

August 6, 2022

Nancy Marconi  
Registrar  
Ontario Energy Board  
2300 Yonge Street  
P.O. Box 2319  
Toronto, Ontario  
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Dear Ms Marconi:

**EB-2021-0118 – Report of the Framework for Energy Innovation Working Group to the Ontario Energy Board – Comments of the Consumers Council of Canada**

Please find, attached, the Submissions of the Consumers Council of Canada with respect to the above-referenced FEIWG Report.

Please feel free to contact me if you have questions.

Yours truly,

**Julie E. Girvan**

Julie E. Girvan

# **SUBMISSIONS OF THE CONSUMERS COUNCIL OF CANADA**

## **FRAMEWORK FOR ENERGY INNOVATION**

### **COMMENTS ON THE FEI WORKING GROUP REPORT**

**EB-2021-0118**

#### **Introduction:**

On June 30, 2022, the Framework for Energy Innovation Working Group (FEIWG) delivered its Report to the Ontario Energy Board (OEB). The FEIWG was established to provide advice to the OEB on the steps that it can take to facilitate cost-effective use and integration of distributed energy resources (DERs).

On May 10, 2021, the OEB issued a letter confirming the priority work streams of the Framework for Energy Innovation: Distributed Resources and Utility Incentives to:

- Investigate and support utilities' use of DERs they do not own as alternatives to traditional solutions to meet distribution needs; and
- To ensure that utilities' planning is appropriately informed by DER penetration and forecasts.

The May letter also established the membership of the FEIWG, which was tasked with developing options, proposals and preparing written recommendations for the OEB to consider in respect of the priority workstreams as well as identifying subsequent issues to be considered by the OEB. The FEIWG Report was accompanied by reports by the following subgroups:

- The Benefit Cost Assessment Subgroup;
- The Utility Incentive Subgroup; and
- The DER Integration Subgroup.

On July 6, 2022, the OEB invited stakeholders to comment on the FEIWG Report and the reports of the sub-groups. The OEB set out a number of questions where input is being sought.

These are the comments of the Consumers Council of Canada (Council). The Council was represented on the FEIWG and the Utility Incentive Subgroup.

#### **General Comments:**

The Council recognizes that the energy landscape is changing in Ontario and it will be incumbent on the OEB to adapt to that change. Innovative technologies are emerging and being

deployed. The OEB must review its current regulatory framework in the near term in order to facilitate innovation. The Council is of the view the recommendations set out in the FEIWG Report will allow the OEB to establish a framework that contributes “to increased regulatory clarity in the treatment of innovative technologies and approaches” and to “further support the deployment and adoption of novel, cost effective solutions in ways that enhance value for consumers.”<sup>1</sup> The Council highlights the need for the OEB to ensure that its focus remains on providing value to customers. This should not be about innovation for the sake of innovation, but rather innovation that is undertaken to the benefit of Ontario energy consumers.

The Council notes that the focus of the FEIWG was relatively narrow. It was to deal with issues related to utilities’ use of DERs they do not own as alternatives to traditional solutions to meet distribution needs. This is consistent with the OEB’s intent to take an incremental approach and address issues in a stepwise fashion.<sup>2</sup> It focuses on issues that are consistent with the OEB’s mandate to regulate distribution utilities. Other issues like how to accommodate broader changes to the energy sector can follow.

DERs are being deployed and it is important that the OEB establish the “rules of the game” as soon as possible. This will provide clarity and certainty for distributors, DER providers and utility customers.

#### **OEB Questions:**

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

The OEB now requires distributors to demonstrate that they have considered non-wires solutions or DERs in the development of Distribution System Plans. Given this requirement it is important that the OEB clarify as soon as possible the role of distributors in DERs development and implementation. This consistent with the FEIWG Recommendation 1. Clarity will assist LDCs in preparation of their next DSPs which are expected every five years.

The Council is also of the view that it is critical for the OEB to establish an initial framework and template for benefit cost analysis (Recommendation 2). Once a benefit cost analysis is established distributors can assess whether DERs are appropriate and consider them relative to traditional distribution investments. In addition, it will assist the OEB and other stakeholders in their review of DSPs and utility investments that impact rates.

The Council would also set as a priority Recommendations 6 and 7. These recommendations are about information that is critical to DER development. The OEB needs to establish an initial policy for the sharing of information among distributors and customers. As stated in the FEIWG Report all of these entities have information that would be of value to others. The sharing of information by distributors, for example, will allow DER service providers to assess whether

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<sup>1</sup> This was set out in the FEIWG Terms of Reference dated May 26, 2021, p. 1

<sup>2</sup> OEB’s March 23, 2021 letter

they can work with distributors on NWAs. Transparency regarding system needs will enhance the ability to find market solutions. The Council supports a more formal approach for distributor reporting which would require enhancements to the Regulatory Reporting Requirements (ongoing reporting) and information required to support utility rate and leave to construct applications. As recommended by the FEIWG the OEB (and others) would benefit from information that looked at the impact of DERs on load, customer requirements, costs, forecasting planning and other aspects of the regulated utility's business<sup>3</sup>. Eliminating any information asymmetry will be essential for DERs development.

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

As noted above the Council supports, as a high priority the development of a BCA Framework to measure the costs and benefits of DER solutions as alternative to traditional distribution investments. The Council is of the view that a BCA Framework should be developed in the short term that focusses on the distributors and their customers. There are clearly broad based benefits that are related to DER deployment, but the OEB, in setting rates, must focus on the individual distributors and whether the benefits to that distributor and its customers clearly outweigh the costs.

A broad-based approach to a BCA Framework could result in a set of distribution customers funding projects that are intended to benefit other customers (through energy system benefits like transmission reliability enhancements, avoided transmission and reductions in capacity) Environmental benefits for society as a whole associated with a DER project are important, but should not form part of the OEB's decision-making process when assessing the circumstances faced by individual distributors.

The BCA Subgroup Report provides a robust discussion of alternatives for a BCA Framework. The Council agrees with the following perspective as set out in that Report, "...the FEIWG's current mandate is to examine how DERs can be integrated into distribution system planning and operation, and that costs and benefits should, for decision making purposes in this context, be looked at primarily from the individual distribution system perspective and the DER should be deployed by the distributor where the distribution system benefits of doing so exceed the costs to the distributors customers of doing so. While this approach might result in lost opportunities in respect of the broader (i.e. outside of the distribution system) benefits of a DER, capturing and securing those benefit is not a role for a distributor and should not be funded by distribution rates.<sup>4</sup>

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<sup>3</sup> FEIWG Report, p, 19

<sup>4</sup> BCA Subgroup Report, p. 6

The Council is of the view the OEB should begin with a more narrow approach and over time may consider a more broad-based approach to assessing DERs. That may be well be one of the topic areas that the OEB and the IESO collaborate on.

- 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 the incentive that should be available?**

The Council is not convinced that utilities are currently facing disincentives regarding the deployment of DERs. The OEB will, no doubt, hear from utilities and be presented with their perspectives on disincentives and how to address them. Utilities are required by the OEB to consider NWAs in their distribution system planning. There is an expectation from the OEB and the ratepayers that utilities should be finding the best options for system planning and those that are the most cost-effective. At times traditional investments may be the only solution. At times DERs/NWAs may be appropriate.

Equally so, with respect to providing incentives, the Council is not convinced this is necessary. If the OEB has evidence that disincentives exist, or that DER deployment will somehow be thwarted without incentives it can look for appropriate solutions. Until then the Council is of the view that providing incentives to utilities would be premature. If utilities choose investments that are in the best interests of their customers they should be allowed the appropriate cost recovery. This has always been the case for utilities as investments are subject to a prudence review. With the onset of innovation and “new” technologies this should not change. Prudent investments should be recoverable. Investments that are not prudent should not.

- 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)?**

In discussing relative priorities above the Council has highlighted the need for the sharing of information. In addition, the Council is supportive of enhancing the RRR Filing requirements and application filing requirements to include information regarding DERs and the consideration of DERs in the development of utility DSPs. The OEB could convene a working group of relevant stakeholders to develop further filing requirements specific to DER deployment. The outcome of the working group process could then be circulated for general comment before finalization by the OEB.

**Conclusions:**

The Council was represented on the FEIWG and provided a great deal of input during those discussions. We have endeavoured to answer the OEB's questions as requested particularly in the context of issue prioritization. The deployment of DERs by utilities is progressing and it will be important for the OEB to establish the "rules of the game" as quickly as possible. Clearly communicating its expectations will be important for utilities, customers and DER providers. The Council recognizes that innovation in the energy sector is moving quickly. Any regulatory framework developed by the OEB to deal with DER deployment in that context will have to be flexible, transparent and adaptable. In addition, seeking value for customers should be the most important priority for the utilities and their regulator.