



**BY EMAIL AND WEB POSTING**

March 23, 2021

**To: All Registered Stakeholders  
All Other Interested Parties**

**Re: Framework for Energy Innovation: Distributed Resources and Utility  
Incentives (EB-2021-0118)  
Formerly: Utility Remuneration (EB-2018-0287) and Responding to  
Distributed Energy Resources (EB-2018-0288)**

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This letter sets out proposed priority workstreams to be undertaken in the near term and the approach to work in the above referenced policy consultations as renamed.

### **Framework for Energy Innovation**

As stakeholders are aware, these consultations aim, among other things, to strengthen utility focus on cost effectiveness and providing value for energy consumers. In October 2020, the Ontario Energy Board's (OEB) objectives with respect to electricity were changed by way of amendments to section 1(1) of the *Ontario Energy Board Act, 1998* (OEB Act). One of the changes added an objective "to facilitate innovation in the electricity sector." This new OEB legislative objective supports and complements the objectives of these consultations, which are expected to contribute to 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 electricity and gas services by utilities and other sector participants in ways that enhance value for consumers. The OEB has elected to rename the sector evolution consultations, Utility Remuneration and Responding to Distributed Energy Resources, to *Framework for Energy Innovation: Distributed Resources and Utility Incentives (FEI)* under a new file number: EB-2021-0118.

### **Proposed Near-Term Priority Workstreams**

The OEB held a virtual meeting with stakeholders on February 3, 2021 where London Economics International LLC and ICF presented the results of their COVID-19 and Distributed Energy Resource (DER) Impact studies, respectively. At that meeting, OEB

staff indicated it would develop and share near-term priority workstreams for both initiatives following a review and consideration of stakeholder input.

Stakeholders later filed written comments on the implications of the studies on next steps in the OEB's policy work. Several stakeholders also filed comments on what the near-term priority workstreams should be in respect to these consultations. These stakeholder comments are available on the [OEB's website](#). Key themes from the stakeholder input are provided below:

- There was broad agreement that these consultations are high priority and work should proceed.
- Many stakeholders identified the need to look at compensation, rules, and conditions under which a distributor can use a DER. Some stakeholders believe the distributor's role and its relationship with any affiliate needs to be clarified in the near term, while others did not identify these issues to be a high priority.
- Stakeholders generally agreed with the recommended actions outlined in ICF's DER Impact Study – in particular, the need to integrate DERs into utilities' distribution system planning and develop common data practices to promote transparency and information-sharing among relevant players.

The OEB notes there is general agreement among stakeholders that now is an opportune time to undertake policy work that anticipates and supports continued evolution of innovation in the sector. To that end, the OEB has developed two workstreams that involve a number of tasks intended to address priority issues in the near term. The objective of this approach is to respond to the most pressing issues and lay the foundations for future work. As progress is made on these near-term priorities, subsequent areas of focus will be identified to build upon the progress achieved, while also remaining mindful of input received to date in relation to guiding principles, approach and role of the OEB, need statements, objectives, issues, scope and consultation process. This incremental approach to work recognizes the evolving nature of DERs and the pace of innovation, providing flexibility to respond to new information, priorities and issues over the course of the policy development work.

The two near-term workstreams relate to DER usage and DER integration, details of which are provided below:

**Workstream # 1 - DER Usage:** This workstream is intended to investigate and support utilities' use of DERs they do not own as alternatives to traditional wires solutions to meet distribution needs. The near-term activities will focus on:

- Establishing a working definition of DERs.

- Developing a number of high-value, non-utility-owned DER use cases as non-wires alternatives to meet distribution system needs, based on relevant players' knowledge of needs and alternative solutions.
- Defining an approach to measure the benefits of these DER use cases relative to costs and assess the value of DERs relative to traditional distribution investments.
- Developing appropriate incentives for distributors to adopt DERs for distribution uses that do not require equity investment by the utility.

**Workstream # 2 - DER Integration:** This workstream is intended to ensure that utilities' planning is appropriately informed by DER penetration and forecasts. The near-term activities will focus on:

- Identifying information distributors require regarding existing DERs to effectively operate and make future system plans.
- Establishing appropriate reporting requirements.

The progress made on these near-term priorities will inform subsequent areas of focus, issues to be addressed and activities to be undertaken, consistent with the incremental approach to work.

### **Approach to Work**

As recommended by stakeholders and recognizing that the issues under consideration are technical in nature, the OEB intends to engage representatives from the sector (FEI Working Group or FEI WG) to review the issues and prepare recommendations for the OEB's consideration. The OEB will count on stakeholders to contribute their expertise and diverse viewpoints to the analysis required to complete the tasks in each workstream.

The FEI WG's initial deliverables will include the following:

- Sequencing tasks and determining a schedule for when the tasks in each workstream can be completed, with particular attention to those that can be completed within the next 6-12 months.
- Establishing sub-group(s) based on confirmed priority tasks as necessary to develop solutions for an issue or issues that require an in-depth level of technical analysis.
  - The sub-group(s) should consist of members from the FEI WG, as well as representatives with appropriate technical knowledge to address specific issues

It is expected that in order to carry out this work, the FEI WG will meet every two weeks in the near term. However, the frequency may change in response to needs and in recognition of stakeholders' interest and involvement in other applications and processes before the OEB. The FEI WG is also expected to select one of its members to lead the FEI WG, with support from OEB staff and its consultants. All meeting materials will be posted on the OEB's website to allow stakeholders to follow the FEI WG's progress.

### **Invitation to Submit Written Comments**

The OEB is of the view that these workstreams constitute a manageable and appropriately targeted set of tasks to be achieved on a priority basis. However, it recognizes that some stakeholders may have concerns about the proposals and wishes to understand any objections prior to initiating the work. Accordingly, the OEB invites any stakeholder who has concerns or objections to the near-term priority workstreams set out above to file a letter with the OEB setting out those concerns.

### **Invitation to Nominate Working Group Members**

Interested stakeholders with relevant experience and qualifications are invited to nominate themselves or a third party to participate on the FEI WG. A short statement demonstrating relevant experience and qualifications should be provided as part of the nomination. It is the OEB's intent that the FEI WG represent the full range of interests related to the integration of DERs in Ontario and will make selections with a view to achieving a broad and representative membership. It is also important to ensure that appropriate expertise is brought to these discussions to ensure the OEB is provided with informed recommendations.

Based on the nominations, the OEB expects to select a representative group of stakeholders. It is important that the size of the FEI WG is such that it can work effectively. **Groups representing the same interests or constituency are strongly encouraged to make every effort to co-ordinate their nominations for participation in the FEI WG.**

Comments on the near-term priorities and nominations for the FEI WG must be submitted to the OEB by April 14, 2021. Instructions on making the submissions are set out below.

### **Cost Awards**

When the OEB initiated the integrated consultations (Utility Remuneration EB-2018-0287 and Responding to DERs EB-2018-0288), it made cost awards available under section 30 of the OEB Act to eligible participants with recovery as follows:

1. Costs awarded for integrated activities for both Utility Remuneration and Responding to DERs
  - 80% from all rate-regulated licensed electricity distributors
  - 20% from all rate-regulated licensed electricity transmitters
2. Costs awarded for activities specific to Utility Remuneration
  - 70% from all rate-regulated licensed electricity distributors
  - 30% from all rate-regulated licensed electricity transmitters
3. Costs awarded for activities specific to Responding to DERs
  - 90% from all rate-regulated licensed electricity distributors
  - 10% from all rate-regulated licensed electricity transmitters

Cost awards will continue to be available under section 30 of the OEB Act to eligible participants. Those participants who were found eligible for costs in EB-2018-0287/0288 will maintain their eligibility in FEI (EB-2021-0118) and are not required to reapply.

Under FEI, work will be undertaken jointly for both Distributed Resources and Utility Incentives and costs awarded for activities related to this work will be recovered, consistent with the approach to recovery under the integrated consultations, as follows:

- 80% from all rate-regulated licensed electricity distributors
- 20% from all rate-regulated licensed electricity transmitters

This approach to cost recovery is effective as of the date of this letter.

#### *Written Comments on Near-Term Priorities*

Cost awards will be available to those participants who have been determined by the OEB to be eligible, as follows:

<b>Activity Eligible for Cost Awards</b>	<b>Max. Number of Hours</b>
Written comments on concerns with near-term priority workstreams	5 hours

#### *FEI Working Group*

Cost awards will be available to eligible participants on the FEI WG. Cost awards will cover preparation, attendance and reporting time in relation to each working group meeting. The number of hours per participant will be determined prior to the first meeting.

**Next Steps**

Following consideration of comments, if any, the OEB will confirm the near-term priority workstreams and the composition of the FEI WG.

**How to File Materials**

Please quote file number EB-2021-0118 for all materials filed and kindly submit them in searchable/unrestricted PDF format with a digital signature through the OEB's web portal at <https://p-pes.ontarioenergyboard.ca/PivotalUX/>.

Filings should clearly state the sender's name, postal address, telephone number, fax number and email address. Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#). Stakeholders are encouraged to use RESS. Those who have not yet [set up an account](#) or require assistance using the web portal can contact [registrar@oeb.ca](mailto:registrar@oeb.ca) for assistance.

All communications should be directed to the attention of the Registrar at the address below and be received by end of business hours on the required date.

Any questions related to this consultation should be directed to [FEI@oeb.ca](mailto:FEI@oeb.ca).

Email: [registrar@oeb.ca](mailto:registrar@oeb.ca)

Tel: 1-888-632-6273 (Toll-free)

Fax: 416-440-7656

**DATED** at Toronto, March 23, 2021

**ONTARIO ENERGY BOARD**

*Original signed by*

Christine E. Long  
Registrar