September 18, 2024

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

Dear Ms. Marconi,

RE: EB-2023-0195 Toronto Hydro Application for Electricity Distribution Rates
Issue 2.4: Is the proposed Innovation Fund appropriate?
Submission of Energy Probe

The following is the submission of Energy Probe Research Foundation (Energy Probe) on Issue 2.4: Is the proposed Innovation Fund appropriate?

Toronto Hydro proposes to establish a $16 million 2025-2029 Innovation Fund to support the design and execution of pilot projects focused testing of innovative technologies, advanced capabilities, and alternative strategies that enable electrification grid readiness and facilitate DER integration. The Innovation Fund supports utility investment in innovation work that is more early stage, exploratory and developmental in nature, where the outcomes are less certain, but the potential benefits for the system and customers could be significant.

Toronto Hydro did not present an itemised budget to support its request for the $16 million amount. Instead, the $16 million amount is 0.3 percent of the proposed revenue requirement over the 2025-2029 rate period which Toronto Hydro claims is similar to what regulatory bodies in other jurisdictions have approved. The $16 million is not a cap.[1]

Toronto Hydro proposes to spend approximately $16 million on the Innovation Fund to be collected through a rate rider, rather than through base rates. Toronto Hydro claims that this will provide greater transparency to ratepayers on the bill and flexibility to the utility to determine how the funds should be allocated across capital and operational expenditures based on the selected projects. In addition, Toronto Hydro proposes to establish a new variance account—the

[1] 1B-CCC-46 h

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Innovation Fund Variance Account ("IFVA") to record variances between the amounts collected by the rate rider and the actual costs incurred to deploy the selected pilot projects.

Toronto Hydro claims that it needs the money to enable electrification readiness and facilitate DER integration. It assumes that these will benefit all customers, which has not been proven. For example, Many customers of Toronto Hydro do not own DER's such as rooftop solar panels and will never be able to own them because they live in apartment buildings. Some parties will argue that even customers who do not own rooftop solar panels will benefit from other customers who do. That has not been proven.

The technical challenges of electrification grid readiness and DER integration are not unique to Toronto Hydro. Electricity distribution utilities around the world have been dealing with them for years. It is unlikely that Toronto Hydro will find some innovative solution that has not been tested or used somewhere else. Toronto Hydro does not intend to collaborate with other Ontario utilities but would share its "findings" through the OEB Innovation Sandbox Team who may share them with other utilities.[2]

Energy Probe submits that there is great possibility for duplication of work that has already been done elsewhere or is being done by other Ontario distributors. Although Toronto Hydro has obtained some funding from the IESO Grid Innovation Fund[3], it is not clear if the IESO has ensured that it is not funding duplicative projects. It is likely that other utilities around the world may have already completed similar programs and would likely share their findings with Toronto Hydro for free.

Although, Toronto Hydro did not file an itemised budget, it provided a table of Innovation Related Programs in response to an interrogatory.[4] It is not clear why something similar was not provided in pre-filed evidence unless it was a deliberate strategy. Toronto Hydro will not have any accountability for failure of projects.[5]

In general, owners of any business enterprise hire managers who are innovative. The managers are expected to be innovative with the funds available to them. It is not clear how Toronto Hydro determines which initiatives fall under the heading of innovation[6] and why this isn't considered a part of normal utility management[7]. Increasing prices to be more innovative may make the products of the business uncompetitive. If Toronto Hydro was a competitive business, it would not be able to force its customers to fund innovation; it would fund innovation from its own resources or borrowed funds. Toronto Hydro is a monopoly, and it would not be requesting this if it were not a monopoly. If regulation is a substitute for competition, then the regulator should not allow Toronto Hydro's proposal for increased funding.

[2] 1B-CCC-46 a
[3] 1B-Staff-10
[4] 1B-CCC-43
[5] 1B-CCC-46 b, d and 1B-EP-
[6] 1B-EP-20
[7] 1B-Staff-99 c

For all the above reasons OEB should reject Toronto Hydro's proposal.

Respectfully submitted on behalf of Energy Probe.

Tom Ladanyi Digitally signed by Tom Ladanyi Date: 2024.09.18 19:05:18 -04'00'

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Parties to the Proceeding