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BY EMAIL AND RESS

November 9, 2023

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

Dear Ms. Marconi,

EB-2023-0125 – Consultation for Benefit-Cost Analysis Framework for Addressing Electricity System Needs

OVERVIEW

On October 26, 2023, the OEB issued a draft project plan, drafted with the assistance of Guidehouse, for Phase One of the Benefit Cost Assessment ("BCA") Framework for stakeholder review for comment by November 9, 2023.

The OEB identified the need for a BCA Framework in its Report on the Framework for Energy Innovation ("FEI"), issued January 30, 2023. The FEI Report was informed by the work of the FEI Working Group to which Hydro One was pleased to contribute. Hydro One reiterates its support for the direction provided by the OEB in the FEI Report on the importance of integrating distributed energy resources ("DER") onto the electricity system in a cost-effective manner without sacrificing reliability, and to deploy DER solutions as Non-Wires Alternatives (NWA) where appropriate.

Below are Hydro One's comments on the draft Project Plan for the BCA Framework.

GENERAL COMMENTS ON THE PROJECT PLAN AND CONSULTATION PROCESS

Hydro One supports the general direction and sequencing of the draft project plan. In its 2022 submission on the FEI Report, Hydro One supported a two-stage approach to BCA Framework development, focused first on energy sector costs and benefits, so that utilities could more quickly and more consistently evaluate actions that could embed energy transition considerations, such as using and integrating DERs, within the context of utility investment planning. This project plan is aligned with that objective.

Hydro One supports an iterative approach to developing the BCA Framework. In OEB Staff's presentation, it is suggested that feedback will be collected and incorporated "throughout" the development of Phase One of the BCA Framework. Because stakeholders were not privy to the development of the proposed project plan and draft BCA Handbook, it is vital that utility input be incorporated and perhaps

significantly alter parts of the draft document. We anticipate this may require more than the one planned round of review, and encourage the OEB to seek targeted means of iterating versions to meet the stated timelines. Creating a utility sub-working group of planning experts may be an appropriate step to execute this efficiently.

Hydro One supports the development of a BCA Handbook to provide guidance on when and how to execute BCAs. As noted in the FEI Report, the purpose of the BCA Handbook is to serve as a tool to guide LDCs on when they should conduct a BCA, and the level of detail required when filing the BCA results. Hydro One continues to agree with this objective and appreciates the pending opportunity to provide a detailed review of the draft BCA Handbook.

The BCA as expressed in the Handbook should not solely determine prudence. On Page 4 of OEB Staff's presentation, it asserts that utilities shall "conduct a BCA to determine whether a DER or traditional wires solution is the **prudent approach** to meeting a system need" (emphasis added). In Hydro One's view, the BCA framework should not be, and does not need to be, designed to determine prudent decision making. The Renewed Regulatory Framework for Electricity ("RRFE") points to a wide range of inputs, including performance and customer engagement results, that are also relevant to the distribution system planning process that should continue to apply in circumstances when NWAs are being considered. The BCA Handbook does not need to be designed as a test to solely determine prudence for it to be an effective and useful document. Handbook guidance that helps utilities generate credible and consistent results that can in turn inform prudent decision making would still be in keeping with the FEI Report but without minimizing the other considerations upheld in the RRFE. Opportunities to streamline the draft BCA Handbook should be taken with this more precise objective in mind. Hydro One's comment below on the distinction between discretionary/non-discretionary projects addresses one such example.

COMMENTS IN RESPONSE TO THE QUESTIONS POSED BY GUIDEHOUSE:

1. *Content. What additional information could be included in the Handbook that would help LDCs to assess the value of DERs for meeting system needs?*

   Hydro One recommends including estimated baseline assumptions for $/kW across different solutions e.g. DR, BESS, energy efficiency programs etc. that could be considered default values for a typical LDC.

   Hydro One recommends including examples where the same system need, and NWA scenarios are evaluated under both the DST and EST.

As noted earlier, opportunities to remove information should also be explored. For example, the distinction between non-discretionary and discretionary[1] system investments as presented (at page 18) should be removed from the framework. Hydro One believes such a distinction risks deterring NWA deployment to new use cases or applications where costs and benefits are less certain or that may only pass a "do nothing" test at greater scale.

Hydro One is currently considering NWAs to address 'discretionary' issues that will defer the need for a traditional investment – functionally, deploying NWAs for non-urgent needs which can prevent an issue from evolving into a scenario where only a traditional asset is appropriate to ensure service. If an NWA is being considered, it is because Hydro One has already evaluated the risk of 'doing nothing.'

We recommend the evaluation of NWAs be simplified to comparing the NPV of a wires solution to an NWA and assessing the benefits of deferring an investment. Distribution system planning is the appropriate process to incorporate "do nothing" implications, which are often qualitative (e.g., reputational harm, customer frustration) or extremely difficult to calculate. Moreover, the strict comparison to a "do nothing" approach does not encourage employing NWAs to new use cases that are necessary to observe, learn, and adapt processes for DER deployment.

2. *Impacts. For the DST and EST, are the proposed impacts and their suggested applicability correctly aligned with the purpose and intent of each test?*

   Hydro One has no further comments on this question at this stage but may provide additional comments in a future session.

3. *Examples. The BCA Handbook will include three summary worked examples of BCAs for different DER NWAs. What types of system needs, DER solutions, and practical constraints should these examples address? The more specific the detail that can be provided here, the better.*

   Given Hydro One's current deployment of NWA for reliability, load growth, and other discretionary system investments, examples that incorporate these scenarios would be preferable.

   Although examples are extremely helpful tools in this handbook, we caution against including content in the handbook that suggests certain *categories* of system needs will be appropriate for an NWA. The operating conditions, condition of the assets impacted, customer density, and technical limitations, among other considerations, will factor into the determination of whether a particular system need can

[1] The concept of 'discretionary' as it relates to distribution system planning is fluid. For example, a system need deemed a 'non-urgent capacity constraint' can evolve into an urgent concern if thermal limits are at issue, or alternatively, a feeder's reliability issues may worsen and become so impactful as to risk violation of conditions of service and the Distribution Service Code, requiring a "non-discretionary" investment. The definition of 'discretionary' in the draft handbook also does not align with Hydro One's concept of discretionary as conveyed in its DSP, (section 3.6.3.2 "How the Capital Plan Reflects Regulatory Compliance").

be met by an NWA. For example, what may be a viable reliability solution for another LDC, may be inappropriate for Hydro One and vice versa. We recommend language be added to reiterate that examples used are based on a scenario where the LDC has found the potential NWA to be capable of addressing the system need identified and should not be read as suggesting the NWA as a potential solution in all similar circumstances.

4. *Inputs. We expect that the most significant benefits and costs of DERs will be derived from project- and program-specific information. Are you aware of any material impacts for which generic values are available and might be used?*

   The draft handbook references 'IESO's published CDM avoided costs' (i.e., the IESO Measures and Assumptions list provides generic energy savings/peak demand assumptions for proven energy efficiency measures for CDM solutions). However, LDCs, with sufficient justification, should also be able to apply their own savings assumptions which may differ from those used by the IESO.

Hydro One thanks the OEB and Guidehouse for sharing the project plan, and an early draft of the BCA Handbook. We look forward to the full draft's release, and to further discussing this key deliverable at the December stakeholder session. Hydro One would also welcome the opportunity to meet with OEB staff to further elaborate on these comments.

Sincerely,

[original: signed by Kaleb Ruch]

Kaleb Ruch