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May 9, 2023

**EB-2022-0302 Regulatory Framework Workshop  
Pollution Probe Comments**

Dear Ms. Marconi:

On October 21, 2022, the Minister of Energy issued a Letter of Direction, in which the Minister asked the OEB to launch workshops to explore how it can help enable electrification related investments while protecting consumers' interests. The Minister also asked the OEB to provide the government's Electrification and Energy Transition Panel with its best advice on potential changes to the OEB's mandate and operations. The OEB held a consultation on April 19, 2023 and has requested comments via EB-2022-0302. Pollution Probe participated in the OEB consultation and includes additional comments for consideration below. The topics are aligned with those in the OEB discussion guide.

**Long-Term Energy Planning**

The Long-Term Energy Planning for Ontario is an essential tool to highlight Ontario's full energy needs and pathway forward for the integrated energy sector. An energy plan for Ontario only has real value when it includes all energy (electricity, natural gas, oil, propane, renewables, energy efficiency, etc.) and also aligns with principles of community energy and emission planning so execution can also be integrated across Ontario with municipalities, developers and other stakeholders managing energy investment or planning.

Long-Term Energy Planning done well can act as a compass for utilities, municipalities, developers and other stakeholders to align in an efficient manner to achieve desired outcomes for Ontarians. Investments are being made across Ontario (e.g. Distributed Energy Resources or DERs) that could be leveraged in a systematic manner and reduce the overall burden on rate payers. These resources are largely uncoordinated and do not maximize benefits to the grid and local communities.

The OEB has demonstrated that it has strong facilitation capacity to bring together industry stakeholders to drive innovation and resolve issues. This has been very successful with recent initiatives including the Future of Energy Innovation. This value can be used to coordinate input into Long-term Energy Plans and/or conduct transparent reviews of draft plans created.

Ontario has had trouble moving past a "one directional grid" mentality, which is one of the greatest barriers to achieving Ontario's energy transition. Furthermore, the current (electricity and gas) grid is not optimized for utilization. It is ironic that when a customer executes DER it is often seen as a

burden/cost to the utility system unless it is done through IESO traditional supply procurement processes. This creates a disincentive to drive to right behavior in the market. The OEB would need to work with IESO and the Province to make the modern paradigm shift to the status quo thinking, design, planning and execution. Once the direction is clear, utilities and other stakeholders will follow.

The OEB has a critical role in planning and execution since it not only regulates market participants, but also sets industry direction through its consultations, policy development, outreach, and of course through every Decision that is issued. The OEB is also in a good position to consider investments needed, while avoiding stranded assets over the long term. Even simple Decisions related to amortization for certain investments has an impact on what occurs in the market and what will become stranded over the next half century<sup>1</sup>. All of these OEB decisions also impact whether Ontario will reduce its emissions in alignment with Net Zero objectives.

### **OEB Objectives**

The objectives in the OEB Act provide flexibility for the OEB to consider relevant issues and the OEB with support of recent Mandate Letters has been leaning into relevant issues that impact Ontario's Energy Transition. One example is the consideration of climate considerations in planning and decision making. There is no doubt that climate considerations are a relevant component of energy regulation today and that this trend will continue to increase in Ontario and globally. Globally energy planning and technology has been advancing most rapidly in low carbon energy solutions that reduce peak energy demand (the driver of most energy system costs) and overall life-cycle costs for energy consumers. Aligning Long-term Energy Planning with this trend is essential to meeting Ontario energy needs in a cost-effective manner. Climate considerations could be explicitly added to the objectives in the OEB Act if the Province wanted to lock in those long term benefits.

There are also many additional opportunities for the OEB to enhance delivery of the energy future for Ontario. For example, it is widely understood that energy efficiency is the most cost-effective form of energy available and that each dollar invested in energy efficiency results in approximately \$3 of net benefits. It is also widely understood that consumers don't think in energy siloes and that integrated energy efficiency programs deliver the best results for Ontarians. However, the traditional model has failed to deliver the results needed<sup>2</sup> or drive partnerships across all the natural gas (DSM) and electricity (CDM) programs despite Provincial and OEB direction to do so. The OEB could administer and procure long term DSM/CDM resources to provide enhance energy efficiency results or replace utility delivery if utilities under-perform what is needed.

### **Leave to Construct (Facilities) Approvals**

Leave to Construct approvals and related processes should be based on best practice, while achieving the goal of protecting the public interest. Best practice includes relevant infrastructure planning, construction and life-cycle considerations such as climate impacts. Pollution Probe agrees with the OEB that specific considerations could be built into facilities authority to provide greater certainty that

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<sup>1</sup> Some assets requested by gas or electric utilities could be collected from ratepayers for more than 50 years.

<sup>2</sup> Only a small fraction of the results outlines in the OEB/IESO Potential Study have been achieved.

Commissioners will consider net zero or other policy goals. Alignment with community energy and emission planning is also required.

The OEB recently reviewed the Environmental Guidelines for Hydrocarbon Projects and Facilities in Ontario. The review included a restricted consultation and no public notification which limited the amount of public input and led to a fairly static document. It is recommended that a more fulsome open consultation and benchmarking exercise be undertaken for the next iteration, including best practices for climate considerations.

### **Electricity Distribution Activities**

The current distributor activities included under the OEB Act provides suitable flexibility to encourage innovation and change. The challenge is changing the status quo related to planning, execution and OEB approvals. The OEB has undertaken consultation and stakeholder initiatives to remove barriers and unlock opportunities that have been elusive. Increased direction/incentives for partnerships and enablement of DERs by other stakeholders is encouraged. The recent recommendation endorsed by the OEB from the Regional Planning Process Advisory Group (RPPAG) to enhance alignment, communication and coordination between regional planning and municipal energy planning will also help remove barriers and identify synergies between local DERs and system planning. The IESO and proactive utilities have already started making enhancements in advance of the formal OEB municipal sessions. Regional planning is more nascent on the natural gas side with regional sessions only be introduced recently. The OEB could integrate gas and electricity regional planning to ensure better alignment and stakeholder engagement.

### **Indigenous Relationships**

Pollution Probe encourages the OEB to continually strive to enhance Indigenous participation and considerations into all relevant aspects of its proceedings and policy development. Pollution Probe has partnered with Indigenous representatives in many regulatory forums and this has always led to enhanced consideration of relevant issues in those proceedings.

Community energy and emission planning is a quintessential approach for cost-effective energy planning to meet the needs of Ontario. The principles used in sound energy and emission planning for communities in Ontario are the same for Indigenous communities. This is one of the reasons why the Province has support integrated energy planning for both Ontario municipalities and Indigenous communities. It is important that this policy and financial support continue and be enhanced in the future by the Province and its agencies including IESO and the OEB.

### **Innovation**

The OEB has been receptive to sector Innovation and has embraced several initiatives to enable it, but many barriers still persist which can restrict a successful transition. For example, the Future of Energy Innovation helped to level set industry knowledge and drive forward specific ideas and recommendations to advance innovation. One of the recommendations being advanced by the OEB is the Benefit-Cost Handbook to provide a clearer approach to quantify benefits of Innovative proposals.

The National Standard Practice Manual<sup>3</sup> (NSPM) is a tool leveraged by leading jurisdiction and Pollution Probe recommends leveraging these tools rather than re-creating the wheel. Using a societal costs test as outlined in the NSPM to assess costs and benefits helps reduce traditional regulatory barriers and ensure that solutions are looked at from a more comprehensive system perspective.

As noted above, traditional regulatory frameworks are siloed and often in-efficient decisions result. Ontario energy consumers and the municipalities they live in consider energy options from a more integrated. Breaking the siloed planning pattern is essential to more holistic solutions. An example is the policy underpinning the Government of Ontario's Natural Gas Expansion Program (NGEP) without broader consideration of integrated options that would reduce peak load and related costs on both the natural gas and electricity systems. The NGEP provides rate payer funded subsidies to expand natural gas distribution into communities that are not currently connected to the natural gas system. Costs for consumers do not just include the natural gas infrastructure costs, but the replacement costs related to the new energy system for homes and business in Ontario. Peak electricity load can increase with the inclusion of air conditioning with the new system driven by this program. A more cost-effective approach could be to consider the total energy costs and system demands and enable options to reduce life-cycle consumer energy costs, such as heat pumps<sup>4</sup>. The Provincial subsidies provide an average subsidy per customer of over \$27,000<sup>5</sup> which is in additional to other rate payer costs. The average cost per customer is enough to provide heat pumps to those interested to meet the needs of both heating and cooling. This approach is also subsidized through the Greener Homes program since it reduces energy use to Ontario consumers. By simply adjusting the NGEP program to include a broader range of required alternatives would reduce Ontario consumer energy costs and related emissions.

Respectfully submitted on behalf of Pollution Probe.



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<sup>3</sup> [National Standard Practice Manual - NESP \(nationalenergyscreeningproject.org\)](http://nationalenergyscreeningproject.org/)

<sup>4</sup> Heat pumps are already incented through the OEB approved DSM programs.

<sup>5</sup> [Ontario Brings Natural Gas to 43 Communities with Phase 2 of the Natural Gas Expansion Program | Ontario Newsroom](#) – NGEP Phase 2 provide a total subsidy of \$233.3 million to serve 8734 customers.