

# Utility Remuneration & Responding to DERs: Putting Customers First

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Indy J. Butany-DeSouza

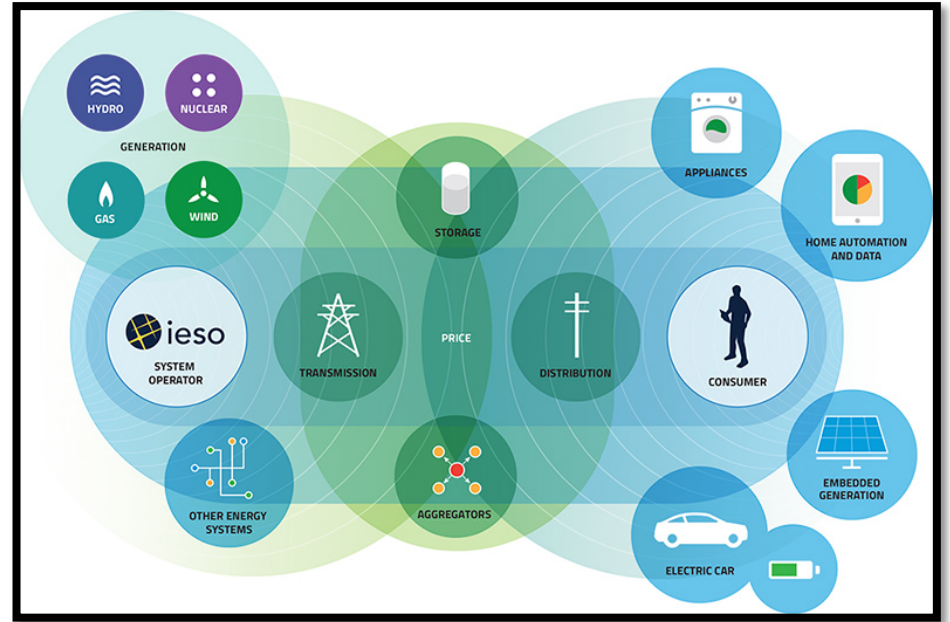


# Agenda

- Key Principles
- High Level Comments:
  - Responding to DERs (DER Integration)
  - Utility Remuneration
- Proposed Issues for Issues List development
- Process going forward

# Key Principles

Establish a clear and common understanding for the definition of 'Distributed Energy Resources':



Value for customers must at the forefront of any proposed changes

- DER and remuneration policies should be aimed at improving customer value and choice; value may be through price, flexibility, options, or other benefits
- This requires removing barriers to customer energy solutions and optimizing system investments



# Key Principles

## System costs, benefits, and impacts are fundamental

- DERs may include generation, transmission, and distribution benefits
- Costs must consider and explicitly include all distribution system costs and benefits and the impact on distribution system customers (current and future)
- Distribution system customers have supported investments in the system and those investments; economic evaluations and system value should consider the cost of stranded assets
- The greatest value is created by optimizing the value of existing invested assets

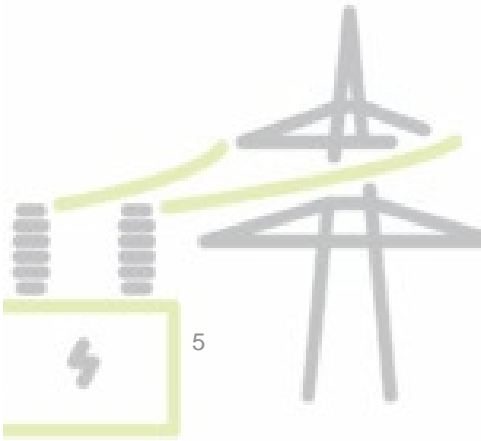
## Policy must consider value for customers

- Policy direction should consider the economic imbalance that may be created among customers
- The aggregation, integration and effective deployment of this resource for the benefit of all is best performed by a regulated utility

# Key Principles

## The Importance of the Distribution Grid

- Plan the framework to withstand changing politics or programs and priorities – today's policies may not be in place in the future
- The timing of planning matters – investments today are intended to address known issues and are based on the best available information
- Recognize the importance of maintaining a viable and integrated grid – scale economies of the central grid provides value and benefit; infrastructure needs to be able to provide base level service to all customers; and the grid can potentially act as an enabler of transactions or exchange





# Key Principles

## The future is uncertain:

- Usage patterns and customer needs may change
- Load uncertainty is not necessarily a reduction in load
- De-carbonization and EV may lead to higher load
- The reduction in CDM investment will delay the adoption of efficient technologies

**Choices made today affect opportunities tomorrow;  
there is a need to 'right-size' the system and plan for flexibility**



# Key Principles

## Regulatory principles must remain intact

- Cost causality – those who cause cost should bear responsibility
- Key goal must be to ensure that customers benefit from past and future investments in system reliability and resiliency
- Actions should not unfairly burden distribution system customers
- Competition is a means to an end: It should improve value to customers, not subsidize new entrants
- Regulator takes a long term view of when benefits may be realized
- Prudence of investment to be determined at the time of the investment, not in hindsight. There will be “honourable failures” that should not be second-guessed.

## Fundamental principles consistent with other jurisdictions

- RIIO is a PBR model underpinned by a focus on “totex”; Multi-year plans in NY augment cost of service by adding outcome-based incentives; California DER policy considers Rates and Tariffs, Planning, Wholesale Market Integration and Interconnection

# Responding to DERs

- Integrating DERs should benefit distribution system customers and provide value through optimal deployment of resources
- Customers and the grid will benefit from coordinated integration of DERs versus standalone deployment
- Distributors' role as system operator and perspective of broader system requirements should be a core principle
  - Standby power; supplier of last resort; reliability & resiliency
  - Ensure that DER Connections policy outcomes are consistent with direction/principles from this policy proceeding<sup>1</sup> – Connections requirements should not limit policy discussion

## Adoption of DER alternatives should not burden other system customers

- Electricity system is a public good that has been invested in by distributors for the benefit of distribution customers who should be able to realize the value of those investments

1. EB-2019-0207: Distributed Energy Resources Connections Review Initiative



# Responding to DERs

## Distributors are stewards of the system as a whole

- Need to consider aggregate costs and free-ridership; value may be customer centric or system wide; information is fundamental to unlocking value

## Data availability and sharing provisions should cut both ways

- What access provided to which parties should be established based on need and value
- Available to 3<sup>rd</sup> parties for customer offers; available to distributors to understand system impacts and optimize DER assets for the benefit of distribution customers
- Data security is paramount

# Utility Remuneration

Should distributors be prevented from deploying DERs (whether as owner or contract manager or both) to increase distribution system benefits?

- Affiliate Relationship Code is out of date and requires modification with a focus on:
  - Enabling customer choices
  - Reflecting customers' changing needs or requirements
  - Allowing for customers to direct information sharing to facilitate solutions development

Distributors (and their customers) should be neutral as to whether distributors build or contract for a solution

- Distributors should not be disadvantaged from making the best choice to serve customers
- Decision making should not be distorted by the framework

No harm principle should be adopted to encourage innovation

- Not at the expense of system wide costs/ benefits
- Need to ensure there are no unintended consequences

The adoption of DERs changes distributors' risk profiles (i.e. bypass risk)



# Issues for Issues List Development

How should costs and benefits be defined?

- Are the system costs and benefits appropriately recognized from the perspective of rate payers?

How are the impacts to the distribution system going to be addressed?

- How can the Board ensure that the critical issues will be managed for the benefit of customers?

What parties are best positioned to meet the Board's objectives?

Who can best employ DER for the benefit of distribution customers?

- Within the utility? Within competitive market? Both?

Does the current ARC provide benefits to customers or does it impose barriers to customer choice?

What changes are required to the Affiliate Relationship Code?

Are there changes to legislation or regulations that need to be addressed?



# Issues for Issues List Development

Should a “Lost Revenue Adjustment Mechanism” be considered?

- Should this apply to stranded costs if/ where they occur?
- Should such a mechanism be available on a generic basis?



# Process Going Forward

No black box approach –  
Series of submissions followed by OEB doctrine will not suffice

- Coordination is required on an on-going basis

- Working group(s) should be formulated to
  - continue to evolve the discussion

- Ongoing check points with stakeholder
  - interactive sessions would be useful