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BY RESS
registrar@oeb.ca

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

Dear Ms. Marconi:

Re: Essex Powerlines Corporation (“EPLC”) Cost of Service Application for 2025 Electricity Distribution Rates (“Application”) Ontario Energy Board (“OEB”) File No. EB-2024-0022 / EB-2024-0096 Argument in Chief – 2025 PowerShare Distribution System Operator Capital Additions

On October 15, 2024, the OEB approved a partial settlement proposal on all issues on the OEB’s Approved Issues List for this proceeding (“**October Partial Settlement**”),¹ except: (a) Issues 7.4 and 7.5 that were determined in an earlier OEB Decision and Order EB-2024-0096 issued on August 29, 2024 wherein the OEB approved the PowerShare Deferral Account (“**PowerShare DVA**”) with an effective date of July 1, 2024 and an end date of March 31, 2026, subject to a cap, such that the maximum amount of costs to be recorded in the account is \$350,000 (“**August DVA Decision**”); and (b) costs relating to 2025 Distribution System Operator (“**DSO**”) PowerShare Pilot capital additions (“**Unsettled Issue**”). This is the Argument in Chief of EPLC on the Unsettled Issue.

EPLC requests that the OEB approve \$150,304 of net capital additions in the 2025 test year as filed.² A reduction in the maximum cap on the PowerShare Deferral Account in the August DVA Decision does not reduce the capital additions needed to carry out the DSO PowerShare Pilot.

1. Reductions to capital additions will forgo the matching Grid Innovation Fund (“GIF”) funding

The 2025 forecasted capital cost of the DSO Powershare Pilot is \$300,608, however EPLC is receiving 50% of the capital funding from the GIF (\$150,304).³ EPLC cautions the OEB from reducing 2025

¹ Issues List, 27 June 2024, online: <<https://www.rds.oeb.ca/CMWebDrawer/Record/857671/File/document>>

² Interrogatory Response 2-SEC-24, 30 July 2024, online: <<https://www.rds.oeb.ca/CMWebDrawer/Record/860565/File/document>>

³ Undertaking Responses JT1.5, Appendix B, Schedule B, online: <<https://www.rds.oeb.ca/CMWebDrawer/Record/858106/File/document>>

capital additions as this will also result in EPLC foregoing the matching 50% contribution from the GIF. The DSO Powershare Pilot is innovative, locally supported and secured significant matching funding from the GIF – offering a significant benefit to EPLC ratepayers.

2. 2025 DSO PowerShare Pilot capital additions cannot be reduced

Following OEB approval of the October Partial Settlement, EPLC revisited the DSO Powershare Pilot 2025 budget and determined that none of the activities can be scaled back without compromising contractual objectives set out in the Contribution Agreement and 2021 Joint Targeted Call Project Proposal.⁴

There are startup and ongoing capital costs for the Scope of Work that must be incurred throughout the duration of the DSO PowerShare Pilot, including 2025, irrespective of the maximum cap on the PowerShare DVA. Initial capital work on the DSO PowerShare Pilot focuses on installing, configuring and integrating the trading platform, developing a load forecasting module, creating the market rules and necessary participant contracts, attracting participants; and developing pricing strategies and options to test in the local market.

In 2025, operation of the DSO PowerShare Pilot requires continued investment to enable testing varied types of DER participants and additional software development. As described in 2-SEC-24, the DSO PowerShare Pilot will integrate a mobile battery energy storage system into the distribution system as a DER participant and costs will be incurred in 2025 for this implementation. There will be other DER integrations to the distribution system (for example see the milestones in the Contribution Agreement), including necessary connection facilities for the DERs and measurement equipment.

Additionally in 2025, continued investments in software development are planned to enhance the load forecast module, reporting and notification. These software developments enable required reporting on constraints and near-real time evaluation of participant performance and delivery. These features are necessary to assess overall project objectives and possess value in providing ongoing distribution system monitoring and load flow analysis.

Activities in 2025 are included in reporting milestone under Schedule A of the Contribution Agreement, specifically milestone numbers 2a and 3. Failure to complete a reporting milestone could result in termination of the Contribution Agreement under section 7 by the IESO. Thus, failure to fund the full amount of 2025 capital additions could jeopardize the viability of the entire DSO PowerShare Pilot as termination of the Contribution Agreement results in EPLC no longer being entitled to any further payments from the GIF.⁵

3. The DSO Pilot will benefit EPLC ratepayers now and into the future

Subject to the findings in the Final Report and DSO Pilot Assessment Report that EPLC will develop as part of the GIF Contribution Agreement, EPLC currently intends to continue DSO activities beyond 2026 in anticipation of a potential needs to source power locally on an ongoing basis. EPLC intends to continue to leverage the DSO Pilot investments to scale DER integrations with the goal of

⁴ Undertaking Responses JT1.5, Appendix B.

⁵ Please see PDF page 21 of the Undertaking Responses dated July 2, 2024.

leveraging more local energy sources to maintain reliability as the market moves to a high electricity future state.

Even if DSO activities do not continue beyond 2026, assets acquired through the DSO PowerShare Pilot will continue to provide value to EPLC and its rate payers through improved reliability and resiliency as a result of enhanced grid visibility, constraint notification, in-field technology that can continue to monitor and measure power flows and interruptions, load forecasting capabilities and enhanced readiness to adapt to the dynamic nature of the evolving distribution system. OEB Staff recognizes the ongoing value of the DSO PowerShare Pilot:⁶

In OEB staff's view, the Pilot Project activities in which EPLC will be engaged align with the kinds of activities that the CDM Guidelines contemplate may be funded through distribution rates, and the characterization of those activities as distribution is in keeping with the OEB's statutory objective of facilitating innovation in the electricity sector on a cost-effective basis.

In closing, EPLC requests that the OEB approve \$150,304 of net capital additions in the 2025 test year as filed.

Yours truly,

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⁶ OEB Innovation Sandbox Guidance for Essex Powerlines Corporation on the Essex Powerlines DSO Pilot Project, May 31, 2022, p.4, online: <<https://www.rds.oeb.ca/CMWebDrawer/Record/856991/File/document>>