

Elson Advocacy

October 16, 2024

BY RESS

Nancy Marconi

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

Dear Ms. Marconi:

Re: EB-2022-0325 – UTR Generic Hearing

I am writing on behalf of Environmental Defence to provide submissions on issues 5 and 6.

With respect to issues 5 and 6, Environmental Defence asks that the OEB not make the proposed changes at this time and instead defer consideration of those issues until a deeper assessment of gross load billing can be completed in a further stage of this process. Generally speaking, the proposed changes would result in gross load billing applying to a greater proportion of Ontario's distributed energy resources ("DERs"). This would not result in a fairer allocation of costs because gross load billing is not necessarily appropriate in the context of major increases in electricity demand that are currently being predicted due to the energy transition.

Gross load billing is intended to ensure that capacity that is built is paid for and is not left stranded or paid for by other customers. Transmission customers who reduce their load supplied from the transmission system by installing embedded generation are charged for the sunk costs of the transmission system that was built to supply their original load. However, in the context of quickly increasing electricity demand, the concern of underutilized capacity is greatly lessened. In other words, the chances of actual sunk costs are much less because the capacity will likely be used through the overall expansion of electricity demand. For this reason, Hydro One acknowledged that gross load billing is potentially inappropriate in transmission constrained locations.¹ Before extending gross load billing to a larger proportion of DERs, the OEB should consider whether gross load billing continues to even be appropriate in today's electricity context.

Second, expanding the application of gross load billing to a greater proportion of Ontario's DER facilities would be contrary to provincial policy and provincial plans to use DERs as a means to lower electricity costs in the province as electricity demand increases. This provincial interest is

¹ Response to ED-1.

reflected in a number of policy documents including the Ministry's Letter of Direction to the OEB, which states as follows:

Distributed Energy Resources (DERs) will become critical connectors in a clean energy economy. While electrification can be a growing challenge for ageing infrastructure, it can also be a significant opportunity for innovation across the electricity system. DERs, through behind-the-meter and front-of-meter technologies, can be used as cost-effective alternatives to conventional electricity infrastructure. They can also help consumers better manage their energy costs and capitalize on investments like roof-top solar, electric vehicles (EVs), batteries, and responsive air conditioners and water heaters.²

Extending the reach of gross load billing to more solar facilities and more storage facilities is not consistent with provincial plans with respect to DERs, particularly where the entire justification for gross load billing is at least uncertain due to forecast electricity demand growth.

Third, expanding the application of gross load billing through the changes proposed under issues five and six would be contrary to the interests of electricity customers as a whole because it would act as a disincentive to build DERs. DERs can lower electricity bills in the ways described above by the Ministry of Energy. They need to be encouraged, not discouraged through the expansion of more costly regulatory frameworks.

Fourth, although we acknowledge that the proposed changes under issues five and six could at first blush appear to result in greater fairness, that is not ultimately the case. The proposed changes are motivated by an interest in fairness between different kinds of generators such as solar facilities and non-inverter-based facilities. However, overall fairness will not be furthered by applying gross load billing to a greater number of facilities when there is good reason to believe that gross load billing is not required in the context of increasing electricity demand. Although we can understand the desire to apply gross load billing in a more consistent manner, if the result is the expansion of its applicability, that is at least arguably resulting in more customers facing a billing structure that is not reflective of cost causality.

There is one exception to our comment that the rules would generally result in an expansion of the applicability of gross load billing, and that is issue 6.2, which would allow exemptions from gross load billing on a case-by-case basis. This small change would be reasonable to make now. However, we would recommend that specific criteria be developed for the purpose of transparency and that exemptions be applied wherever the transmission system is constrained, consistent with Hydro One's response to Environmental Defence question number 1.³

With respect to the changes that would expand gross load billing to a greater number of solar and storage facilities, the OEB need not decide today whether to rule them out forever. We are instead proposing that they be deferred until gross load billing can be examined in more detail. If

² <https://www.oeb.ca/sites/default/files/letter-of-direction-from-the-Minister-of-Energy-20231129.pdf>

³ Response to ED-1.

the OEB ultimately decides that gross load billing is still appropriate in all cases, it can then make the proposed changes. But doing so now is neither necessary nor appropriate. There is no urgency and it is much better to wait for the broader review to take place.

Thank you for the opportunity to make these submissions.

Yours truly,

A handwritten signature in blue ink, appearing to read 'K. Elson', written in a cursive style.

Kent Elson

cc: Parties in the above application