

Feedback Form

Regional Planning Process Review webinar – February 22, 2021

Feedback Provided by:

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Following the February 22, 2021 Regional Planning Process Review engagement webinar, the Independent Electricity System Operator (IESO) is seeking feedback from stakeholders on the following items discussed during the webinar. Background information related to these feedback requests can be found in the presentation, which can be accessed from the [engagement web page](#).

Please submit feedback to engagement@ieso.ca by March 15, 2021. If you wish to provide confidential feedback, please submit as a separate document, marked "Confidential". Otherwise, to promote transparency, feedback that is not marked "Confidential" will be posted on the engagement webpage.

Updates on Regional Planning Process Enhancements

Topic	Feedback
How would stakeholders prefer to receive updates about these regional planning enhancements?	ESC would prefer to have status reports circulated on a quarterly basis with a webinar or facilitated discussion to understand the changes underway and the issues that are under discussion.

General Comments/Feedback

- The IESO continues to rely on regulated utilities for technical expertise with respect to non-wires solutions. There is no working group or process to engage expertise on non-wires solutions with entities that are implementing solutions in Ontario and developing in other jurisdictions. This is a significant void in the planning process and something the IESO should address as a priority. One idea to start to bring new expertise into the fold is to convene a provincial non-wires solutions working group that could advise the IESO on existing barriers & solutions for the IESO to address within active regional planning processes.
- The IESO appears to be using desktop analysis to determine costs & capabilities of non-wires solutions. Rapid technology changes, falling costs, early learnings from current pilot programs and unique applications will not be captured within a desktop analysis. Instead, the IESO must seek price discovery through procurements or engagements. One idea would be to conduct a two-part regional capacity auction. The first stage would be a capacity auction initiated at the start of a regional planning cycle. The results would not be binding on the IESO but would allow the IESO to understand the cost of demand response/capacity additions that could be assessed at a high-level compared to traditional wires solutions. The 2nd stage capacity auction would be initiated if the IESO believes non-wires solutions are the preferred solution. The 2nd stage could be targeted to areas with constraints and would allow 1st stage bidders to adjust their offering and prices to reflect current market conditions. The 2nd stage would also promote increased competition that would likely leading to even lower prices for capacity in the system. This approach is similar to how wires solutions are developed (i.e., high-level price estimate followed by more refined pricing once a preferred solution has been identified).
- A compensation framework for non-wires solution continues to be ignored. This is an issue that saddles both the OEB & IESO. The issue has a number of hurdles to overcome. First, the OEB and some stakeholders believe it is best addressed in the other OEB consultations (i.e., Responding to DERs); however any contract or payment will likely need to go through IESO procurement mechanism and process. Further many stakeholders are opposed to leaving it with the OEB given the slow pace in those consultation (i.e., 2+ years and counting). Second, without a compensation framework it is extremely difficult to properly price non-wires solutions. Are non-wires solutions a fixed demand cost (i.e., \$/kW), a net-revenue requirement (i.e., top-up or payback based on market revenue) or some other payment structure? Without a compensation framework it is near impossible to understand

what rate-payers are paying for. Third, without a compensation framework the ability of non-wires solution providers to refine and offer the best price to Ontario is limited. Finally, the compensation framework is closely related to utility remuneration and the issues of “missing returns” for LDCs. Selecting lower cost non-wires solutions that are not capitalized means utilities are receiving a lower return compared to traditional rate-based, wires solutions. Equity owners of LDCs will not be supportive of lower returns. Unless there is an appropriate incentive to support non-wires solutions there will be a conflict in the planning decisions at the utility.