

February 1, 2023

Via Email and RESS

Ms. Nancy Marconi
Registrar
Ontario Energy Board
27th Floor 2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: Benefit-Cost Analysis Framework for Addressing Electricity System Needs File No.:
EB-2023-0125
Draft Phase One Benefit Cost Analysis Framework**

The Independent Electricity System Operator (IESO) appreciates the opportunity to submit comments on the OEB's Draft Benefit Cost Analysis Framework ("Framework"). This Framework outlines the methodology that electricity distributors are to employ when assessing the economic feasibility of non-wires solutions to address defined electricity system needs. The Framework specifies that: the primary focus of Phase 1 is to provide distributors with the guidance and information to conduct a BCA based on the costs and benefits accruing to the distributor's service territory through the Distribution Service Test (DST). Although the Framework does address the optional Energy System Test (EST), the focus of Phase 2 will be to enhance and evolve the guidance provided to distributors on capturing impacts that apply outside the bounds of the distributors service territory through the Energy System Test (EST). The IESO looks forward to continuing to work with the OEB to evolve the EST in Phase 2.

The Framework recommends that distributors engage and make use of the information developed by the IESO as part of the Integrated Resource Planning Process (IRRP) but if the information is not available, distributors may consider using alternative values. The sources of these alternative values have been provided in the Framework. The IESO would like to make the OEB aware of challenges associated with the sources of alternative values for the

Transmission Capacity (deferral or avoidance benefit) and Avoided Capacity Costs impact categories within the EST, as described below.

Transmission Capacity (Deferral or Avoidance Benefit)

For the transmission capacity (deferral or avoidance benefit), the distributor is encouraged to select the Business as Usual (BAU) value. This value represents an average of transmission deferral value for the purpose of assessing overall distributed energy resources (DER) potential in Ontario and not for specific projects. The actual deferral value may be quite different depending on whether there is a regional need, the location and characteristics of the regional need, and the specific costs of the wires alternative, if applicable.

Avoided Capacity Costs

For the avoided generation capacity costs, the Framework advises distributors to use the costs from the IESO's IRRP Guide for NWAs, i.e., \$144/kW-year which is the cost for a new simple cycle gas turbine in Ontario. Note that this is meant to represent what has historically been the least cost marginal resource for the purpose of comparison with a transmission reinforcement option. Going forward the IESO expects to implement a non-emitting capacity portfolio build-out approach to develop avoided generation capacity costs. This approach would utilize a capacity expansion model to determine the lowest cost resource mixes to meet Ontario's forecasted demand. Outcomes from recent and ongoing procurement processes may also inform the resource alternative cost. Furthermore, a placeholder avoided generation capacity cost may not reflect actual system capacity value which depends on other factors such as the deliverability of that resource. If the resource is located in an area of the province where it is not deliverable, the avoided capacity value would be zero.

The IESO appreciates the opportunity to provide comments on the Framework and looks forward to continuing to work with the OEB to evolve the EST in Phase 2. If you have any questions, please contact me at 416-710-0620 or by email at Beverly.Nollert@ieso.ca



Beverly Nollert
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