

September 9, 2019

Ontario Energy Board  
2300 Yonge Street  
P.O. Box 2319  
Toronto, ON M4P 1E4  
Attn: Ruta.Budininkas@oeb.ca

Dear Ms. Budininkas

Re: **EDA Submission on Utility Remuneration and Responding to Distributed Energy Resources, EB-2018-0287 and EB-2018-0288**

The Electricity Distributors Association (EDA) represents local distribution companies (LDCs) who own and operate distribution systems, the part of our electricity system that is closest to customers. Our members are on the front lines of the electricity sector, and we know that the most important conversations about energy happened around the kitchen table, not the boardroom table. Our customers understand the power of local hydro, and we value the relationship of trust that we have built with customers who relying on LDCs to deliver a safe, reliable, and affordable electric grid.

Given the members we represent, the EDA offers a crucial source of information and helpful advice for the OEB. We are eager to work with you to ensure electricity is affordable, to reduce energy red tape, and to provide customers with a modern and reliable electricity grid.

Ontario's LDCs are well-positioned to participate in the transformation of the industry as they are the face of the industry to the consumer. The EDA's vision is documented in our February 2017 "The Power to Connect: Advancing Customer-Driven Electricity Solutions for Ontario" and in the follow-on report titled "A Roadmap to a Brighter Ontario" that was released in February 2018. EDA's vision of the way forward is one where LDCs actively participate in a transformed electricity market that puts customers first and maximizes the utilization and value of electricity services.

The EDA appreciates the opportunity to provide written feedback in preparation for our attendance at the OEB's stakeholder meeting on Responding to Distributed Energy Resources (DERs) and Utility Remuneration. The comments below combines the input received at the EDA's Tri-Council Meeting

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(Regulatory, Operations and Engineering, Finance and Corporate Issues) held on August 8<sup>th</sup> as well as the EDA's vision papers referenced above. As suggested by the OEB, this input falls into three broad categories:

- What objectives should the Utility Remuneration and Responding to DERs initiatives aim to achieve?
- What principles should guide the development and selection of policy options?
- What specific problems or issues should each initiative address?

### **What objectives should the Utility Remuneration and Responding to DERs initiatives aim to achieve?**

Our members acknowledge that innovation in the distribution system is inevitable as the cost of DERs decreases and customer adoption increases. Certainty regarding network needs, cost parameters/drivers and cost-saving opportunities encourages LDCs to implement innovation solutions, including investments in demonstration projects. Establishing an appropriate remuneration framework that encourages innovative solutions will allow LDCs to transform into adopters and integrators of DERs and reduce cost to ratepayers and improve performance outcomes over time.

As such the EDA recommends that deployment of 'foundational' investments be the main objective to be achieved in the near-term. Many LDCs have already commenced investing in foundational infrastructure, e.g., System/Supervisory Control and Data Acquisition System (SCADA), Geographic information System (GIS) and the associated data. The deployment of foundational investments – the technologies capable of extracting the value captured through technologies as:

- Advanced Metering Infrastructure
  - Smart Inverters
  - Two-way data flow
  - Real time networking visibility
  - Asset Monitoring and Control
  - Scheduling and Dispatch
  - Resource Valuation
  - Active and Reactive Power Input
  - Export Control and Voltage Control
  - Scheduling and Dispatch
  - Optimal demand response
- will benefit the end use consumer.

Once tested, commissioned and entered into service, LDCs can transition to leverage 'intelligent system operations platform'. This allows the LDC the ability to control energy flows and/or demand level so that customers can continue to be served through legacy distribution infrastructure; this scenario overcomes the perceived need to renew legacy infrastructure at larger sizes capable of serving the

unmanaged demand and energy flows. LDCs are responsible owners and operators of Ontario's grid increasing value to customers using data enable dynamic systems (e.g. that support 2-way power flows) and other technologies.

### **What principles should guide the development and selection of policy options?**

Our members urge the OEB to ensure that policy and regulation establish a level playing field for the provision of electricity services and enable the integration of DERs into the existing electricity grid that today consists primarily of centralized generation and conventional network assets. All customers and producers of electricity services should be enabled to make efficient choices informed by accurate incentives that reflect the economic value of these services. In addition, members believe there is value in certainty and clarity of roles and as such focus on carefully assigning responsibility for the core functions of distribution system operation, network provision, market platforms, and data management. The outcome is that this will lead to better integration of DERs, reward greater flexibility, and minimize distortions from policy supports for various technologies.

Therefore, we recommend the following principles:

- Address uncertainty with respect to the criteria for evaluation of non-wires solution versus traditional distribution assets
- Ensure LDCs are central to DER planning as LDCs may be able to use its increased visibility of devices connected to the distribution system to achieve cost reductions or service improvements
- Consideration of cost impacts to customers
- No harm to customer and LDC

### **What specific problems or issues should each initiative address?**

Ontario's statutory framework needs to be evaluated in the context of benefits to the electricity customer and other policy goals. Clarifying today's regulatory environment so LDCs have the tools to identify and evaluate deploying technology that will leverage foundational investments in ways that customers' desire and the regulator will be able to readily approve. Without this clarification LDCs incur a risk that appears to constitute a barrier to entry.

In an effort to understand key areas of urgency and importance, the chart below titled "Summary of Challenges and Barriers" speaks to specific problems and issues faced by distribution utilities. The second chart proposes a timeline for implementation.

**“Theme, Challenge/Barrier and Description, “The Power to Connect, A Roadmap to a Brighter Ontario”**

February 2018

Theme	Challenge or barrier	Description	Statutory references
1. Updates to Rules and Provisions	Rules for access to distribution system	Grid access currently grants renewables priority, with other DERs not provided the same guidance for access to the grid	<i>Electricity Act, Green Energy and Green Economy Act</i>
	Define additional DER services	Only load and generation clearly defined, and uncertainty with respect to valuing various services from DER resources	<i>Electricity Act, Ontario Energy Board Act</i>
	Limits with respect to distribution services	LDCs limited to providing distribution services, which does not include operations of DERs	<i>Ontario Energy Board Act</i>
2. Augmented Distribution Planning	DERs increasing complexity of DSPs	Evaluation of potential “non-wires” resource options	RRFE
	Uncertainty with respect to rate-basing DERs	No framework defined for the approval of LDC investment in DERs	RRFE
	Updates to the RRFE Scorecard	RRFE scorecard focuses on traditional LDC services	RRFE
	Uncertainty with respect to smart grid deployment	Need for guidance to facilitate investments in smart grid	RRFE
3. Uncoordinated Centralized Procurements	Limited consideration of local impacts	IESO centralized procurement does not consider LDC planning	<i>Electricity Act</i>
	No specific obligation to serve load	No requirement to plan for electricity supply within service territory	<i>Electricity Act, Ontario Energy Board Act</i>
4. Perception of LDC Capabilities	Varying structures of LDCs	Statutory framework must accommodate a variety of LDC business models and approaches	<i>Electricity Act, Ontario Energy Board Act</i>
	Coordination with and among LDCs	LDCs must coordinate planning and operations with IESO, OEB and transmitter	IRRP, DSC, TSC
5. Pricing and Rate Design	Inefficient and non-transparent prices	Wholesale electricity prices do not value attributes of DERs	<i>Electricity Act, IESO Market Rules</i>
	Ineffective rate design	Rates are not based on efficient wholesale prices	<i>Ontario Energy Board Act</i>

ACTION	YEAR														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Amendments to <i>Electricity Act</i> and OEBA	■	■	■												
Amendments to the DSC		■	■												
IESO Stakeholder Engagement - LDC support in procurements		■	■	■											
▣ OEB criteria for grid-visibility investment				■	■										
▣ Review of potential government funding mechanisms for grid-visibility investments				■	■										
▣ OEB criteria for rate-basing DERs and DER-enabling assets					■	■	■								
▣ OEB criteria for shared services (e.g., control and operation)								■	■						
▣ Development of LDC-led procurement mechanisms									■	■					
Changes to RRFE Scorecard (grid visibility)					■										
New Market Renewal Stream (LMP+D)						■	■	■							
Amendments to Net Metering Regulation (pricing)											■	■			

Thank you again for the opportunity to provide written feedback on Utility Renumeration and responding to DERs. We look forward to participating in the upcoming OEB stakeholder engagement process. Please refer any questions or comments in the abovenamed matter to Lynn Williams, Senior Policy Advisor at [lwilliams@eda-on.ca](mailto:lwilliams@eda-on.ca) or (905) 265-5334.

Sincerely,

Teresa Sarkesian  
President and CEO

Attachments:

“Power to Connect: A Roadmap to a Brighter Ontario”, February 2018

“The Power to Connect: Advancing Customer-Driven Electricity Solutions for Ontario,” February 2017