



Ontario  
Energy  
Board | Commission  
de l'énergie  
de l'Ontario

**BY EMAIL AND WEB POSTING**

September 24, 2020

To: All Licensed Electricity Distributors and Transmitters and All Rate-Regulated Natural Gas Distributors  
All Participants in EB-2018-0287 and EB-2018-0288  
All Other Interested Stakeholders

Re: **Utility Remuneration and Responding to Distributed Energy Resources  
Board File Numbers: EB-2018-0287 and EB-2018-0288**

To assist in confirming the scope and next steps, including pacing and sequencing, in the Utility Remuneration and Responding to Distributed Energy Resources (DERs) initiatives, the Ontario Energy Board (OEB) is commissioning two expert studies. The consultants retained to support staff on these initiatives will be preparing the studies:

- London Economics International (LEI) will be undertaking a *COVID-19 Impact Study* to assess the near- and long-term impacts of the COVID-19 pandemic on Ontario's energy sector and identify implications for the OEB's regulatory policy response to energy sector evolution
- ICF will be undertaking a *DER Impact Study* to forecast the adoption of distributed generation and storage in Ontario over the next 10 years and identify potential signposts for the timing of regulatory policy responses

### **February Stakeholder Meeting**

In February 2020, the OEB held a stakeholder meeting to receive input on OEB staff's preliminary thinking on the scope of the Utility Remuneration and Responding to Distributed Energy Resources (DERs) initiatives. Stakeholders provided additional written comments in April 2020.

At the February meeting, the OEB indicated the scope of these consultations would be confirmed by new OEB leadership once the governance transition is complete. Since then, the energy sector's immediate priorities shifted to responding to the COVID-19 pandemic.

## What we Heard

In the written comments filed in April, several stakeholders discussed the use of expert studies to inform these consultations. Some stakeholders raised questions about the need or urgency of responding to DER adoption, while other stakeholders suggested a DER cost benefit study be undertaken in the near term. In addition to suggestions about specific studies to be undertaken, some stakeholders highlighted the potential benefits of establishing a process and, where appropriate, funding for stakeholders to commission their own studies for the OEB to consider.

## The Need for Expert Studies

The OEB has determined that, in addition to the comprehensive stakeholder input received, further information about the long-term impacts of the COVID-19 pandemic and the anticipated pace of DER adoption in Ontario would be useful in confirming the appropriate scope, sequencing and pacing of issues to be addressed within these consultations.

ICF's *DER Impact Study* is intended to illustrate the anticipated pace and drivers of DER adoption in Ontario, which in turn will help inform appropriate pacing of a regulatory response. Several stakeholders suggested in their April comments that a DER cost-benefit study should be undertaken. The scope of this initial DER study will not include such analysis but is nevertheless expected to provide a foundation should further analysis be commissioned. OEB staff anticipates the scope and method of a cost-benefit study would be best defined at a later stage of the initiative, with the aid of information from this initial study, and with the assistance of stakeholder input.

LEI's *COVID-19 Impact Study* will also help to inform the scope, sequencing and pacing of next steps in these consultations given the potential for long-term changes in network uses and investment priorities as a result of the pandemic. OEB staff expects that opportunities for further studies on various topics will be identified, in concert with stakeholders, as these consultations progress.

## Overview of Expert Studies

### COVID-19 Impact Study

LEI will develop a report on the potential impacts arising from the COVID-19 pandemic. The *COVID-19 Impact Study* will analyze the short- and long-term impacts on electricity and natural gas demand in Ontario. In addition, it will analyze short- and long-term impacts on income for industrial, commercial and residential load customers, and how this will impact perceptions of the payback period required to invest in DERs. The study will also examine changes in utility financial health, cost drivers and expenditures resulting from COVID-19. The results of this analysis will be applied against an understanding of the drivers for DER adoption to determine the extent to which DER adoption may slow. Results of the analysis will also be used to assess the impact on

and considerations for the pacing of the potential need for changes in utility remuneration, including those which may arise due to DER penetration and other forms of innovation. An overview of the scope of work is included in Attachment A.

### DER Impact Study

ICF will prepare a DER penetration impact assessment study for Ontario. The *DER Impact Study* will help inform the need, pace and sequencing of regulatory responses to be considered within the OEB's Responding to DERs consultation. The deliverables will include a province-level forecast of solar photovoltaic and battery energy storage capacity for the period 2021 – 2030, as well as a discussion of the implications of the forecast. ICF will identify signposts in the forecast horizon where specific regulatory actions might be required in response to growing DER penetration rates. An overview of the scope of work is included in Attachment B.

### **Linkages with Deferral Account - Impacts Arising from the COVID-19 Emergency Consultation**

On [May 14, 2020](#), the OEB commenced the consultation on a newly established deferral account (DA) related to impacts arising from the COVID-19 emergency in the electricity and natural gas sectors (EB-2020-0133). In various Accounting Orders, the OEB permitted utilities to track these impacts in the DA. The nature and degree of any cost recoverability of these impacts will be addressed through the DA consultation.

The OEB has also retained LEI to provide expertise as an economic consultant in the DA consultation. The results of LEI's *COVID-19 Impact Study* are expected to be informative in the DA consultation, with LEI providing supplementary research and evidence in other areas as well. Further details on LEI's scope of work for the DA consultation can be found on the [consultation webpage](#).

### **Next Steps**

The OEB will publish LEI's *COVID-19 Impact Study* expected by November and ICF's *DER Impact Study* by the end of year. Stakeholders will also be invited to a meeting where LEI and ICF will present the results of their studies and provide stakeholders an opportunity to ask questions.

Any questions relating to the Utility Remuneration initiative (EB-2018-0287) or Responding to DERs initiative (EB-2018-0288) should be sent to [SectorEvolution@oeb.ca](mailto:SectorEvolution@oeb.ca).

Yours truly,

*Original signed by*

Christine E. Long  
Registrar and Board Secretary

Attachment A: COVID-19 Impact Study Overview  
Attachment B: DER Impact Study Overview

## **Attachment A: COVID-19 Impact Study Overview**

### **Scope of Work:**

1. Examination of the short-term and long-term electricity and natural gas demand impacts of COVID-19 in Ontario
2. Examination of the short-term and long-term customer income impacts of COVID-19 in Ontario, including:
  - the impact changes in income patterns will have on perceptions of the payback period required to invest in DERs
  - how changes in income (and load) will impact various peak-shaving programs, such as the Industrial Conservation Initiative
  - the impact of bad debt on utilities
3. Survey of regulatory responses to COVID-19 to date across North America
  - A review of other jurisdictions in North America to understand what other regulators have done to date, or announced that they are considering, as well as highlighting approaches that are unique or appear particularly relevant to the Ontario context
4. Examination of drivers of DER adoption and how COVID-19 has impacted them
  - A jurisdictional review (with jurisdictions chosen based on available data), and a DER ownership inventory, as well as a summary of any previous research on what the drivers for purchasing DERs are (including desire for independence, cost, environmental factors, reliability or government incentives)
5. Examination of changes in utility financial health, cost drivers and expenditures resulting from COVID-19
6. Examination of role of stimulus programs
7. Impact on and considerations for prioritizing, pacing and sequencing of OEB policy development initiatives related to utility remuneration, innovation and DERs arising from COVID-19 and institutional responses to it

## **Attachment B: DER Impact Study Overview**

### **Scope of Work:**

1. A province-level forecast of solar photovoltaic (PV) and battery energy storage capacity for the period 2021 – 2030
  - The forecast will include:
    - The number of deployed systems
    - DER capacity installed (MW and MWh)
    - The energy impact (MWh) on an annual basis
  - The forecast will be based on three scenarios:
    - Mid scenario (Baseline) which will nominally reflect the current conditions for solar PV and storage adoption in Ontario. For example, this scenario could assume no significant deviations in existing technology cost trajectories, regulatory and policy schemes or utility action.
    - Low and High scenarios: The low and high scenario will include adjustments to the forecasted outputs relative to the mid scenario. The adjustments will consider changes in drivers such as technology and project economics, regulatory policy and consumer sentiment.
  
2. Discussion of the implications of the forecast, including identifying signposts in the forecast horizon where specific actions might be required to adopt incremental regulatory approaches in response to growing DER penetration rates