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Ms. Nancy Marconi
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November 9, 2023

EB-2021-0118 – OEB Future of Energy Innovation
Pollution Probe Comment on BCA Handbook Project Plan

Dear Ms. Marconi:

In accordance with Ontario Energy Board (OEB) direction, below are the comments from Pollution Probe for the Benefit Cost Analysis (BCA) Handbook Project Plan and related issues.

Pollution Probe commends the OEB for its efforts to advance Distributed Energy Resources (DERs) and provide a level playing field. This includes various OEB initiatives, consultations and coordinated efforts with stakeholders including the IESO. A BCA Handbook alone will not unlock the value of DERs for Ontario, but it is one important piece of a comprehensive implementation plan. Overall, stakeholders have been open, proactive and collaborative across the OEB DER-related initiatives to advance DER solutions and remove barriers. DERs provide a necessary and valuable resource to the Ontario energy system and consumers. Some areas of DER have advanced further than others and a comprehensive coordinated approach is required to ensure success. Tools such as the proposed BCA Handbook and related Framework can provide tools, direction and flexibility to stakeholders to advance the wide variety of DER solutions available. Coordination across the sector is also a key element.

The Framework for Energy Innovation Working Group (FEIWG) delivered its Report to the OEB on June 30, 2022 and a more detailed report from the BCA Sub-Committee was also provided. Pollution Probe was an active participant in development of both those documents. Over a year has passed with little advancement on the BCA Handbook recommended and supported by all stakeholders including the OEB. The OEB has made it clear that stakeholders (including utilities and IESO) should continue to advance real DER opportunities and solutions now and not wait for the BCA Handbook to be finalized. This is appropriate and necessary to maintain or enhance momentum. Even once the BCA Handbook and related Framework are finalized, it will take time for it to be leveraged and improved. It is important that other activities continue at a rapid pace while the BCA Handbook is in development. This includes the continues assessment of DER options through rate cases and facility applications.

A significant amount of foundational work is already available for the OEB to leverage in building out the BCA Handbook and it is recommended that it be leveraged to expedite the process and ensure the OEB BCA Handbook aligns with North American Regulatory Best Practice. For example, adopting the best practice National Standard Practice Manual for DERs (NSPM)[1] has been widely recognized as the single most effective way to accelerate the BCA Handbook and related Framework while leveraging the best

[1] National Standard Practice Manual - NESP (nationalenergyscreeningproject.org)

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practice approach and available toolset. Going it alone outside of best practice jurisdictions in North America will create unnecessary work and be inefficient. Guidehouse has referenced other documents that can be leveraged, but the first step would be to adopt the NSPM for DERs and then use the BCA Handbook to detail the elements specific to the Ontario context (in alignment with many of the documents referenced by Guidehose, to the extent possible). Most of the stakeholders involved in the FEI were not already familiar with the NSPM or its application. The OEB may want to leverage the BCA Handbook to simplify application of the NSPM, plus be prescriptive on the elements left open as options in the NSMP (e.g. cost effectiveness test for use).

Furthermore, an 'evergreen' appendix of assumptions is desperately required to be a common 'best available informatione' resource which can be updated by the OEB on an annual basis. This should not prohibit a utility from bringing forward more up to date or appropriate assumptions, but the appendix of DER BCA assumptions would provide a solid baseline toolset for utilities. Having a common baseline resource is more efficient than requiring each utility to build its own resources. This approach has been successfully leveraged in Ontario for other purposes such as DSM/CDM. Consitency of information is also important. The gas sector in Ontario has struggled with leveraging the same best available information. This has delayed application of gas Integrated Resource Planning (IRP) which has resulted in essentially not IRP alternative being planned or implemented. Combining efforts to use a single best available information resource is really a fuel agnostic tool and should be developed with that in mind.

The Guidehouse Workplan indicates that "It is possible that some impacts for a proposed DER solution may be difficult to quantify or value robustly yet could materially affect the conclusion of the BCA. LDCs may only incorporate those impacts required or permitted by the OEB's BCA Framework in their BCAs". This is the opposite to best practice. Just because it is difficult to estimate a quantity or value does not mean it should be ignored. Ignoring relevant inputs is worse than using a best available estimate. Over time best available estimates will be enhanced and refine. Stakeholders should be encourages to leverage best available information even if it extends beyond assumptions catalogued in the BCA Handbook. This will not only help advance DER, but will also encourage innovation and enable BCA Handbook assumptions to be updated at a faster pace.

The recommendation to use a social discount rate of 4% for discounting cash flows to present value, and an assumed inflation rate of 2% is reasonable as a long-term value. Short term periods will vary from these values, but use of a longer-term stable value will help remove volatility and introduce stability in DER planning and development.

Additional recommendations include:

- The OEB scope for FEI indicated that incenting non-LCD DERs was the first element to be put in place. When an LDC can accommodate or incent a market/customer solution that is always preferred, but it is highly likely that the BCA Handbook will be leveraged for LDC DER solutions. It will be important to strike a balance and ensure that LDC-owned DER opportunities do not become a barrier to market/customer opportunities. Having regulatory requirements and an incentive mechanism in place will help maintain this balance.
- There is a unanimous understanding that utility and regulatory energy silos need to be broken down quickly to provide more a more holistic and cost-effective approach to provide clean energy to Ontario consumers and communities. This should include applying the BCA Handbook to both electricity and gas (e.g. IRP alternatives) to drive more alignment and synergies in the

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future. If the BCA Handbook is developed with that in mind, it can be applied to the gas sector when the IRP Framework is updated by the OEB.

- There is a need to align energy planning in Ontario with community/municipal energy and emission planning. Only by aligning those requirements and outcomes will holistic, cost-effective clean energy solutions be supported across Ontario. Lack of alignment will lead to duplication and higher costs to consumers. This can only be achieved by taking a comprehensive societal approach in developing the BCA Handbook.
- Recognition of best practice industry tools that Ontario should leverage, such as the National Standard Practice Manual for DERs[2] that sets out a practical approach for cost-benefit analysis.
- Recognition of the broad range of relevant DERs including energy efficiency (CDM and DSM), EVs, etc. that should be leveraged in Ontario. The OEB and IESO have struggled to get enhanced traction and results on CDM despite upgrades to CDM guidance to encourage enhanced activities and results. CDM is a sub-component of DER and the full set of tools needs to be leveraged.
- Utilities lack a common set of assumptions that they can use for regulatory assessment of DERs. This has been one barrier for utilities to bring forward solutions to the OEB. The DER Handbook can set the foundation for a baseline set of assumptions (i.e. best available information) and ongoing continuous improvement can be used for the OEB to update those assumptions on an annual basis. The OEB could leverage an expert working groups to review proposed assumption updates on a regular basis. The same tool could be used to review updated assumptions filed by utilities.
- A handbook is a useful tool, but providing real case studies is equally important. This turns theory into reality. The OEB should document case studies and post real utility applications that are successful. These assumptions can be used to update the BCA assumptions appendix.
- Apply the Societal Costs and apply a system wide consideration of costs and benefits. It is not possible to enables DERs as part of the successful Energy Transition without considering the broader societal benefit and linkages to community energy and emission plans.
- Ensure that the costs used in the calculations only include the incremental costs related to the DER implementation. There is a certain level of utility (or stakeholder) baseline costs that occur as a without the DER and those costs should be removed from the calculation.
- Ensure that the BCA Handbook encourages coordination/co-benefits and does not create siloed barriers. For example, DERs can reduce overall costs when included in planned infrastructure that is needed for other purposes (e.g. community emergency center, recreation center where waste heat can be used to reduce overall energy bills, etc.). Could also consider a non-energy benefit adder similar to DSM to recognize ancillary benefits and incent greater DER implementation.
- Some utilities are already moving forward with studies to identify some of these inputs and the OEB could ensure effective sharing of information and bridging of information gaps through a technical committee approach. The OEB should also encourage (or require) utilities to bring forward DER assumptions in their applications. Even if they are not perfect, they provide a valuable basis for future improvement.
- Ongoing support and continuous improvement will be required. This is not a 'one and done' exercise and the OEB will need to consider the approach needed to provide the ongoing support to the BCA Handbook and related Framework. The OEB may recall that it retained Power

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Advisory in 2008 to create "Development of a Standard Methodology for the Quantification of DG Benefits", but without a sustainable framework and approach in place that foundational work was stranded. The same should not be allowed to happen to the BCA Handbook being developed by Guidehouse.

- The OEB should provide complimentary resources similar to what is done for the Innovation Sandbox. Utilities with questions when developing DER business cases could access those resources as appropriate. This could include internal expertise at the OEB, consultants and/or a technical advisory stakeholder group to provide opinions and input. Areas of uncertainty could be documented and clarity added to the BCA Handbook or appendix, as part of a continuous improvement cycle. A calculator tool could also be a useful resource for performing the cost effectiveness tests.

Thank you for the ability to provide comments and Pollution Probe is committed to supporting the OEB as it continues to advance DERs in Ontario. Please reach out should you have questions on anything included above.

Respectfully submitted on behalf of Pollution Probe.

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