

IESO York Region Non-Wires Alternatives (NWA) Demonstration Project and Innovation and Sector Evolution White Papers – Feedback Form

Webinar Date: December 12, 2019

<u>Date Submitted:</u> 2019/01/10	<u>Feedback Provided By:</u> Company Name: Hydro One Networks Inc. Contact Name: Henry Andre, Director, Regulatory Affairs – Pricing and Load Forecasting Contact Email: [REDACTED]
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Following the December 12, 2019 public webinar outlining the concept design of the IESO York Region NWA Demonstration project and the white papers on NWA Markets and Transmission-Distribution Interoperability, the IESO is seeking feedback from participants on the draft white papers and specifically on the design of the demonstration project.

Feedback received will be considered in order to shape the design for the demonstration project, including processes, timelines, resource eligibility, and service agreement of the demonstration. The IESO will work to consider and incorporate comments as appropriate and post responses on the engagement webpage.

The referenced presentation and white papers can be found under the December 12, 2019 entry on the [Innovation and Sector Evolution White Paper Series Engagement Webpage](#).

Please provide feedback by January 10, 2020 to engagement@ieso.ca. Please use subject: *Feedback: IESO York Region NWA Demonstration Project*. To promote transparency, this feedback will be posted on the [Innovation and Sector Evolution White Paper engagement page](#) unless otherwise requested by the sender.

Thank you for your time.

Topic	Question	Feedback
Concept Design of York Region NWA Demonstration Project	How can participation in the demonstration auction be maximized?	
	What are challenges/opportunities to the adopted T-D model?	
	Are demonstration timelines reasonable?	
	Are the proposed eligibility requirements reasonable?	
	Are there other issues that are important to the success of the demonstration?	
NWA Markets White Paper	Are there other concepts from the NWA Markets White Paper that are worthwhile to explore in the demonstration?	
Transmission-Distribution Interoperability White Paper	Are there other concepts from the Transmission-Distribution Interoperability White Paper that are worthwhile to explore in the demonstration?	
<p><u>General Comments/Feedback:</u></p> <p>Hydro One appreciates the opportunity to provide feedback on the IESO’s White Papers. As a general observation, while the papers are instructive in identifying frameworks and concepts, they are supported by qualitative statements and assessments. All market frameworks discussed will introduce significant incremental complexity and require significant incremental investment to enable the identified functionality. Hydro One submits that any policy decisions should ultimately be made with supporting empirical, cost-based analyses before proceeding with implementation.</p>		

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		<p>The White Papers discuss necessary roles and transactions between various entities to facilitate greater market participation of DERs. While the papers provide some qualitative discussions regarding complexity, cost and reliability the focus appears to be primarily on market participants rather than end-use customers. Hydro One submits that greater emphasis should be placed on the outcomes experienced by end-use customers from a reliability and affordability perspective. Ultimately, it will be those customers that pay market costs and the IESO should focus on seeking the outcomes that minimize cost and optimize the value to those end-use customers.</p> <p>The White Papers provide a decision making roadmap for the province to identify, design, select and implement a preferred transmission-distribution interoperability model however, no specific timing is identified. Hydro One continues to submit that greater coordination is required between the IESO and OEB. Changes to roles and accountabilities of various sector participants may require changes to legislation, IESO rules and OEB codes, etc. and have far-reaching and unintended impacts. The first two steps of the decision making roadmap presented are the identification of system objectives and identifying which interoperability models are of interest to Ontario. In other words, the first step is to identify a vision for the sector. These decisions should not be made in silos by sector agencies. The sector would benefit from greater clarity regarding next steps for both agencies.</p> <p>Specific comments related to each White Paper are provided below.</p> <p><u>Development of a Transmission-Distribution Interoperability Framework (“ICF Paper”)</u></p> <p>In the case of the interface between the ISO/TSO and the transmitter, the ICF Paper identifies the obligation to coordinate outages/derates. This reflects current circumstances in Ontario where transmitters, such as Hydro One, must coordinate and seek approval for outages prior to conducting work on the transmission system. The paper is not clear whether such an obligation would exist between a distributor and the entity responsible for the dispatch of DERs. The definitions provided for the various models do not explicitly consider this issue. For example, page 37 of the report states that “the Total DSO Model takes on a lot of the characteristics of a local ISO at the distribution level.” Hydro One has concerns with any model which would limit the distributor’s ability to plan and execute its day-to-day work programs. In the event that the distributor is the</p>

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	<p>DSO or that the scheduling of outages remains with the distributor under a Hydro DSO model, that concern is minimized. To the extent that function is removed from the distributor’s accountability and placed with an external entity, Hydro One sees potential for harm to system reliability as well as worker and public safety. As noted in the ICF Paper “the distribution system tends to be more dynamic than the bulk power system.”¹Coordinating the outages of over 60 distributors through an independent DSO would be a massive undertaking. Hydro One suggests that the ICF Paper may benefit from greater clarity regarding obligations to coordinate outages and work program execution.</p> <p>While the ICF Paper mentions policy objectives are evolving, little mention is made of other drivers of change in the sector’s structure. In particular, the potential for further consolidation among distributors is not considered which may present other avenues to minimize duplication and complexity, while making a greater number of T-D interoperability frameworks feasible.</p> <p><u>Non-Wires Alternatives Using Energy and Capacity Markets (“NWA White Paper”)</u></p> <p>The NWA White Paper discusses the extension of the energy market to produce distribution locational marginal prices (DLMP) that reflect the cost of marginal losses as well as any constraints in the distribution system. The NWA White Paper defines the LMP as the marginal price of providing one additional MWh of energy at a particular pricing node but, provides no example or definition of what a pricing node would look like at the distribution level. Would the pricing node be the level of a distributor’s overall service territory, at each distribution station or does the IESO envision a circumstance where DLMP would be provided down to the individual feeder level? Hydro One submits that, as a principle, the benefits of increased granularity in locational pricing should always be balanced against the complexity and cost associated with enabling that functionality. Hydro One is interested to see how the IESO will define the DLMP for the purposes of the York region project. The IESO may wish to update the draft NWA White Paper to include specific examples of DLMP implemented in other jurisdictions.</p>	

¹ *Development of a Transmission-Distribution Interoperability Framework*, December 2019 draft prepared by ICF, page 50.