

ONTARIO ENERGY ASSOCIATION

# Report of the Framework for Energy Innovation Working Group: EB-2021-0118

September 2, 2022

To shape our energy future for a stronger Ontario.



Ontario Energy Association

# ABOUT

The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research, but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

**Together, we are working to build a stronger energy future for Ontario.**

The recommendations contained in OEA papers represent the advice of the OEA as an organization. They are not meant to represent the positions or opinions of individual OEA members, OEA Board members, or their organizations. The OEA has a broad range of members, and there may not always be a 100 percent consensus on all positions and recommendations. Accordingly, the positions and opinions of individual members and their organizations may not be reflected in this report.

## TABLE OF CONTENTS

<b>INTRODUCTION .....</b>	<b>2</b>
<b>SUBMISSION .....</b>	<b>2</b>
<b>POLICY DEVELOPMENT .....</b>	<b>2</b>
<i>OEB Action Plan.....</i>	<i>2</i>
<i>Scope of Action Plan.....</i>	<i>4</i>
<b>RECOMMENDED ACTIONS .....</b>	<b>5</b>
<b>FUTURE OEA SUBMISSIONS.....</b>	<b>6</b>

## INTRODUCTION

On July 7, 2022, the OEB issued a letter inviting stakeholders to submit written comments on the Framework for Energy Innovation Working Group (FEIWG) Report (and the subgroup reports) to inform the OEB's considerations of next steps.

The OEB has indicated that it will determine its next steps in this consultation after considering the recommendations of the FEIWG and comments from the broader stakeholder community on the FEIWG's report.

The OEA welcomes this additional opportunity to participate in the OEB's consultations on distributed energy resources (DERs). These are issues of increasingly urgent importance, and policy or regulatory actions that are taken related to these issues will have a significant impact on Ontario's energy system, utilities, market participants and consumers.

The OEA appreciates the efforts of OEB staff and all the members of the FEIWG in advancing the discussions with respect to these issues. OEA members have been proactively developing experience with non-wires alternatives (NWA) that can be leveraged going forward for system distribution planning and regional planning.

Following this round of stakeholder consultation, we look forward to the OEB articulating a clear vision and concrete regulatory action plan to achieve "increased regulatory clarity in the treatment of innovative technologies and approaches, as well as further support the deployment and adoption of novel, cost-effective solutions in ways that enhance value for consumers, inclusive of Indigenous consumers."<sup>1</sup>

Our submission will focus on the need for clear OEB processes to advance policy development and implementation in a logical, evidence-based, timely and manageable way.

## SUBMISSION

### Policy Development

#### OEB Action Plan

Throughout this consultation, including the FEIWG (and sub-groups) reports and the current request for stakeholder feedback, the OEB has collected a substantial amount of stakeholder input, including the earlier studies and research by LEI and ICF.

This input includes a vast array of perspectives from utilities, generators, customer groups, third-party service providers, environmental groups, the Independent Electricity System Operator, and other stakeholders.

The FEIWG Report to the OEB (Report) set out seven key takeaways:

---

<sup>1</sup> FEIWG Terms of Reference, May 26, 2021, page 1.

1. Provide Further Guidance on the Role of Distributors and the Expectations of Them.
2. Actively Engage in the Broader Energy Sector Policy Development Activities.
3. Establish an Initial Framework and Template for Benefit Cost Analysis.
4. Remove DER Disincentives including Cost Recovery Uncertainties.
5. Establish an Initial DER Incentives Policy including Testing Possible Incentive Structures.
6. Establish an Initial Policy for the Sharing of Information between LDCs, DER Providers, and Customers to support distribution planning and operations.
7. Develop Regulatory Reporting Requirements for DERs, including RRR Filings, Applications, and other OEB Reporting.

Most importantly, the FEIWG Report stated “Definitive, ongoing guidance from the OEB on the issues which we have raised and reflected in this report, and the steps that we have suggested be taken, would assist the sector and support the deployment and adoption of novel, cost-effective solutions in ways that enhance value for consumers.” The OEA agrees fully with this statement.

Further, the OEA notes that during the course of this consultation the OEB received a [renewed Mandate Letter](#) from the Minister of Energy. The Minister set out two priorities that are germane to the FEI, specifically:

1. “The OEB should continue to prioritize its work facilitating and enabling innovation and adoption of new technologies where it makes sense [...] Developing policies that support the adoption of non-wires and non-pipeline alternatives to traditional forms of capital investment, where cost-effective, will be essential in maintaining an effective regulatory environment amidst the increasing adoption of Distributed Energy Resources.”
2. “Increased adoption of electric vehicles (EVs) is expected to impact Ontario’s electricity system in the coming years and the OEB must take steps to facilitate their efficient integration into the provincial electricity system, including providing guidance to Local Distribution Companies (LDCs) on system investments to prepare for EV adoption.”

Further, the [Minister’s letter](#) approving the OEB’s most recent business plan states the Minister’s expectation that OEB deliver “Greater detail about the OEB’s key initiatives and continued efforts to publicly communicate timelines and progress. Keeping stakeholders apprised of the OEB’s ongoing activities, expected next steps and timelines, and progress in key areas – particularly those time-sensitive priorities set out in the Mandate Letter (e.g., clear guidance to Local Distribution Companies on system investments to prepare for EV adoption and electrification).”

Given the totality of reports, research, submissions, presentations, and government direction, the OEA believes that the OEB has both the stakeholder input and government policy direction necessary for the OEB to set out concrete plans for facilitating investment and integration of DERs. This is critical because sector evolution will have broad consequences for Ontario's energy system, decarbonization efforts, electrification of the economy, and overall economic competitiveness, especially given the province's forecast need for both energy and capacity starting in 2025.

## Scope of Action Plan

The OEA is of the view that the scope needs to recognize that there are four main sectors influencing DER adoption:

1. Customers: Achieve energy autonomy, cost reductions, energy bill reductions, decarbonization and/or ESG goals, power quality improvements, reliability improvements, backup power, etc.
2. Grid networks: Achieve customer needs, cost reductions, power quality improvements, reliability improvements, system efficiency
3. Bulk system: Achieve energy and capacity needs, reliability improvements
4. Broader Public Interest: Achieve decarbonization goals, advancing energy transition

The most important issues for enabling DERs, related to OEB oversight, are more efficient connections processes, including the availability of sufficient capacity on the distribution system. However, these issues are interrelated with and constrained by the need for investments in greater system capabilities at the distribution and transmission level. This includes the need for: improved control and monitoring systems; advanced metering; hosting capacity; as well as safety and reliability considerations. These foundational investments are necessary for Ontario to meet its policy objectives and customer needs. Progress on incentives, cost recovery and allocation of costs needs to be investigated to enable these investments.

To its credit, the OEB has already taken steps to support this effort in some areas and plays an essential role in regulating activity in the DER space (e.g., approving funding for distribution system plans, updating codes for DER connections, modernizing rate design, etc.). However, as clearly identified by the FEIWG (and its sub-groups), there is much work to be done related to incentives, assessing non-wires alternative (NWA) use cases, developing Benefit Cost Analyses (BCAs) for NWAs, guidance to distributors, reporting requirements, and ensuring an appropriate incentive structure (or lack of disincentives) is in place. These are in addition to the priorities set out by the Minister (see above).

Therefore, as the OEA has stated previously, for progress to be made on FEI initiatives and the recommendation emerging from FEIWG (and sub-groups), it is necessary to clearly identify concrete problems that exist today and develop solutions. Appropriately specified workstreams and focused scope will allow the OEB and stakeholders to get on with work towards tangible policy proposals or complete any work in a timely manner. In

addition, narrow restriction on the scope of future discussion should be avoided as the sector works toward delivering the affordable, reliable and sustainable solutions being sought by customers. Greater coordination with IESO and upfront thinking about the role for distributors in sector evolution is required, rather than applying distribution sector policies without any broader sector context.

As an example of how a clearly articulated problem can lead to tangible solutions, the OEA points to the OEB's ongoing DER Connections Review (EB-2019-0207/EB-2021-0117). This initiative is focused on addressing connection process timelines, connection cost responsibility matters and technical connection requirements both for the distribution system and any requirements of transmitters for connection of DERs. The scope of this initiative is sufficiently focused to identify specific technical expertise required to work through issues and solutions. The initiative has resulted in multiple rounds of amendments to the Distribution System Code. OEA members have indicated that they are very satisfied with the EB-2019-0207/EB-2021-0117 process and outcomes.

Therefore, the OEA encourages the OEB to take the information it has been given and specifically identify initiatives, including existing policy initiatives (by the OEB and/or IESO) that will be undertaken (or expanded) in the near and medium-term. This should include clarifying the status of initiatives that OEB staff indicated previously, during the February 2020 stakeholder meeting, like rate design, were out-scope for this consultation because there was already an ongoing consultation.

The OEA raises this issue because the OEB's June 19, 2019 letter on the [Status of policy initiatives during the transition to a new governance structure](#) stated that Rate Design for Commercial and Industrial Customers (EB-2015-0043) was deferred during the governance transition. The status of EB-2015-0043 has not yet been made clear. Clarity on these matters is critical because certain aspects of rate design, such as the standby rate issue, are central to moving forward with DERs. There may be other rate and/or billing issues (e.g., gross load billing) the clarification of which would immediately assist with DER deployment.

## Recommended Actions

The OEA proposes the following action-oriented recommendations to continue advancing DER adoption and implementation:

- Build upon NWA use cases already implemented (e.g., Toronto Hydro Local DR, Alectra York Regional Pilot) by soliciting a special call for a NWA-oriented Grid Innovation Fund (GIF)/Innovation Sandbox (IS) procurement for a wide array of NWA use cases
  - Allow intervenors to make submissions on the proposals received by the GIF/IS
  - Use the results to inform a standardized BCA test for NWAs around use cases that provide positive value



- Incorporate BCA into guidance for Distribution System Plans and other capital planning filing requirement so that LDCs can move beyond pilot projects
- Begin developing DER policy around applications outside of NWA (i.e., customer driven DERs that may operate from strictly behind-the-meter application to injecting into the distribution system to interacting with the bulk system), taking into consideration what the roles, responsibilities, and accountabilities of customers, project proponents, utilities, and the IESO should be as well as recognizing the different values DER can provide:
  - DERs can assist with reliability, storm recovery and weather patterns
  - DERs can assist with meeting Ontario's emerging system needs being forecast for 2025
- Review relevant policies to ensure that barriers are removed and/or incentives provided so that customer-driven DERs investments are made in the right location (i.e., do not impose upstream/downstream costs, and/or provide upstream/downstream benefits) and so that LDCs can proactively modernize grid to accept and incorporate these customer-driven DERs

### Future OEA Submissions

The OEA's utility members intend to be active promoters of DERs and their capability to meet system needs. The OEA is currently working with its utility and DER proponent members to identify other specific policy changes to advance DER adoption and implementation in Ontario. The aim of this work is to align views within industry on the work needed to be done to further enable DERs to provide value to the energy system and Ontario consumers.

energyontario.ca

## CONTACT

---

121 Richmond Street West  
Suite 202

Toronto, Ontario M5H 2K1

416.961.2339

[oea@energyontario.ca](mailto:oea@energyontario.ca)

 [@energyontario](https://twitter.com/energyontario)

[energyontario.ca](http://energyontario.ca)



Ontario Energy Association

Let's unravel complex energy challenges, together.