

# 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](mailto: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/FeedbackTopic	Feedback
<p>Would the Joint Study of DER Incentives research be valuable to the sector/stakeholders?</p>	<p>Convergent appreciates the IESO and OEB’s clear commitment to properly integrating Distributed Energy Resources (DERs) in Ontario markets and any research for furthering that effort could provide value, however the question should focus more on <i>whether the OEB - IESO need this joint study to take affirmative action implementing solutions for DER integration on a meaningful scale.</i> <u>We do not believe this additional joint research study is needed for the OEB - IESO to take affirmative action that could expand integration of DERs in Ontario in the near term.</u> The joint study’s 3 stated objectives should in large part be addressed, adjusted as we describe in more detail below, but we propose a more expeditious and engaged process targeted at actionable outcomes. Instead of reporting out on a joint study at the next bi-annual Joint Targeted Call (JTC), we propose the OEB - IESO shift efforts from researching and reporting to ongoing and collaborative solution-oriented work-efforts. At the last session it was indicated that at the next Joint Engagement OEB - IESO will share “how feedback was considered in scoping the study” and a “summary of the research questions that will be investigated.” That timeline unfortunately does not correspond to existing DER market interests and must be expedited to properly capture reliability and market potential of DERs that already exists in Ontario.</p>

**Specific Questions for Comment/FeedbackTopic****Feedback**

As an investor, developer, and owner of DERs in Ontario we already followed the clear market signal that DERs were needed to (i) alleviate the economic burden of customer Global Adjustment (GA) costs and (ii) reinforce the reliability of the grid during peak system conditions. External intervening policy and economic factors have dampened that signal, shifting money across rate and taxpayers, leading to inefficient outcomes that reduced opportunities for targeted cost savings with DERs. An accelerated timeline could preserve the market interest in Ontario DERs. Currently there are 3 DER focused groups that IESO staff is coordinating – DERP, DERMV & the DER Roadmap – and the DER potential Study has been published ([DER Potential Study](#)), which have all created a robust record on all aspects of DERs. We believe the OEB - IESO should consider options available for near-term action, such as leveraging their joint efforts in an OEB administered effort or proceeding that draws upon the lessons learned from the IESO engagements.

As noted in the DER Placement presented in November the OEB and the IESO have separate and distinct goals in this joint effort. The OEB goal is “[t]o facilitate DER adoption and integration that enhances overall value to energy customers” while the IESO is “[t]o maximize the value DERs can provide to Ontario’s electricity system by addressing

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	<p>challenges and opportunities within the IESO’s mandate.” Given, as stated above, that customers do not invest in DERs to participate in the energy markets that support the Ontario electric system overseen by the IESO, there may be value in taking lessons learned from both joint OEB – IESO efforts, and the 3 IESO groups, to inform an OEB centered initiative focused on DERs.</p>
<p>Do you agree with the objectives presented on the Joint Study of DER Incentives? Would you propose any additional objectives?</p>	<p><b>Objective #1 - Create a better understanding of how financial incentives for DERs function collectively to ensure that different incentives aren’t working to cross purposes and are achieving the most efficient outcomes.</b></p> <p>We believe use of the word incentive in this context may create confusion by conflating multiple sources and types of value that can drive DER investments. We believe the objective would be better framed as <i>creating a better understanding of sources of revenue, or revenue streams, that are relied upon to justify a DER investment.</i> Customers do not invest in DERs to participate in the electric markets, customers invest in DERs for sustainability and to save money and the most efficient outcome for DER investments is customer centric. The collective economic valuation of a potential DER investment can be broken out a high level into <b>(1)</b> costs to develop and maintain, <b>(2)</b> revenue from saving money against what a customer would have spent without the DER asset, or <b>(3)</b> revenue from selling a service into a market or utility program (if qualified). In this context, a potential overlap exists between actions a</p>

DER physically needs to take to secure savings revenues under bucket (2) and actions needed to comply with physical commitments to earn revenues from commitments in bucket (3). For several years and for many customers in Ontario the revenue from GA savings were the only revenues needed to justify DER investments, which eliminated the potential for any revenue streams working at cross purposes. To the extent GA savings alone do not justify a DER investment, and opportunities for DERs to actively earn revenues for the services they can provide are relied on, we believe efforts to ensure *earnings opportunities* do not harm the economics of *savings opportunities* are important.

**Objective #2 - Develop recommendations for improving the efficiency of DER incentives.**

The term *incentive* is used in many markets to describe money offered to offset costs of resources favored by policy goals to motivate investment. We do not believe that is the IESO's intent here, and it is unclear what the OEB - IESO considers an "efficient DER incentive." If the intent is to identify rate structures and regulatory programs that more efficiently justify the economics of DER investments for customers, then Convergent supports that objective.

Based upon our above comments, the efficiency of a DER investment is driven by the certainty of potential revenue opportunities and whether they will outweigh the costs over the life of the DER asset. If the OEB - IESO seek to identify new rate structures that more efficiently justify DER investments for customers

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	<p>broadly by increasing size and likelihood of revenue opportunities, then Convergent supports that objective and welcomes the opportunity to participate in established proceedings focused on developing the rules needed to implement.</p>
<p>What research questions do you suggest the OEB and IESO should pursue under the Joint Study of DER Incentives?</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>This is a broad question when posed as what “works well” however if the OEB/IESO intent is to identify the economic drivers necessary to justify DER investments those can be broken out at a high level into the two categories set forth above: <b>(2)</b> revenue from saving money against what a customer would have spent without the DER asset, and <b>(3)</b> revenue from selling a service into a market or utility program (if qualified to do so). The value and reliability of these potential “revenue streams” are assessed against the cost of a DER investment to see if the economics are justified. Regardless of whether the revenue stream is tied to saving money or earning money, the <i>stability</i> of those potential revenue streams is paramount.</p> <p>When saving money is the driver for a DER investment, a stable market in which prices and costs can be forecast is critical. For example, for some time the correlation between the GA and the Hourly Ontario Energy Price (HOEP) had a relatively stable forecast so the model of using GA savings from the DER to justify</p>

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	<p>the investment “worked well” in the sense that it “<i>incentivized</i>” customers to invest in DERs. When those economic models are exposed to the impact of out of market and policy forces that change price trends, that creates risk for investing in DERs.</p>
<p>Finally, was today’s session useful? How can we improve the next session?</p>	<p>Yes, any opportunity to engage with this group is useful.</p>

### General Comments/Feedback

Convergent appreciates the OEB – IESO efforts on DERs and looks forward to ongoing opportunities to effectuate positive change.