Colm Boyle
T: 416-367-7273
cboyle@blg.com

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto ON M5H 4E3
Canada
T 416-367-6000
F 416-367-6749
blg.com

Borden Ladner Gervais

File No. 61604.57

October 18, 2024

VIA RESS

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

Dear Ms. Marconi:

Re: Generic Hearing on Uniform Transmission Rates ("UTRs") – Phase 2 (EB-2022-0325)
Association of Power Producers of Ontario ("APPrO") and Energy Storage Canada ("ESC") Submissions

We represent APPrO and ESC in the above noted matter. Enclosed are the submissions of APPrO and ESC on Phase 2 of the Generic Hearing on UTRs. APPrO and ESC respectfully request that the Ontario Energy Board ("**OEB**") accept the late filing as no other party in this proceeding will be prejudiced given that the date for reply submissions is still 12 days away.

On July 5, 2024, the OEB issued Procedural Order No. 3 and decided to defer the examination of gross load versus net load billing to the next phase of the generic hearing into UTRs. The OEB did not find it necessary for APPrO and ESC to file the proposed evidence in this phase of the proceeding.

APPrO and ESC's submissions in this phase of the proceeding are without prejudice to future submissions that may be made in subsequent phases. APPrO and ESC support a detailed review of the gross load billing issue – as was made clear with our intention to provide detailed evidence as part of this proceeding. Until the OEB undertakes a detailed review of the issue, it should refrain from imposing any new barriers to on-site generation given the current policy environment and demand forecasts from both the IESO and multiple local distribution companies ("**LDCs**").

APPrO submits that the OEB should also refrain from making any major changes to the issues raised in Issue 5 and 6 unless they are in the direction of reducing economic and financial barriers of integrating energy storage and other forms of on-site generation into the Ontario electricity grid.

Historical Context of Gross Load Billing

The existing policy surrounding gross load billing was established at a time when the risk of stranded assets in Ontario's electricity sector was real with the break-up of Ontario Hydro and the imposition of the debt retirement charge, among other costs. As such, any additional investments that would exacerbate that risk – such as large, sophisticated customers installing on-site generation and avoiding the cost of paying for existing transmission assets that were constructed to (in some part) serve that load – was untenable to many ratepayers at that time. It was this environment in which the gross load billing policy was adopted.

The current environment is the exact opposite of that situation. Ontario is facing a potential 100 TWh increase in energy demand and 10 GW peak demand by 2050 – a sharp reversal of the past decade of falling or flat demand. The IESO is moving forward – at the direction of the Minister of Energy and Electrification – with multiple large-scale procurements of new supply. The IESO is also currently in the midst of building and proposing multiple transmission lines to serve new load. The risk today is not one of stranded assets, but of a failure to build supply and transmission at a pace required to serve new load across the province.[1] While Hydro One ("HONI") highlights that gross load billing can result in assets being built to serve customers that have now displaced load, it fails to recognize that given the demand growth forecasts, this capacity is now available for new load and does not require a new capital investment.

The OEB should be cognizant of the policy drivers behind gross load billing and evaluate whether changes in this proceeding to gross load billing may undermine the provincial government's policy of supporting demand growth and adding new supply.

<u>Issue 5:</u> Basis for Billing Renewable, Non-renewable and Energy Storage Facilities for Transmission Charges

APPrO and ESC submit that the OEB should not move to change the gross load billing thresholds to generating facility from generating units. As noted by HONI, this could discourage the installation of new embedded generation.[2] Sudden changes to the regulatory framework may be unfair for existing embedded generators as proponents invested based on certain economic assumptions. Introducing unanticipated higher transmission charges from additional metering costs for gross load billing for these facilities is unfair and may have a chilling effect on embedded generation.[3] Introducing regulatory uncertainty for embedded generation is contrary to the OEB's statutory objective of facilitating innovation in the electricity sector.[4]

While HONI speculates in their pros / cons list that applying gross load billing to generating units may not be "appropriate", there are several other reasons aside from avoiding gross load billing that customers may elect to install multiple smaller units instead of one larger unit. Other reasons could be related to reliability concerns (i.e. being able to spread utilization across multiple units), on-site

[1] Clarifying Questions and Responses, Issues 5 and 6, APPrO-ESC-1

[2] HONI Background Report, p. 16.

[3] HONI Background Report, p. 16.

[4] Ontario Energy Board Act, 1998, SO 1998, c 15, Sch B, s.1

configuration constraints and peak-chasing activities that utilize multiple smaller, low-cost units to increase the number of hours to avoid GA costs.

It is not clear to APPrO or ESC that the OEB has sufficient evidence to conclude that embedded generators are gaming the rules to avoid gross load billing settlement. The current approach, which would apply to existing units, would not financially harm customers that have installed a number of smaller units for reasons that have not been considered as part of this proceeding.[5] Until the OEB or HONI has a better understanding for why some customers may prefer installing a number of smaller units, the current approach should not be changed.

In respect of section 5.3 (should gross load billing apply to storage facilities), APPrO and ESC submit that the OEB should consider an exemption given the need for new capacity and the operating characteristics of energy storage. First, as noted extensively, Ontario is facing a significant need for new supply. Gross load billing acts as an economic and financial barrier to new energy storage investments, as it can increase overall delivery costs. Second, energy storage is designed to charge in off-peak hours when there is significant spare capacity in the delivery network. HONI assumes for planning purposes that all on-site generation is unavailable during peak demand hours. This a highly conservative assumption and contradicts how a storage asset would be operated and may add unnecessary costs for all ratepayers .[6] Such a conservative assumption also benefits HONI as more poles and wires would be needed to meet demand, therefore growing HONI's rate base.

Issue 6: Gross load billing thresholds for renewable and non-renewable generation

APPrO and ESC submit that both renewable and non-renewable thresholds should be at least 2 MW. Gross load billing for on-site generation should be the exception, not the rule. Ontario is forecasting a significant increase in demand. The Minister of Energy and Electrification has issued multiple directives to the IESO to procure both new energy and capacity – providing clear policy direction to support new capacity. More recently, the Minister of Energy and Electrification has highlighted the importance of Distributed Energy Resources (DER) in meeting the province's clean energy targets. Increasing the gross load billing threshold in response to this policy environment is the easiest policy that can be implemented immediately.

The impact on total costs of increasing the threshold would be minimal. According to HONI, increasing the threshold to 2 MW would result in 67 MW of energy storage being exempt from gross load billing.[7] Given that Ontario is expected to need up to 10,000 MW of new capacity over the next decade, reducing or eliminating gross load billing for current and planned projects would provide an incentive to invest in new on-site capacity to better meet the IESO's demand forecast requirements and would come at little cost to existing and future ratepayers. It may even provide savings, as it could mitigate the need for new capital spending on expansion projects.

[5] Clarifying Questions and Responses, Issues 5 and 6, DRC-1

[6] Clarifying Questions and Responses, Issues 5 and 6, APPrO-ESC-1

[7] Clarifying Questions and Responses, Issues 5 and 6, VECC-17

Yours truly,

BORDEN LADNER GERVAIS LLP

Colm Boyle