

Framework for Energy Innovation: Distributed Resources and Utility Incentives

Regional Planning Process Advisory Group

April 21, 2021

Purpose

To provide an overview of the Framework for Energy Innovation: Distributed Resources and Utility Incentives (FEI):

- Background
- Approach to work
- Proposed workstreams
- FEI Working Group
- Next Steps

Sector Evolution Policy Consultations

In 2019, the OEB launched two interrelated policy initiatives to explore the opportunities of sector transformation:

Responding to Distributed Energy Resources:

To develop a more comprehensive regulatory framework that facilitates investment and operation of distributed energy resources (DERs) on the basis of value to consumers and supports effective DER integration so the benefits of sector evolution can be realized.

Utility Remuneration:

How to remunerate utilities in ways that make them indifferent to traditional or innovative solutions, better supports their pursuit of least cost solutions, strengthens their focus on long-term value and requires them to reflect the impact of sector evolution in their system planning and operations.

Framework for Energy Innovation

By letter dated March 23, 2021, the OEB announced the consolidation and continuation of Utility Remuneration (UR) and Responding to DERs (RDER) under a new name - *Framework for Energy Innovation: Distributed Resources and Utility Incentives*. The letter also:

- Communicated proposed workstreams and near-term priorities
- Invited nominations for the FEI Working Group

Approach to Work

- Issues related to UR and RDER will continue to be considered under FEI.
 - The OEB will remain mindful of stakeholder input received to date on the consultation elements and process.
- The March 23rd letter proposed two workstreams: DER Usage and DER Integration to be addressed in the near-term.
 - The proposed near-term priorities reflect an intent 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.

Inclusive & Coordinated Approach

- Provided stakeholders with opportunity to voice any concerns relating to the proposed near-term workstreams
- Work is intended to be carried out by a working group of representatives from the sector
- We will consider options to coordinate work with related IESO work as appropriate

Proposed Workstreams (1 of 2)

1. **DER Usage** – investigating and supporting utilities' use of DERs they do not own as alternatives to traditional wires solutions to meet distribution needs.

- **Near-Term Priorities:**

- Arrive at a working definition of DERs.
- Develop a number of high-value, non-utility-owned DER use cases as non-wires alternatives to meet distribution system needs.
- Define 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.
- Develop appropriate incentives for distributors to adopt DERs for distribution uses that do not require equity investment by the utility.

- **This work is expected to contribute to the following outcomes:**

- Greater clarity on innovation opportunities and expectations.
- Less capital-intensive and more cost-effective solutions are utilized lowering LDC costs relative to business as usual.
- Downward pressure on rates.
- Utility infrastructure is better utilized as DER adoption grows.
- Underutilized and stranded assets are minimized.

Proposed Workstreams (2 of 2)

2. **DER Integration** – ensuring that utilities' planning is appropriately informed by DER penetration and forecasts.

- **Near-Term Priorities:**

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

- **This work is expected to contribute to the following outcomes:**

- More effective planning that appropriately considers existing DERs already on the system.
- Lower risk of stranded assets.
- More cost-effective distribution service.
- Improved system reliability.

FEI Working Group

- Work is intended to be carried out by a working group of representatives from the sector (FEI working group).
- FEI working group will be manageable in size and well represented across all stakeholder groups.
- FEI working group will be led by one of its members and tasked with:
 - Creating sub-group(s) to address technical issues requiring in-depth analysis based on confirmed priority tasks.
 - Identifying which tasks can be accomplished within the near-term (6 to 12 months).
 - Developing a detailed project plan for the near-term priority workstreams.
- FEI working group and sub-group(s) will identify options, develop proposals and draft recommendations for consideration by the OEB.
- Staff will support the FEI working group and sub-working group(s), along with expert consultants (e.g., LEI, ICF).

Establishing the FEI Working Group

- The March 23rd letter provided stakeholders with an opportunity to put forth nominations for the FEI Working Group

Next Steps

- Review of stakeholder submissions on proposed near-term priorities & nominations for FEI Working Group.
- OEB letter confirming near-term priorities and FEI Working Group members.