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February 2, 2024

**Via Email**

Ms. Nancy Marconi  
Registrar  
**Ontario Energy Board**  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, Ontario  
M4P 1E4

**RE: Consultation on Policy for Standby Rates  
Ontario Energy Board File No. EB-2023-0278  
Ontario Association of Physical Plant Administrators**

Dear Ms. Marconi:

Jupiter Energy Advisors submits this letter on behalf of its client, the Ontario Association of Physical Plant Administrators (OAPPA). OAPPA is a not-for-profit organization whose membership includes the physical plant administrators for provincially assisted universities in Ontario. Several OAPPA members are owners and operators of cogeneration facilities and other resources that are also considered Distributed Energy Resources (DER). As a result, OAPPA member universities have a direct interest in the matter of standby charges. OAPPA has been engaged in the Board's discussions on standby charges since its participation in the Load Displacement Generation Working Group (EB-2013-0004).

Jupiter Energy Advisors participated on behalf of OAPPA in the January 11, 2024 Stakeholder Meeting on the current Standby Rates Consultation (EB-2023-0278). Some OAPPA members also participated directly in the call.

During the Stakeholder Meeting, OEB Staff posed questions seeking feedback on the information presented. There was no process set out by which participants like OAPPA (which alone represents 21 university campus members), could consider the information presented and consult with its members before providing feedback. In the absence of a defined process, we are submitting this letter.

The central question posed by OEB Staff was whether the Capacity Reserve Charge as presented would be “appropriate to apply as a default for new standby services” (for Load Displacement Generation-, or “LDG”-specifically). In OAPPA’s view, it is not appropriate, for the following reasons:

## **1. LDG is DER, and should be treated consistently with other forms of DER**

### **1.1 Expediency versus rigour**

The OEB Staff presentation made clear that for the purposes of addressing standby charges, LDG was being carved out and treated separately from other forms of DER. The rationale seemed to be that this provided the potential for a “quick win” on a long-standing question. But expediency should not supplant rigour. If the problem is complex, then time should be taken to resolve it comprehensively, rather than implementing a quick and simple but ultimately superficial and inadequate measure.

Information provided to stakeholders suggested that 12 utilities had in place a standby rate of some kind, and another 4 applications are pending. In total, this represents less than a third of the OEB rate-regulated distribution utilities in Ontario. If the other 70% of utilities have not sought a rate to address this issue, then OAPPA submits it is not an issue that calls for a quick resolution over a comprehensive one.

### **1.2 Neglecting to recognize the benefits of LDG as a DER**

At one time, “behind-the-meter” generation was viewed primarily as something the customer did to benefit itself, principally by lowering its costs. The impact on the utility was negative (load had been displaced and revenue reduced). Since then, several other forms of “behind-the-meter” resources have emerged (renewable generation, batteries, smart systems), as has the concept of Distributed Energy Resources, reflecting the realization that load displacement capability is a resource with system benefits and not merely benefits for the host customer.

The Independent Electricity System Operator among others recognizes LDG as a form of DER, and that DERs provide value to the grid by lowering system costs and enhancing energy security<sup>1</sup>. It is true also that several forms of DER can place intermittent demands on the grid, analogously to LDG and therefore there

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<sup>1</sup> <https://www.ieso.ca/en/Learn/Ontario-Electricity-Grid/Distributed-Energy-Resources>

is no basis for classifying the two distribution embedded generation types differently.

The cost of the grid to “stand by” (for when a renewable energy resource or a generation asset is not operating, or for when a battery is charging) is only one element of the impact of connecting DERs to the distribution system. It is not appropriate to isolate this one element and impose a charge for it in isolation of consideration of the benefits, nor to do so for only one form of DER in isolation from others.

“Stand by charges” for LDG appears to some as a unique problem only because LDG existed before the broader understanding of the system benefits of DER evolved. The impact of LDG should be evaluated today only within the broader context of DERs generally, of which it is clearly a part.

The uneven application of charges to LDGs economically discourages LDGs uniquely among the forms of DER. At a time when DERs are being encouraged generally, this could lead to the development of a DER mix that is not optimal. For these reasons, application of the CRC as a charge for LDG customers alone is not appropriate.

**2. The proposed Capacity Reserve Charge does not reflect cost causality.**

On this point, we agree with the points made on behalf of Northumberland Hills Hospital (NHH) during the Stakeholder Meeting. The CRC is being proposed without any analysis of what costs actually are imposed on the utility to hold the capacity in reserve, taking into account demand diversity or the timing of the call on capacity.

The proposed CRC does not consider the value the LDG provides to the distribution system. For example, an LDG operating during periods of peak grid demand would be penalized with higher CRC costs, despite its operation providing a clear system benefit.

**3. The Capacity Reserve Charge (CRC) calculation is sensitive to assumptions.**

If the decision is made nevertheless to implement the CRC as a default charge to LDG customers, attention must be given to the assumptions within the calculation itself.

The use of a nameplate Capacity value in the calculation would be inappropriate, as many facilities operate below their rated capacity. Also, the capacity of LDG equipment (and use of the LDG equipment) can vary by season. If the CRC is adopted, the capacity value must reflect observed displacement capacity of the LDG as evidenced by the load displaced when the LDG is operating, not as predicated on a theoretical maximum, or installed capacity of the LDG. Many LDG installations were built allowing for an outage contingency of one or more units and were designed to integrate with other equipment and operational requirements (e.g. thermal) that required generation capacities that exceed their electrical demand needs from the distribution system.

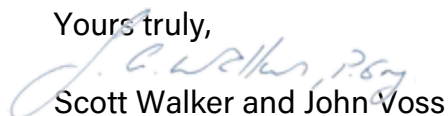
Similarly, the Capacity Factor used in the calculation must reflect the demonstrated capacity factor of the LDG. It is inappropriate to use a “deemed” Capacity Factor based on the technology of the generator. Energy transition strategies now being deployed by many OAPPA members involve reduced operation of their cogeneration facilities, to reduce GHG emissions. Thus, the “real world” capacity factor of the LDG could differ markedly from the capacity factor of a “typical” cogeneration facility, for example those tabulated in the OEB staff paper<sup>2</sup>.

#### **4. Disposition of Current Interim Standby Rates**

OAPPA does not object to utilities requesting to make final a currently interim standby rate at their next IRM application. An application to implement standby rates as part of a rebasing application should include a comprehensive justification of the basis for the proposed rate, as would be expected in a cost-of-service rate proceeding.

We welcome the opportunity to further discuss or clarify the feedback presented herein.

Yours truly,



Scott Walker and John Voss

cc. Andrew Frank, OEB, (e-mail)  
N. Splinter, OAPPA Energy Chair / Queen’s University (e-mail)  
M. Rubenstein, NHH (e-mail)

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<sup>2</sup> Staff Report to the Board, Rate Design for Commercial and Industrial Electricity Customers, EB-2015-0043, Table 6, page 43.