February 2, 2024

Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Marconi

Re: **EB-2023-0124 Benefit-Cost Analysis Framework for Addressing Electricity System Needs**

The Electricity Distributors Association ("EDA") represents approximately 50 publicly and privately owned local distribution companies ("LDC") the part of our electricity system closest to customers. Publicly and privately owned utilities, otherwise known as local distribution companies (LDCs), deliver electricity to residential, commercial, industrial, and institutional customers—powering every community in the province. The sector owns more than $30 billion in electricity system infrastructure and invests more than $2.5 billion annually in the electricity grid to meet system needs while providing safe and reliable electricity - that is the Power of Local Hydro. Ontario's LDCs safely and reliably deliver electricity to over five million residential, commercial, industrial, and institutional customers throughout the province. We are appreciative of the opportunity to provide comments on the Ontario Energy Board's ("OEB" or "Board") Draft Phase One Benefit-Cost Analysis Framework ("Draft BCA Framework") for this important matter. We are also appreciative of the OEB's extension of the deadline for receipt of these comments, allowing us to sufficiently engage our members, and ensuring the views of LDCs impacted by this policy are heard.

BCA Background:

On September 20, 2023, the OEB initiated a consultation regarding the development of a Benefit Cost Analysis as a response to the objectives and plans outlined in the OEB's Framework for Energy Innovation: Setting a Path Forward for DER Integration ("FEI"), dated January 30, 2023. The OEB's September 20th letter was followed by a stakeholder consultation on October 13, 2023, and the submission of stakeholder comments on a Draft BCA Handbook Project Plan on November 9, 2023.

On December 14, 2024, the OEB issued the Draft BCA Framework, accompanied by a cover letter, written examples of illustrative BCAs, and two versions of an excel template for the completion of BCAs: a blank version for use, and a completed illustrative version. Following receipt of stakeholder comments, the OEB has communicated its intention to release a final version of its Benefit-Cost Analysis Framework in the spring of 2024 ("Final BCA Framework"). In late 2023 and January of 2024, the EDA engaged its members to understand the views, concerns, and recommendations of Ontario's electricity distributors regarding the Draft BCA

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Framework, and work towards consensus on the most pertinent issues to raise with the OEB, with the intent of maximizing the functionality and success of the Final BCA Framework. The comments provided in this submission address these most pertinent issues and provide recommendations for the OEB's consideration as it works to finalize a first edition of the Final BCA Framework for implementation.

EDA BCA Submission Summary:

We are supportive of the Draft BCA Framework and commend the Board for taking on a leadership role in the development of this important tool to facilitate the effective and efficient integration of Non-Wires Solutions ("NWSs") into distributors' planning, systems, and operations. **We are primarily supportive of the flexibility which has been incorporated into the Draft BCA Framework, allowing for rational and practical implementation of the Draft BCA Framework across the varied size, customer mixes, system characteristics, and long-term business plans of distributors across the Province of Ontario.**

Although there are NWS-related policy guidance from multiple levels of government, many OEB consultations, and growing customer interest in distributed energy resources ("DERs") and other NWSs, the technical and administrative integration of NWSs into electricity distribution remains promising. As such, we **believe an approach which emphasizes real-time testing and continuous improvement of NWS integration is critical to ensure efficient and effective progress.** The Draft BCA Framework appears to be consistent with this important principle, and we strongly support this approach featuring prominently in the Final BCA Framework, as well as in its implementation through distributor applications to the OEB.

We are supportive of the technical aspects of the Draft BCA Framework in its description of the actual calculation of net costs and benefits, understanding that the Distribution Service Test ("DST") and Energy System Test ("EST") are expected to evolve with technology and the sector. **Our members' support of? these sections is largely dependent on the Draft BCA Framework's flexibility for LDCs in the completion of BCAs, such that applicants can provide relevant evidence that is responsive to the specifics at hand.** In line with our comments on Section 2 of the Draft BCA Framework, **this flexibility is critical to ensuring the BCA Framework does not become outdated as technology and practices evolve, and to ensuring that viable NWS options are not excluded from consideration due to overly prescriptive technical or administrative requirements.**

Our submission and recommendations largely focus on Section 2 of the Draft BCA Framework, and can be summarized as follows:

- The Final BCA Framework should take an evolutionary approach to integrating BCAs and NWSs into distribution system planning, with a focus on testing implementation in real-time and facilitating learning amongst LDCs.

- The Draft BCA Framework excludes General Plant investments from the requirement for mandatory documentation of NWS consideration. We propose the first edition of the Final BCA Framework released in 2024 also exclude System Renewal and System Access investments from the mandatory requirement to consider and document NWS alternatives to traditional investments. However, we encourage the OEB to maintain the opportunity for distributors to consider, document, and implement such alternatives on an optional basis.

- Providing distributors discretion to establish their own pre-assessment criteria for determining whether or not a BCA is required is a critical inclusion in the Draft BCA Framework, and LDCs support a continuation of this approach in the Final BCA Framework.

- The existing materiality thresholds in the OEB's Chapter 2 Filing Requirements are not the appropriate measure of materiality for determining whether consideration of NWSs must be documented, and the OEB should establish a higher materiality threshold for this purpose (e.g. three times the Chapter 2 materiality thresholds). In the alternative, distributors' pre-assessment criteria should be permitted to override the materiality thresholds, with justification in the establishment of said pre-assessment criteria.

- The Final BCA Framework should clearly articulate the nature and timing of impacts the BCA Framework will have on other OEB policies, including addressing potential tensions between the BCA Framework and other policy consultations such as the Reliability and Power Quality Review (RPQR). The Final BCA Framework should also provide a more detailed understanding of Phase 2 of the BCA consultation, including insight into planned timing and exploration of funding mechanisms which will allow costs to follow benefits where benefits to the bulk system are present.

- Revise section 3.2.3 to avoid defining discretionary and non-discretionary investments within the Final BCA Framework to maintain consistency with the Renewed Regulatory Framework for Electricity (RRFE), which assigns the definition of discretionary vs. non-discretionary to LDCs as part of their Distribution System Plans; and

- As articulated in the Draft BCA Framework, we also strongly support providing distributors the opportunity to define what costs are or are not incremental within the context of NWS deployment. This is of particular importance within the context of utilities' long-term strategies and plans to prepare for the energy transition.

The following sections further articulate the recommendations above, organized by section within the Draft BCA Framework for ease of review. As suggested in the OEB's cover letter to the Draft BCA Framework, most of our comments are focused on Section 2: Purpose and Use. For clarity, this submission focuses on the most pertinent and overarching items raised by our members. While we are largely supportive of the Draft BCA Framework, a lack of discussion

regarding any specific aspect of the Draft BCA Framework should not be interpreted as explicit endorsement.

BCA Framework Section 2: Purpose and Use

Section 2 of the Draft BCA Framework outlines the circumstances under which an NWS must be considered in lieu of a traditional distribution investment. Our members have expressed a strong interest in ensuring the final version of this section is optimal, both to ensure new requirements are paced with the capacity ramp-up of new staff functions, and to maximize the successful implementation of NWS at an appropriate pace. Ratepayers will be better served by a smaller number of targeted NWS use cases, as opposed to expending limited resources in the exploration of NWSs each case.

An Evolutionary Approach to NWSs in System Planning

Recommendation: *The Final BCA Framework should take an evolutionary approach to integrating BCAs and NWSs into distribution system planning, with a focus on testing implementation in real-time and facilitating learning amongst distributors.*

The OEB's Framework for Energy Innovation: Distributed Resources and Utility Incentives released January 30, 2023 ("FEI") states that, "The OEB recognizes that, to meet these new expectations, distributors need time to build internal capabilities and, more fundamentally, realign their business priorities around doing things differently".[1] We endorse this explicit acknowledgement that the full integration of NWSs into system planning and operations cannot be achieved overnight, and that governing policies in this area can set up LDCs for long-term success by enabling distributors to learn from the successes of their peers as more NWS use cases are developed, approved, and implemented.

With respect to the timing of implementation, the Draft BCA Framework states the following:

> The BCA Framework is effective for all electricity rate applications seeking approval for the 2026 rate year and onward. Rate applications filed by electricity distributors starting with the 2026 rate year (applications filed in 2025) are expected to be consistent with the BCA Framework. If they are not, detailed explanations for any divergence are required, such as any unique circumstances of an electricity distributor, which will be taken into account.[2]

We are appreciative of the opportunity for Cost-of-Service filers in 2026 and beyond to extend consideration of compliance with the Final BCA Framework. However, members expressed concerns about the implementation and review of this requirement during the proceedings for their cost-based applications. In particular, it is not clear to LDCs what level of "detailed

[1] Ontario Energy Board, Framework for Energy Innovation: Distributed Resources and Utility Incentives, January 30, 2023, p.16
[2] Ontario Energy Board, Draft Phase One Benefit-Cost Analysis Framework, December 14, 2023, p.9

explanation", or "unique circumstances" will be sufficient to justify divergence from the Final BCA Framework.

EDA members expressed several circumstances in which non-compliance with the Final BCA Framework can be expected in 2026 and the years that immediately follow. One example is large LDCs or LDCs planning to file Custom Incentive Regulation ("Custom IR") applications. These distributors typically file their Cost-of-Service applications well in advance of standard timelines and initiate the system planning efforts underpinning those applications well in advance of filing. The realities of these timelines are such that it is impractical to expect a 2026 Cost of Service application of this nature to fully integrate the requirements of the Final BCA Framework into system planning, and full integration remains improbable for 2027 Cost of Service applications as well.

Another practical concern of LDCs in the near-term relates to the business-as-usual resource requirements of preparing and submitting a Cost-of-Service application. Every distributor of any size experiences human resource constraints during this time, and for many it is unlikely that the capacity to alter system planning and complete numerous BCAs can be put in place internally in time to inform Cost of Service applications soon. Granted, the current Chapter 5 Filing Requirements require the assessment of NWSs in system planning, however the Draft BCA Framework requirements extend this responsibility much further; setting expectations which LDCs may struggle to meet in the near-term. This could result in the shifting of internal resources away from other critical components of Cost of Service applications towards NWS consideration and BCA completion, or increases to the one-time regulatory costs sought for recovery due to the outsourcing of the assessment of system needs potentially eligible for NWSs, the evaluation of potential NWSs, or the completion of the BCA to external consultants. If the mandatory requirements of the Final BCA Framework are too broad or implemented too early, one or both of these outcomes could take place with minimal upside for ratepayers.

Therefore, the language in the Draft BCA Framework provides LDCs the opportunity to provide explanations for divergence from the Final BCA Framework, and we are supportive of this inclusion. The purpose of the examples above is to drive home the reality of anticipated exceptions in 2026 and the years that immediately follow, as many members have every expectation that they will not be able to fully integrate a process for comprehensive consideration of NWSs into system planning on the timeline contemplated in the Draft BCA Framework. This concern is further underpinned by the currently available NWSs, and the limited number of real-world use cases, which limits distributors' current understanding of where and how these solutions can reliably address system needs.

In this regard, we emphasize the importance of viewing the 2024 Final BCA Framework as a 1st Edition, a starting point which is focused on testing and learning and is anticipated to evolve in scope and application as NWSs at the distribution level mature. There is also merit in establishment of a regular forum, established by the OEB, to review and discuss proposed or implemented NWSs at the distribution level, such that LDCs can learn from the experiences of

their peers and collectively advance the rational deployment of new technologies. We welcome the opportunity to participate in such a forum in a support or leading capacity.

Narrowing the Scope of Mandatory NWS Consideration

Recommendation: *The first iteration of the BCA Framework released in 2024 should exclude System Renewal and System Access investments from the mandatory requirement to consider and document NWS alternatives to traditional investments.*

The Draft BCA Framework states the following with respect to investments requiring consideration of NWSs:

> The BCA Framework establishes a new requirement that distributors shall document their consideration of NWSs when making material investment decisions as part of distribution system planning, excluding general plant investments.[3]

There is inherent logic to excluding general plant investments from the requirement to consider NWSs; clearly there is no NWS alternative to fleet or facility requirements, for example. In addition however, our members expressed the view that entire segments of LDC investments should logically be excluded from the requirement to document consideration of NWS alternatives at this time, and that in so doing the NWS evaluation efforts of distributors could more effectively focus on those areas where NWSs have a reasonable opportunity to defer or avoid traditional investments.

NWSs are typically most suited to instances where there are incremental capacity requirements or where some improvement in reliability is required; namely, System Service investments. These drivers are not aligned with the drivers underpinning System Renewal and System Access investments, which in the vast majority (and perhaps entirety) of cases cannot reasonably be expected to be replaced by the NWSs available today. Practically speaking there is no suitable NWS substitute for a pole replacement program, a conversion project, or the connection of new customers. The most likely result of including a mandatory requirement to assess System Renewal and System Access against non-compatible NWS alternatives, is increased administration and costs (including regulatory proceeding costs) with no tangible benefit to ratepayers. Further, while it could be argued that a future circumstance or future technology could change the facts as they are today, this would be best addressed via updates to the BCA Framework in the future, not through pro-active mandatory requirements today.

Notwithstanding the above, our members do not believe the Final BCA Framework should preclude LDCs from bringing forward NWS proposals and the subsequent BCA used to support

[3] Ibid., p.7

those investments where a distributor is able to identify a System Renewal or System Access project which can be deferred or avoided in a cost-effective manner.

Distributor Discretion for Pre-Assessment Criteria

Recommendation: *Providing distributors discretion to establish their own pre-assessment criteria for determining whether or not a BCA is required is a critical inclusion in the Draft BCA Framework, and the EDA strongly supports continuation of this approach in the Final BCA Framework.*

In our submission, the Draft BCA Framework provides a helpful and phased process for the consideration of NWSs in the context of a distributor's system planning. First, some investments are explicitly excluded from the mandatory requirement to consider NWSs. The Draft BCA Framework excludes general plant investments and should also further exclude System Renewal and System Access as articulated above. Second, the consideration of NWSs applies only to 'material investment decisions', as further discussed later in this submission. Third, distributors are to conduct a pre-assessment of system needs, effectively precluding the need for consideration of NWSs based on pre-determined criteria. Fourth, for those system needs potentially eligible for an NWS, the NWS recommended by the LDC must be accompanied by a BCA. Finally, where the NWS considered in the BCA is demonstrated to be a feasible solution, and superior across the balance of all important metrics (e.g. cost, reliability, etc.),the NWS will be selected as the optimal solution to meet the system need in question.

The Draft BCA Framework states the following with respect to pre-assessment of material investments:

> This does not mean that a BCA will be required in all cases; rather a distributor should first conduct a pre-assessment to identify whether there is a reasonable expectation that an NWS may be a viable approach to meeting an identified need… Currently, the OEB is not establishing a mandatory format or requirements for the pre-assessment stage. It is expected that the degree of consideration of NWSs will vary depending on the system need, as some system needs may be clearly unsuitable for NWSs. Electricity distributors must provide rationale for all material infrastructure investment decisions where NWSs were not considered and/or those situations where NWSs were considered, but a BCA analysis was not conducted due to a pre-assessment finding.[4]

We strongly support the Draft BCA Framework's plans to assign discretion regarding pre-assessment criteria to LDCs, as opposed to establishing a top-down set of pre-assessment criteria. As previously stated, the size, customer make-up, system characteristics, and long-term business plans of our members vary widely across Ontario. Local distribution companies are just that, local. The strategies and approaches taken by one distributor to provide safe, reliable and affordable service to its customers cannot be expected to be same as others and will logically

[4] Ibid., pp.7-8

reflect the local characteristics and preferences of its customers. As stated by the OEB in the Draft BCA Framework, "…it is not the role of the OEB to increase or accelerate NWS adoption, or to choose one technology solution over another." The focus of the Final BCA Framework should also appropriately remain on delivering the greatest value for ratepayers, not on pre-determining or directing any set of technological outcomes. LDCs are the best positioned entity to identify the pre-assessment criteria which achieve the greatest value for ratepayers in a manner that is responsive to their specific circumstances.

Assignment of discretion in establishing pre-assessment criteria also meets the objective previously outlined, of ensuring that resources deployed to consider NWSs and complete BCAs are focused on their efforts. Even when excluding System Renewal and System Access investments, our members communicated examples where NWS alternatives will not logically apply to System Service investments. The ability to determine pre-assessment criteria allows informed technical staff to better plan the resources and efforts of the utility that will ultimately result in more successful NWS outcomes at a lower overall administrative cost.

Materiality Thresholds

Recommendation: *The existing materiality thresholds in the OEB's Chapter 2 Filing Requirements are not the appropriate measure of materiality for determining whether consideration of NWSs must be documented, and the OEB should establish a higher materiality threshold for this purpose (e.g. three times the Chapter 2 materiality thresholds). In the alternative, distributors' pre-assessment criteria should be permitted to override the materiality thresholds, with justification in the establishment of said pre-assessment criteria.*

Footnote 4 on page 7 of the Draft BCA Framework points to the materiality thresholds in Chapter 2 of the OEB's Filing Requirements for Cost-of-Service applications as the values to use when determining which 'material investment decisions' warrant consideration and documentation of NWSs. These materiality thresholds are as follows:

- For distributors with fewer than 30,000 customers:
    - $10,000 for a distributor with a distribution base revenue requirement less than or equal to $10 million.
    - 0.5% of distribution base revenue requirement for a distributor with a distribution base revenue requirement greater than $10 million and less than or equal to $200 million.
- For distributors with 30,000 or more customers:
    - $50,000 for a distributor with a distribution base revenue requirement less than or equal to $10 million.
    - 0.5% of distribution base revenue requirement for a distributor with a distribution base revenue requirement greater than $10 million and less than or equal to $200 million.

- $1 million for a distributor with a distribution base revenue requirement of more than $200 million.[5]

Similar to comments provided above, distributors are concerned that overly broad mandatory requirements for NWS consideration will result in unnecessary costs and the unproductive constraining of utility staff, with no ratepayer benefit. By way of example, a mid-sized distributor with a revenue requirement of $25 million has a materiality threshold of only $125,000. In the future, it is possible that a wide variety of NWSs are well documented and understood, such that funds can be expediently deployed on cost-effective NWSs with minimal investment in planning and feasibility costs. In the present, however, NWSs are very new to LDCs in Ontario as a means to meet system needs, and it is highly probable that any LDC exploring their deployment will make the investments necessary to solidify the feasibility of any NWS prior to its selection and deployment. Returning to the illustration above, in all practicality this mid-sized distributor stands to expend a considerable portion of its NWS budget verifying the feasibility of an NWS. Further, it is unclear whether an NWS at such a low expenditure is available, let alone an effective technical solution. This is to say nothing of the same example played out for some of Ontario's smallest LDCs, with revenue requirements as low as $1-3 million, distributors for whom the OEB is actively seeking to lower the regulatory burden.[6]

None of the above is proposed as a recommendation to preclude distributors from evaluating, proposing, and implementing low-expenditure NWSs where they are cost-effective and technically viable. However, members do see practical circumstances in which reliance on the Chapter 2 materiality thresholds will necessitate the completion of unhelpful NWS assessments, increasing costs and/or constraining resources. In our submission, the appropriate materiality threshold applicable to the requirement to consider and document NWSs should be established at a higher level than those established in Chapter 2 (e.g. three times the Chapter 2 materiality thresholds). In the alternative, the Draft BCA Framework provides a less specific solution to this challenge in assigning discretion for pre-assessment criteria to LDCs. Where an LDC can clearly demonstrate that investments at or near their materiality threshold cannot logically be deferred or avoided by any NWS, it should be within the discretion of the LDC to establish pre-assessment criteria excluding such small investments.

Policy Implications of the BCA Framework

Recommendation: *The Final BCA Framework should clearly articulate the nature and timing of impacts the BCA Framework will have on other OEB policies, including addressing potential tensions between the BCA Framework and other policy consultations such as the Reliability and Power Quality Review (RPQR).*

[5] Ontario Energy Board, Filing Requirements for Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications: Chapter 2 Cost of Service, December 15, 2022, p.6.
[6] Ontario Energy Board, Consultation regarding Regulatory Efficiency for Very Small Utilities, August 2023, https://engagewithus.oeb.ca/regulatory-efficiency-for-small-utilities?tool=news_feed

The Final BCA Framework should also provide a more detailed understanding of Phase 2 of the BCA consultation, including insight into planned timing and exploration of funding mechanisms which will allow costs to follow benefits where benefits to the bulk system are present.

The Draft BCA Framework notes the following with respect to the integration of the Final BCA Framework with existing and related OEB policies and guidance:

> Currently, the BCA Framework is a standalone OEB policy document. It may, however, be incorporated into other OEB policy documents (e.g., the OEB's Filing Requirements for Electricity Distribution Rate Applications, Conservation and Demand Management Guidelines for Electricity Distributors) at a future date.[7]

Distributors appreciate that the integration of new policies with existing policies takes time, and that one approach to completing this task is to first establish the new policy from end-to-end before assessing specific impacts to existing ones (i.e. the approach taken in this consultation). This said, our members are seeking further insight into the OEB's plans to integrate the Final BCA Framework into documents such as the Chapter 2 and Chapter 5 Filing Requirements for Cost-of-Service applications, or the Conservation and Demand Management Guidelines. These applications can be complex to prepare and adjudicate, and the distributors seek to limit the potential for any confusion or contradiction between policy documents which may lead to inefficient regulatory processes, or sub-optimal Decision outcomes for distributors and/or ratepayers.

In addition, we recommend the Final BCA Framework address potential tensions between new mandatory requirements established in this consultation, and other ongoing consultations and priorities communicated by the OEB. By way of example, the Coalition of Large Distributors' letter regarding the OEB's Reliability and Power Quality Review Working Group (RPQR WG) noted the following:

> Recent discussions at the RPQR WG have centered on the development of a reliability performance benchmarking framework and the establishment of reliability performance expectations (targets) for distributors.[8]

Distributors acknowledge that in some circumstances, NWSs may in fact benefit reliability, and is not dismissive of these potential opportunities. At the same time, however, NWSs have not been broadly deployed at the distribution level in Ontario, and on a technical basis will often present themselves as more risk-laden than traditional infrastructure investments. Our members would appreciate the OEB's comment in the Final BCA Framework on the tension between enhanced reliability expectations and a mandate to pursue NWSs. We seek to avoid a compounding of risk, where on the one hand members must consider NWSs with which they

[7] Ontario Energy Board, Draft Phase One Benefit-Cost Analysis Framework, December 14, 2023, p.9
[8] Coalition of Large Distributors, Reliability and Power Quality Review ("RPQR") Working Group Distributors' Comments, July 27, 2023, p.3

have little experience, and on the other the OEB is contemplating a framework to enforce reliability performance targets.

We also request that the OEB provide as much information as possible in the Final BCA Framework regarding the timing and details of Phase 2 of the BCA Consultation. LDCs are interested to engage in and see deployment of funding mechanisms which will allow costs to follow benefits, ultimately unlocking the full potential of NWSs for ratepayers. Understanding that the details of such a funding mechanism remain unclear, we encourage expedient initiation of this work to mitigate delays resulting from the possibility that activities are required which are outside of the OEB's current jurisdiction to undertake (e.g. legislation).

Section 3.2.3 Discretionary vs. Non-Discretionary System Needs

Section 3 of the Draft BCA Framework articulates the general methodological considerations relied upon in the assessment of NWSs through the completion of BCAs, articulating the core principles underpinning the more detailed methodologies outlined in the remainder of the Draft BCA Framework. While we have not at this time identified any issues with the high-level principles and methodologies articulated, distributors do recommend minor revision to Section 3.2.3 as it relates to discretionary vs. non-discretionary system needs.

Discretionary vs. Non-Discretionary

Recommendation: *Revise section 3.2.3 to avoid defining discretionary and non-discretionary investments within the Final BCA Framework to maintain consistency with the Renewed Regulatory Framework for Electricity (RRFE), which assigns the definition of discretionary vs. non-discretionary to LDCs as part of their Distribution System Plans.*

Page 16 of the Draft BCA Framework states that "An electricity distributor should indicate whether it has categorized a project as discretionary or non-discretionary, and why." The Draft BCA Framework goes on to state the following with respect to the definition of discretionary vs. non-discretionary needs, as follows:

> An investment for a system need is discretionary only when there is a reference scenario in which not making *any* investment could be an acceptable option.[9]
>
> If the reference scenario requires *some* investment, then the need is non-discretionary.[10]

The above two definitions of discretionary and non-discretionary investments (and any other explicit definitions of these terms) are not necessary inclusions in the OEB's Final BCA Framework, and their removal would not negatively impact the effectiveness of the Final BCA

[9] Ibid., p.16
[10] Ibid.

Framework in any way. The requirement for a distributor to define and justify its definition of a need (or investment) as discretionary or non-discretionary is already an expectation of LDCs within their Distribution System Plans. Distributors are concerned that introducing new and specific definitions for these investments within the Final BCA Framework, which is a relatively discrete policy guideline relative to the OEB's RRFE and Cost of Service Filing Requirements, may have unintended consequences given that determination of discretionary and non-discretionary needs is important to significant other utility decisions and filings. We do not see a current need to specifically define discretionary and non-discretionary investments, **provided distributors are given the opportunity to articulate which category a need or investment falls into in their BCAs, and can justify said determination.** To the degree the OEB sees a need to define discretionary and non-discretionary, we encourage them to do so in a more comprehensive forum, such as a review of the Cost-of-Service Filing Requirements.

Section 5.1.2 Distribution Service Costs

Section 5 of the Draft BCA Framework articulates the details of the DST and EST; the cost-effectiveness tests which will be used to compare NWSs against traditional distribution investments. As previously noted, distributors are supportive of these details with the understanding that flexibility will be permitted in their implementation to allow for economic testing to be responsive specific circumstances. Notwithstanding this view, we have one area of comment with respect to the cost-side of the DST.

Incremental NWS Costs

Recommendation: *As articulated in the Draft BCA Framework, the EDA strongly supports providing distributors the opportunity to define what costs are or are not incremental within the context of NWS deployment. This is of particular importance within the context of utilities' long-term strategies and plans to prepare for the energy transition.*

The Draft BCA Framework states the following with respect to the determination of incremental vs. non-incremental costs for the purpose of completing BCAs for NWSs:

> In assessing what costs to include in the BCA, electricity distributors must carefully consider what costs are truly incremental to the reference scenario. This is particularly the case in the larger context of the electricity distributor's long-term strategy to respond to the set of planning uncertainties referred to as the "energy transition" (e.g., electrification, growth of behind-the-meter self-generation, extreme weather events, etc.)
>
> For example, some control room upgrades may be necessary to ensure the operational visibility and control necessary to use NWSs. If such control room upgrades are anticipated to be required by the electricity distributor regardless of the outcome of the specific project considered in a BCA, then it may be appropriate for those costs to be excluded from the BCA. Alternatively, if acquisition of the NWS requires some

> acceleration of the implementation of otherwise planned upgrades, then it may be appropriate to include in the BCA, only the incremental cost of accelerating the upgrades, and not the total cost of doing so.[11]

We support the above approach considering the relationship between NWSs and other distribution investments which form a part of the distributors' existing investment plans. Of particular relevance are grid modernization investments such as Advanced Distribution Automation Systems ("ADMS") and their component modules, and field hardware such as Fault-Locating Isolation and Service Restoration ("FLISR") or Volt-Var Optimization ("VVO") devices. Grid modernization investments such as those listed above carry a variety of benefits for ratepayers, but also in some instances may be investments which are necessary to facilitate an NWS. Distributors are concerned that where an NWS proposal is made on a similar timeline to grid modernization investment proposals, parties will argue that the grid modernization proposals are in fact a cost associated with the NWS and should thus be included in the Distribution Service Costs included in the DST. It is probable that in some instances this methodological approach would show the NWS to be cost-ineffective, potentially leading to rejection of both the NWS and the grid modernization investments.

In assessing this scenario, we are mindful of the OEB's guidance in the FEI, which stated that "a distributor may propose system investments that enable DER integration, where the investments are not necessarily attributable to a given customer's facility or group of facilities and are justifiable in light of expected DER adoption and the benefits that may be conferred."[12] Taken with the guidance noted above in the Draft BCA Framework, Distributors are strongly supportive of the approach to ensuring that grid modernization investments are not unduly deemed to be incremental investments alongside specific NWS proposals, given:

i. Grid modernization investments of this nature may serve multiple purposes outside of the specific need addressed by the NWS (e.g. improving reliability and/or yielding energy savings for customers).
ii. Grid modernization investments may facilitate multiple future NWS proposals beyond the specific one(s) at hand today, and as such their costs should not be allocated against a single NWS investment; and,
iii. Grid modernization will otherwise be required in any event at some time to accommodate increased electrification of transport and DER uptake.

As is referenced in the November 29th, 2023, Minister of Energy's Letter of Direction to the OEB under the sections of (1)Housing, Transportation and Job Creation, (2)DERs and Future Utility Business Models and (3) Electric Vehicles , we note that in order for many NWSs to advance and become integrated in system planning and operation, some grid modernization investments will be required as a prerequisite. We are highly supportive of the OEB's guidance in the FEI on this matter, and encourages the OEB to continue to foster a supportive

[11] Ontario Energy Board, Draft Phase One Benefit-Cost Analysis Framework, December 14, 2023, p.36
[12] Ontario Energy Board, Framework for Energy Innovation: Distributed Resources and Utility Incentives, January 30, 2023, p.14

environment for grid modernization investments which yield positive outcomes for customers, and facilitate innovation such as NWSs in line with Section 1(1)4 of the Ontario Energy Board Act, 1998.

Thank you again for the opportunity to comment on the Draft BCA Framework, we look forward to the receipt and implementation of a Final BCA Framework which provides the guidance and flexibility necessary to facilitate the efficient and effective deployment of NWSs within the distribution system. If you have any questions or require any clarifications, please do not hesitate to contact Brittany Ashby, Senior Regulatory Affairs Advisor, at bashby@eda-on.ca or at 416.886.4420.

Sincerely,

Teresa Sarkesian
President and CEO