

November 10, 2021

Mr. Colin Campbell
Engagement Lead, Enabling Resources Program
Independent Electricity System Operator
#1600 – 120 Adelaide Street West
Toronto, ON M5H 1T1
Submitted via email to: engagement@ieso.ca

Dear Mr. Campbell,

Re: Distributed Energy Resources (“DER”) Roadmap – OEB / IESO Joint Engagement: Cross-Cutting Issues for Collaboration, Coalition of Large Distributors (“CLD”) Written Comments

The CLD consists of Alectra Utilities Corporation, Elexicon Energy Inc., Hydro One Networks Inc., Hydro Ottawa Limited, and Toronto Hydro-Electric System Limited. Together, the CLD’s members represent more than 3.6 million, or approximately 70% of electricity consumers located across the province. CLD members are on the forefront of the energy transformation in Ontario and are actively working with customers to enable DER connections while managing the impacts on local grids. The vast majority of DERs currently connected in Ontario are connected to the grids of CLD members.

On October 20, 2021, the Ontario Energy Board (“OEB”) and the Independent Electricity System Operator (“IESO”) introduced a draft list of five cross-cutting issues pertaining to distributed energy resources (“DERs”). The cross-cutting issues presented are:

- Pricing, programs and procurement interactions
- Evolution of distribution-level business models
- DER used as non-wires alternatives (“NWAs”)
- Data and information sharing
- Transmission-Distribution (“T-D”) operations coordination

The CLD is pleased to offer comments on the list of cross-cutting issues consequential to this paramount policy undertaking.

The CLD commends the OEB and the IESO's commitment to sector evolution and modernization, and taking direct actions to improve the coordination of DER policy making across the two agencies. The CLD appreciates the effort behind the OEB and the IESO identifying critical issues related to DERs that could benefit from increased coordination amongst both organizations, and is largely supportive of the cross-cutting issues identified.

In this submission, the CLD offers its feedback on key areas pertaining to the DER initiatives underway at both the OEB and the IESO.

- The cross-cutting issues should be an “evergreen” list subject to ongoing examination and revision. As progress is made on cross-cutting issues, they should fall from the list. As new issues emerge, they should be added. An evergreen issues list serves as a progress gauge and feedback loop and would enhance the durability of this joint initiative over time.
- The consideration of all DER policy issues requires a high degree of coordination and detailed policy road-mapping across a multitude of individual consultations to ensure decisions made in one forum do not work at cross purposes to another. To put it another way, Ontario requires a systematic and strategically sequenced approach to DER policy-making. The CLD agrees that the act of developing a list of cross-cutting issues and beginning to match them to individual forums where those issues are being heard is a positive step in that direction. The CLD encourages the OEB and IESO to continue down this path in greater detail to identify issue dependencies within each agency's mandate, and to sequence their consideration on that basis.

- A systematic and strategically sequenced approach to DER policy making should reaffirm that serving the ongoing and evolving needs and preferences of customers remains the primary objective of DER policy development. The CLD observes that frequently the “problem statement” of DER proceedings is too squarely focused on enabling a particular technology or solution, which can distort focus around customer needs. At every step of Ontario’s energy future, customer needs and preferences can and should be reaffirmed. Value, reliability, safety and public policy goals form the core of those objectives.
- The CLD is generally supportive of the five cross-cutting issues. However, the CLD strongly encourages the IESO and OEB to reframe the “evolution of distribution-level business models.” The CLD has two distinct concerns here. First, the CLD believes the focus on business models is misplaced as a policy objective, and instead should focus on services and capabilities necessary to enable DERs. Business models will evolve to meet customer needs and regulatory requirements – they are a means to an end, not an end in and of itself. Second, should the focus remain on business models, customer and utility adoption of DERs may well drive business model changes of other entities, including the IESO, and the cross-cutting issue should be broadened accordingly.

The CLD offers further, more detailed comments on each of the cross-cutting issues below.

CLD comments on draft list of cross-cutting issues

Pricing, Programs and Procurement Interactions

The CLD supports the inclusion of pricing, programs and procurement interactions as a cross-cutting issue. The OEB and IESO are correct in the assertion that investments in, and operation of, DERs can be incentivized by pricing, programs and procurements.

The CLD is pleased that the OEB and the IESO have acknowledged that, “OEB requirements and guidelines [are] necessary to ensure that one customer’s choice does not negatively impact another as market energy services evolve.”¹ This is a foundational principle of any equitable and economically efficient DER policy.

The CLD has noted in submissions over many years the potential for DER policy implications arising from certain open OEB consultations, including: the RPP Roadmap / Class B non-RPP GA cost allocation (EB-2016-0201); and Rate Design for Commercial and Industrial Customers (EB-0215-0043). Opportunities to reinvigorate those proceedings at an opportune time with a DER-policy focused lens should be a consideration in the policy mapping phase.

Evolution of Distribution-Level Business Models

As noted, the CLD believes there is room for improvement in the characterization of this issue. It is the distinct view of CLD members that utilities have demonstrated a capacity to adapt and innovate through more than a decade of significant policy shifts without significant disruptions to customer service while keeping distribution rate trends low.

The OEB and the IESO are correct to identify that as DER penetration increases, the capabilities and functions that LDCs will need to perform and enable are likely to continue evolving. As such, the CLD encourages that this item be framed to focus on those capabilities and functions, and in doing so create clear paths and expectations for how those are developed and funded through Distribution System Plans. Distribution business models will adapt accordingly.

¹ OEB/IESO Joint Engagement on DER Integration Draft Cross-Cutting Issues, October 20, 2021 deck at slide 12, available at: <https://www.ieso.ca/-/media/Files/IESO/Document-Library/engage/derr/derr-20211020-presentation-joint-oeb.ashx>

In addition, the CLD encourages a broader framing of the issue to consider that question of the IESO as well. The OEB / IESO discussion of the cross-cutting issues rightly notes the importance of the IESO / LDC collaboration. In aid of an efficient and effective DER policy framework, a rationalization of roles and responsibilities may well emerge organically. This cross-cutting issue should be broadened to consider such a scenario and ensure that as roles and responsibilities evolve, the impacts of changes at the wholesale, bulk or distribution system levels are not suboptimal for customers, consistent with regulatory decision making.

DERs Used as Non-Wires Alternatives (“NWAs”)

The CLD supports the inclusion of DERs used as NWAs as a cross-cutting issue. As it pertains to NWAs, the OEB and IESO correctly note, “as distribution and transmission planners work to consider a wider array of options for longer term system planning, guidelines and methods for procuring DER will need to be developed.”² In response to direction from the OEB, utilities are already building NWAs into their plans. For example, section 5.4.1 of Chapter 5 filing requirements require electricity distributors to assess non-distribution system alternatives to relieve system capacity or operational constraints, including the role of Regional Planning Processes in identifying and assessing alternatives.³

CLD members are also at the forefront of NWA adoption in Ontario. For example, Alectra Utilities, in partnership with the IESO, is delivering the York Region Non-Wires Alternatives Demonstration Project that is procuring customer DERs to offer capacity as

² OEB/IESO Joint Engagement on DER Integration Draft Cross-Cutting Issues, October 20, 2021 deck at slide 18, available at: <https://www.ieso.ca/-/media/Files/IESO/Document-Library/engage/derr/derr-20211020-presentation-joint-oeb.ashx>

³ Ontario Energy Board, *Filing Requirements for Electricity Distribution Rate Applications – 2021 Edition for 2022 Rate Applications*, at page 14, available at: https://www.oeb.ca/sites/default/files/Chapter%205_DSP%20Filing%20Requirements_20210624.pdf

energy or local reserve to help defer system need for traditional wires infrastructure through North America's first distribution-level local electricity market.

Further, Toronto Hydro's Local Demand Response project at Cecil Transformer Station in the Spadina-College area is deferring station upgrades through a novel use of battery storage and other resources.⁴ Additionally, in its most recent rate application, Toronto Hydro received OEB approval to use energy storage systems to remediate power quality problems, improve reliability, and increase feeder capacity at peak periods.

Hydro One's application for 2023-2027 rates that is currently before the OEB includes a proposal to leverage centralized energy storage and residential battery back up to improve reliability by approximately 60% for customers experiencing poor reliability, including northern First Nations and rural or northern communities, where traditional reliability solutions are inadequate or not cost effective.

All of these examples demonstrate how Ontario's LDCs play a leading role in facilitating NAWs. Such initiatives should continue and expand for the benefit of all Ontarians.

Data and Information Sharing

The CLD supports the inclusion of data and information sharing as a cross cutting issue. LDCs must be at the table to help identify both opportunities and risks associated with a more dynamic/flexible system with high levels of DER penetration, and the data needs and capabilities that go along with it.

⁴ The non-wires alternative solution is funded through a blend of cost-effective capital and operational spending that is successfully delaying the need for much larger capital investments at that location.

T-D Operations and Coordination

CLD members recognize the importance of increased coordination between the wholesale market and transmission and distribution systems with high-levels of DER penetration. The CLD supports the inclusion of T-D operations and coordination as a cross cutting issue. Just as the safe and reliable operation of wholesale markets is critical, so too is the safe and reliable operation of transmission, sub-transmission and distribution systems. All are foundational elements necessary for the realization of a DER policy framework that serves customer needs and LDCs look forward to working with the IESO towards a clear set of protocols and processes to support that result.

Conclusion

The CLD recognizes both the OEB and IESO staff for their ongoing work in DER integration, and appreciates the opportunity to provide comments. CLD members, as a collective and individually, are excited to partner on this journey.

If you have any questions regarding our comments, please contact the undersigned.

Sincerely,



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