

Feedback Form

OEB-IESO Joint Engagement – November 23, 2022

Feedback Provided by:

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Following the November 23 OEB-IESO Joint Engagement on DER Integration meeting, the OEB and IESO are seeking feedback on a number of questions related to topics discussed and the session in general.

Please provide feedback by December 14, 2022 to engagement@ieso.ca. Please use subject header: OEB-IESO Joint Engagement feedback. To promote transparency, this feedback will be posted on the [DER Roadmap Engagement](#) page unless otherwise requested by the sender.

The OEB and IESO will work to consider and incorporate comments as appropriate and provide responses at the next OEB-IESO Joint Engagement meeting. Thank you for your contribution.

Specific Questions for Comment/Feedback

Topic	Feedback
<p>Would the Joint Study of DER Incentives research be valuable to the sector/stakeholders?</p>	<p>Generally, ESC is supportive of continued collaboration between IESO and OEB.</p> <p>While we believe there is a need to understand factors that motivate investment and DER behaviour, we are not convinced that a lengthy study is required. The revenue streams available for DER customers and costs associated with DER operations are known and can be easily modelled to show relative impacts under various use-cases. This could be used for scenario analysis to demonstrate impacts of potential changes.</p> <p>ESC also suggests that the analysis include a review of factors that serve as a “disincentive” to DER investment that would otherwise be economic.</p> <p>Overall, while there may be some benefit for studies, we believe its important to move beyond studies to implementation. For example, the IESO’s recent DER potential study made clear recommendations with respect to the barriers of DER deployment. While additional analysis may be productive, ESC members have a desire to move on to action and implementation of regulatory and market changes that supports the greater deployment of energy storage in the distribution system.</p>
<p>Do you agree with the objectives presented on the Joint Study of DER Incentives? Would you propose any additional objectives?</p>	<p>ESC suggests that the objectives need to be further clarified, and that the results of any study should be outcome oriented and implementable. The results should build on the IESO’s DER potential study which demonstrated that DERs, including energy storage, are both economic and achievable.</p> <p>For example, objectives may be:</p> <ul style="list-style-type: none"> - Remove barriers for DER deployment - Reducing costs for customers (e.g., supply costs, Dx/Tx costs, etc.) - Recommendations for change to rates, regulations, market rules, programs, etc., that will enable DERs to capture value commiserate with the benefits provided

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<p>What research questions do you suggest the OEB and IESO should pursue under the Joint Study of DER Incentives?</p>	<p>One clear example of “DER incentives” working at cross purposes from each other are Demand Charges for energy storage and IESO’s E-LT1 RFP. Non-coincident peak demand charges are a disincentive to energy storage deployment, and risk increasing costs unduly for customers through increased Global Adjustment (GA).</p> <p>IESO is proceeding with a procurement for approximately 900 MW of energy storage in the E-LT1 RFP, much of it could be located on the distribution system. Non-coincident peak demand charges do not reflect the actual impact of energy storage on the distribution system – energy storage projects are incented to delivery electricity during peak periods and consume electricity during off-peak periods (i.e., energy storage does not contribute to peak loading of the distribution system if utilized effectively). Demand charges that reflect the non-coincident peak demand of an energy storage resource are a significant cost burden to energy storage and will result in higher E-LT1 RFP bid prices and resulting capacity contract payments. As IESO procurement costs are recovered through the GA, this results in increased costs for all customers, particularly Class B and RPP customers.</p>
<p>In the context of the Joint Study of DER Incentives, what DER incentives (e.g. price, program, procurement approaches) do you think work well? Are there specific circumstances under which they work well? What incentives do not work well?</p>	<p>It seems premature currently to identify what’s working well and what needs improvement. The goals, objective and metrics of this study should first be clearly articulated.</p> <p>ESC suggests that the following could be included in analysis of costs and benefits of DERs:</p> <ul style="list-style-type: none"> - Wholesale market prices (e.g., energy market, capacity auction, OR market, etc.), including future change resulting from implementation on MRP, long-term storage design vision, etc. - IESO procurements (e.g., RFPs and programs, etc.), including CDM programs - GA cost allocation, including ICI, Class B (including Class B pricing pilots), Interruptible Rates Pilot, etc. - RPP pricing, including ultra low off-peak pricing, other pricing pilots - Development costs, including connection costs and permitting and approvals - Ongoing connection charges, such as delivery charges, including fixed delivery charges, demand charges, standby rates, etc. - Government regulation, including the net-metering program, establishment of the clean energy credit (CEC) registry, etc. - Other government programs that offer incentives to customers to adopt DERs

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	<ul style="list-style-type: none"> - LDC-specific NWS initiatives, e.g., Hydro One residential battery storage, Toronto Hydro Local Demand Response, etc. <p>ESC believes there is a general need for transparency with respect to all costs that are required to develop and operate energy storage, and a recognition that these costs may serve as disincentive or risk for development.</p>
<p>Finally, was today's session useful? How can we improve the next session?</p>	<p>Yes, thank you. It's great to have all the updates in one place.</p> <p>Sessions may be improved by:</p> <ul style="list-style-type: none"> - Increasing frequency (e.g., quarterly) to ensure meetings have the most impact - Inviting stakeholder presentation on specific topics of interest and sharing learnings from pilot projects that are in-flight.

General Comments/Feedback

ESC is supportive of a continued review and assessment of the value streams, benefits and costs associated with DERs, recognizing that DERs, including energy storage, are cost effective and achievable per the IESO's recent DER Potential Study.

Before proceeding with this study, the IESO and OEB must be clear with respect to use of term "incentive". DERs, including energy storage, are technologically, economically and commercially available for deployment in Ontario, and ready to provide valuable services to customers, LDCs and the IESO. The term "incentive" could be interpreted as "subsidy", which we don't believe is the intention.

As identified in the DER Potential Study, the economic potential DERs (i.e., value) is significantly higher than the achievable potential, which recognizes a wide range of barriers, costs and mis-alignment of value streams and revenue streams. Given the magnitude of emerging resource adequacy needs and the potential benefits that DERs can provide, time is of the essence to start removing barriers and creating opportunities to deploy cost-effective DERs. New DER studies should be time-bound and targeted, and provide clear value for Ontario customers.

We also believe that the IESO and OEB should look beyond the Ontario market, and consider what's working well in other markets and what could be implemented in Ontario to help ensure that DER revenues streams have better alignment with the value of the services they provide. For example, the New York VDER program assesses the value of DERs across multiple value streams (i.e., DER value stack) and provides a mechanism to ensure that the DER customers are paid commiserate with the value they provide.

Thank you for this opportunity to provide feedback.