VIA RESS

January 23, 2025

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

Dear Nancy Marconi:

Re: Ontario Energy Board
Vulnerability Assessment and System Hardening Project
Consumers Council of Canada (CCC) Comments on the Draft Vulnerability Assessment Report and Toolkit
OEB File No. EB-2024-0199

In accordance with the OEB's letter, dated December 17, 2024, please find attached CCC's comments on the Draft Vulnerability Assessment Report and Toolkit.

Yours truly,

Lawrie Gluck

Lawrie Gluck
Consultant for the Consumers Council of Canada

Background

The OEB issued its draft Vulnerability Assessment (VA) Report and Toolkit on December 17, 2024, for stakeholder comment. The Draft Report is part of the OEB's overall Vulnerability Assessment and System Hardening (VASH) project.

The VA Report forms part of the OEB's response to the Ontario Minister of Energy's 2023 Letter of Direction. Specifically, the VA Report responds to the Minister of Energy's direction for the OEB to develop and implement policies that require electricity distribution companies to: (a) incorporate climate resiliency in asset and investment planning; (b) engage in regular assessment of system vulnerabilities and operations in the context of severe weather; and (c) prioritize value for customers when investing in the system for resilience purposes.

The Consumers Council of Canada (CCC) sets out its comments below in two broad categories: (a) general comments on VA in the context of the overall review of distribution system plans (DSP); and (b) specific comments on the OEB's planned approach to, and implementation of, VA assessment.

General Comments

CCC acknowledges that the VASH project is in response to direction from the Minister of Energy. We have no concerns with the overall concept of requiring electricity distributors to undertake VA. However, any proposed distributor spending to address potential vulnerabilities resulting from the VA must be properly balanced in the context of the overall DSP and other proposed costs in a rate application.

A comprehensive and properly designed DSP must balance planned spending on many competing priorities (e.g., growth, renewal, etc.). System hardening spending in response to vulnerabilities discovered through VA is just one of those categories of costs. As the OEB knows well, Ontario's electricity demand is expected to grow significantly in the coming years, which will likely require distributors to direct spending on increased electricity capacity (i.e., growth spending) in their DSPs. The need to evaluate proposed spending (both capital and operational) in the context of competing priorities, and with a view to minimizing rate impacts for customers, has always been a core function of a rate application review, and with increased pressure on customer's bills due to potential growth spending, this balancing act has never been more important.

The draft VA Report speaks to next steps for the VASH project, which involves the assessment of the cost-effectiveness of system hardening investments (i.e., calculation of

vulnerability risk and benefit-cost analysis).[1] It also states that, "[a]n area of focus during this latter phase of work will pertain to the expectation that distributors consider addressing identified vulnerabilities on a holistic basis that incorporates climate risks alongside other planned drivers such as asset renewal."[2] This area of focus should include, to the extent that it is not planned already, how system hardening investment is expected to be considered in the context of all the competing priorities for capital and operational spending. It cannot be that the VA highlights that there is an area of vulnerability risk on a distributor's system and spending to address that risk is automatically expected to occur. There must be an appropriate balance across all areas of distributor spending in terms of determining which category of spending is best prioritized.

Specific Comments

Options for Vulnerability Assessment

CCC has no concerns with the OEB's plan to offer two approaches – custom and generic - for VA to electricity distributors. To the extent that a utility would like to bring forward a custom approach for VA it should be allowed to do so. Similarly, if a utility would prefer to follow a generic approach it should be allowed to do so. This is aligned with the OEB's overall approach to rate regulation. Utilities can bring forward custom applications or standard single test year applications that fit their specific needs. VA should be no different.

Generic Approach

CCC is of the view that the generic approach should reflect more standardized direction to distributors that elect to use this option. The draft VA Report appears to imply that many, if not all of, the inputs to the VA are subject to distributor preference.[3] In the generic approach, the provision of a standardized set of inputs will ensure that the VA-related evidence is comparable across distributors and will streamline the VA and related system hardening investment review process. In this regard, with respect to the VA Toolkit inputs, the OEB should provide the following:

- The asset classes and sub-class variables that are to be included
- The climate severity thresholds to be applied
- The climate perils to be reflected

[1] CCC notes that the value of lost load and benefit-cost analysis related to system hardening investments will be important to get right as it will have material implications for the appropriate balancing of spending priorities.
[2] Draft VA Report, December 17, 2024, p. 19.
[3] Draft VA Report, December 17, 2024, p. 11. "The VA Toolkit sets out the Generic Option and while it still requires distributors to make choices on the inputs in order to provide flexibility…" [Emphasis Added]

- The climate input data to be used for establishing climate peril probabilities[4]
- The cut-off probability thresholds.

Of course, a distributor can explain why a certain input is not relevant or advise that it does not have the necessary information to include a specific input (and the OEB can determine whether the distributor's explanation is reasonable) as part of its rates proceeding. For example, a distributor can advise, in its rate application, that it does not have a certain asset class (or sub-class variable) or that it does not believe a certain climate peril is relevant to its service area. However, an established set of standard inputs should be provided by the OEB for use in the generic approach for the reasons described above.

Implementation

In the draft VA Report, the OEB stated that it expects that distributors' VA and system hardening analyses will be filed in rebasing applications in 2026 for the determination of rates effective in 2027. The OEB acknowledged that the EDA recommended introducing VA-related requirements for applications filed in 2027 for 2028 rates. Nonetheless, the OEB stated that this work should progress sooner and recognizes that this is a new approach for which Commissioners will consider the amount of time that distributors have had to prepare VASH-related aspects of the DSPs.

There is no reason to accelerate implementation of VA and related proposals for system hardening investment if the distributors have already advised that it will be difficult to prepare this evidence by the proposed deadline (i.e., for 2027 rates). Rate applications require sufficient lead-time to allow for the development of high-quality evidence. In the absence of sufficient time, the result may be proposals that are deficient and that do not properly balance utility spending priorities. The outcome of accelerated implementation will likely be an inefficient regulatory process with significant attention on VA and related proposals for system hardening investment that could be avoided, to some extent, by simply shifting implementation to applications for 2028 rates.

[4] This can be through the provision of the actual climate data to be used (as procured by the OEB) or by setting out which dataset for climate data is appropriate (and having the utility procure the data itself).