

# Innovation and Sector Evolution White Paper Series – Feedback Form

## Exploring Expanded Distributed Energy Resource Participation in the IESO Administered Markets: Part I: Conceptual Models for DER Participation

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**Feedback Provided By:**

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Following the October 24, 2019 public webinar outlining the findings of the Part 1: Conceptual Models for DER Participation white paper, the IESO is seeking feedback from participants on the barriers to integrating DERs into wholesale markets identified in the paper, including how those barriers impact participation in the IESO-administered markets specifically.

Feedback received will help inform the second white paper in the series. The second white paper will perform a more detailed exploration of the conceptual models identified in the first paper and identify potential options for integrating DERs into the IESO-administered markets. The second white paper will also identify areas where demonstration projects would be beneficial. The IESO will work to consider and incorporate comments as appropriate and post responses on the engagement webpage.

The referenced presentation and white paper can be found under the October 24 2019 entry on the [Innovation and Sector Evolution White Paper Series Engagement Webpage](#).

**Please provide feedback by November 7, 2019 to [engagement@ieso.ca](mailto:engagement@ieso.ca).** Please use subject: *Feedback: Innovation White Paper Series - Part 1: Conceptual Models for DER Participation*. To promote transparency, this feedback will be posted on the [Innovation and Sector Evolution White Paper engagement page](#) unless otherwise requested by the sender.

Thank you for your time.

Question	Feedback
Are all the major barriers to DER participation in the IAMs (Energy, Capacity, and Operating Reserve) identified in Part I of the paper? Are there any major barriers that are missing?	
How specifically do these barriers prevent you from participating in the IAMs?	
How significant are each of these barriers in preventing DER participation in the IAMs?	

**General Comments/Feedback:**

The OEA supports the efforts of both the OEB and IESO to investigate the role of and develop policies regarding the participation of DERs in Ontario’s electricity sector. Further, the OEA recognizes that DERs in Ontario have the potential to offer benefit streams to customers at the distribution system level, as well as for wholesale and market operations. These significant benefits will be realized in their full potential only if there is robust coordination between the OEB and IESO, as well as industry stakeholders. However, the OEA remains concerned regarding the lack of formalized co-ordination between the IESO and OEB on their respective DERs initiatives. The IESO is focussed on the implications and potential of DER on upstream aspects of the electricity system, such as the bulk system and IAMs. The OEB’s two DER initiatives (EB-2019-0207 and EB-2018-0288) focus on the downstream aspects of the electricity system, such as connection process timelines, connection cost responsibility matters and technical connection requirements both for the distribution system and any requirements of transmitters for connection DERs, utility business models, and integrating DERs into the distribution system.

These initiatives can easily result in conflicting policies as incentives and rules at the upstream level will have direct and indirect effects on the incentives and rules at the downstream level. Isolated or unilateral policies and regulations could create undue barriers in accessing benefit streams across the electricity value chain if not considered holistically and determining clear benefits characteristics, roles, responsibilities and accountabilities For example, connection cost responsibility matters for both the distribution system and any requirements of transmitters for connecting DERs are a critical step to integrating DERs.

The cost of connecting will influence the extent to which some DERs are willing to participate in the IAMs and/or respond to IESO incentives to participating. Similarly, incentives designed by the IESO for DERs to participate in the IAMs will influence the extent to which some DERs are willing to connect to the distribution system. Similarly, the level and type of standby charges the OEB may set for certain DER applications will have upstream impacts on DERs participating in the IAMs.

It is clear the IESO and OEB need to develop a common understanding on the definition, value, cost, and benefits of DERs to set appropriate policies that do not act at cross-purposes. This common understanding needs to take into consideration total system costs and benefits, as well as reliability, safety, and affordability.

The OEA believes that these concerns behoove the OEB and IESO to formally and transparently co-ordinate their initiatives (for example, through establishing a joint IESO-OEB DER Steering Committee with a Terms of Reference; or a Project Team with a Project Charter, similar to that developed by the IESO and OEB for the [2019 Achievable Potential Study](#)) so that policies are developed in a logically sequential manner that best serve the interests of consumers, DER service providers, utilities, and the energy system. For example, the OEB should decide on appropriate policies respecting connection cost responsibility and standby charges prior to the IESO finalizing the type and degree of incentives necessary to encourage appropriate DERs participating at the bulk system level. The co-ordination effort should regularly engage with stakeholders through a formal engagement plan.

Co-ordination between the two agencies, however should not slow or ‘put on hold’ the work that is being done to connect DERs and increase the participation of DERs in the IAMs where that work is not likely to be materially impacted by changing policies related to DERs.

With respect to the working definition of DERs, the OEA notes that the White Paper states “Although the working definition does not include energy efficiency, the IESO recognizes its value and is exploring competitive procurement opportunities through the energy efficiency as a capacity resource pilot auction.” The OEA commends the IESO for undertaking the energy efficiency as a capacity resource pilot auction; however, the OEA does not feel that this provides an adequate reason for excluding energy efficiency from the DER working definition. At this early stage of defining DERs and identifying their place in the IAM it does not appear appropriate to exclude a resource. As time progresses and determinations are made about

resources, then decisions on inclusion could be made if necessary. Further elaboration of the IESO's reasoning would be appreciated.