

Summary of Responses to OEB Questions

Environmental Defence Presentation for the Ontario Energy Board Initiatives re Utility Remuneration and Distributed Energy Resources – EB-2018-0287/8

Question 1: What objectives should the Utility Remuneration and Responding to DERs initiatives aim to achieve?

1. **Incentivize Lowest Cost Solutions:** Utilities should be incentivized to pursue or facilitate cost-effective alternatives to infrastructure spending on wires and pipes.
2. **Require Lowest Cost Solutions:** Utilities should be required to pursue or facilitate cost-effective alternatives to infrastructure spending.
3. **Account for DER Benefits:** All DER benefits should be accounted for in rate and regulatory framework design to give customers and utilities appropriate incentives and achieve lower energy costs.
4. **Rate Design:** Rate design should be included as a key tool to achieve efficiency.

Question 2: What specific problems or issues should each initiative address?

1. **Incentivize Lowest Cost Solutions**
 - a. How can LDCs be incentivized to pursue or facilitate DER, including energy efficiency, where DER is more cost-effective than physical infrastructure?
 - b. What return should LDC's earn when they meet distribution system needs through DER, including energy efficiency?
 - c. How can Enbridge be incentivized to pursue or facilitate energy efficiency or fuel switching (e.g. heat pumps) where they are more cost-effective than pipeline projects, including both reinforcement and expansion projects?
2. **Require Lowest Cost Solutions**
 - a. How can utilities be required to consider alternatives early enough in the planning process?
 - b. How should utilities be penalized if they fail to consider, pursue, or facilitate cost-effective alternatives?
 - c. How can utilities be required to identify future resource requirements and invite solutions from third party entities?

3. Account for DER Benefits

- a. How should all of the benefits¹ of Distributed Energy Resources be accounted-for in rate design and regulatory framework design?

4. Rate Design

- a. How can rate design issues be addressed as part of or concurrently with these joint initiatives?
- b. How can rate design be adjusted to encourage efficiency, innovation, and distributed energy resources?

Question 3: What principles should guide the development and selection of policy options?

Draft Principle 1: Economic Efficiency and Performance

Current Draft:

Economic Efficiency and Performance:

The regulatory framework promotes economic efficiency, cost-effectiveness and long-term value for consumers.

Proposed Wording:

Economic Efficiency and Performance:

The regulatory framework incentivizes and requires the lowest-cost solution (consistent with reliability and safety) and appropriately accounts for all externalities

- The proposed wording is more specific, focusing on lowest-cost solutions that will result in lower energy bills.
- The proposed wording notes that incentives and requirements are needed.
- The proposed wording references the need to address externalities (e.g. the benefits/costs of DER) – this is necessary for efficiency.
- The current draft could be open to too much interpretation.

¹ For a list and description of the benefits see Tim Woolf, Synapse Energy, *Benefit-Cost Analysis for Distributed Energy Resources*, Prepared for the Advanced Energy Economy Institute, September 22, 2014, p. 20 ([LINK](#)).

Draft Principle 3: Stable yet Evolving Sector

Current Draft:

Stable yet Evolving Sector: The regulatory framework maintains the opportunity for utilities to earn a fair return; it neither precludes alternative business models that may be desirable nor impedes the entry of new entities.

Proposed Wording:

Stable yet Evolving Sector: The regulatory framework maintains the opportunity for utilities to earn a fair return while encouraging desirable alternative business, innovation, and the entry of new entities.

- The proposed wording focuses on **encouraging** innovation, not simply avoiding a framework that **precludes** innovation