexicon's recommendations to produce the List of Technologies.
c) That the OEB Innovation Sandbox continues to provide entities access to conduct confidential discussions regarding innovative solutions, and is a central repository that is available to distributors that shares technology specifications, deployment learnings, and outcomes (e.g. costs, benefits)