

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>Yes, a Joint Study of DER Incentives would be valuable to the sector/stakeholders by seeking to understand the incentives (e.g., prices, rates, regulations, etc.) that are appropriate DERs given the benefits they may provide to the grid, including the ability to serve as non wires alternatives. Electricity prices, rates and regulations provide incentives to customers, LDCs, and other stakeholders, motivate investment in DERs and are expected to be a significant driver of DER adoption. Studying the price signals within Ontario that incentivize DER investment will help to ensure that electricity prices, rates and regulations, and other programs, are structured in the most optimal way and ensures that incentives don't counteract or work at cross purposes.</p> <p>The study could provide more value to customers by aligning research objectives and avoiding duplication of research efforts. Additionally, it should be outcome-oriented and with considerable focus on implementation, not just analysis.</p>
<p>Do you agree with the objectives presented on the Joint Study of DER Incentives? Would you propose any additional objectives?</p>	<p>While pricing structures, rate design, regulations and programs should avoid working at cross purposes, it is also important to consider the value of overall system benefits that DERs bring (e.g., generation, deferral of transmission and distribution infrastructure investments, customer-level benefits), and to properly value these services.</p> <p>Recognizing that "DERs as NWAs" is the third of five cross-cutting issues identified (slide 10), the EDA proposes that the Joint Study's objectives could be adjusted to include methodology for assessing the financial benefits of deferring traditional "poles-and-wires investments" resulting from DERs, as part of a "most efficient outcome" (slide 15).</p> <p>The study should recognize that customers, utilities, and DER providers, each experience different incentives based on rate design, program design and market rules. Beyond capital deferral, values associated with DERs include but are not limited to:</p> <ul style="list-style-type: none"> • Net Avoided Outage Costs (Asset Health) • Net Avoided Restoration Costs • Avoided O&M <p>The study should also quantify costs associated with the accommodation of DERs, such as:</p>

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	<ul style="list-style-type: none"> • operation costs relating to the management of DERs on an LDC’s network • potential degradation of LDC assets that were not accounted for in an LDC’s rate filing <p>In addition to incentives, the Joint Study should explore areas where disincentives could be removed/mitigated, as in some cases, removing a disincentive is as important as providing the right incentive.</p> <p>Ideally, the Joint Study should consider the transition to, and impacts of, enduring remuneration mechanisms for DER(A) and LDCs to achieve integration and capital deferral objectives.</p>
<p>What research questions do you suggest the OEB and IESO should pursue under the Joint Study of DER Incentives?</p>	<p>Research questions regarding pricing, rate design, regulations, programs and procurements should focus on benefits to customers, local regional needs, as well as bulk transmission and generation financial impacts. Some suggestions include:</p> <ul style="list-style-type: none"> • Investigating the types of incentive structures that encourage participation • Reviewing the magnitude of accessible revenue streams for DERs, with comparison to value of services provided by DERs • Consideration of the reporting requirements for participation and at what point would that deter customers from participating • Consideration of the support customers would need to participate (e.g., cost of staff) • Investigating what value customers are looking to gain from DERs (e.g., enhanced reliability, cost savings, cost stability, meet sustainability and electrification goals) • Methodology for determining the value DERs can provide to LDCs and to total system value (Tx and Dx) <p>While this may be the inception of a new Joint Study, it should build upon lessons and learnings from previous programs, which have integration points with the current context. Additional suggested research questions, focused on learnings of past programs, include:</p> <ul style="list-style-type: none"> • What was learned from previous pricing incentives/structures and programs (e.g., FIT, microFIT, Save on Energy Process and System Upgrade, ICI, net-metering, Capacity Auction, etc.)? • Should pricing incentives have been modified regularly?

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	<ul style="list-style-type: none"> • Was there a goal for market penetration? • What does that level of penetration achieve for the system?
<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>Although programs lead to many customer benefits (e.g., cost certainty, operational resiliency), a key success factor is simplicity. The more complex the program is for customers, the greater level of assistance (e.g., education, staff resources, third party support) they will need to navigate participation, which will consequently lower the ROI and make the DER opportunity less appealing.</p> <p>Procurement programs are a viable option (e.g., FIT and microFIT, RFPs, etc.) but require certainty (i.e., lead time), as DER project timelines are multiple years. They also, generally, need more education (e.g., staff resources, time) to bring customers on board, and typically require an operating firm to support equipment operation to navigate complexities resulting from pricing tools such as markets, dispatch conditions, operating requirements, etc.</p> <p>Programs and one-time incentives would ideally be allocated at a large program window to accommodate a significant runway, because analysis and implementation of DERs typically take a minimum of 18-24 months.</p> <p>The Utility Incentive Subgroup of the Framework for Energy Innovation consultation identified a number of potential incentives for the OEB’s consideration, including:</p> <ul style="list-style-type: none"> • the capitalization of DER spending • fixed incentives (set amounts, performance-based amount, ROE premium) • the addition of a margin on spending, shared savings mechanism, scorecard-based incentives • non-financial tools (obligation through policy, scorecards) <p>Though these are utility-specific, they provide a good sense of what could be put in place to help utilities participate in DERs and encourage broader use of NWA in utility planning.</p> <p>For example, for DERs that the utility does not own, it would be most appropriate that utilities would earn an incentive for identifying and implementing solutions that produce system benefits, to offset any disincentives. As articulated in the FEI Utility Incentives Subgroup report, the capitalization of non-utility owned assets would most directly address the disincentive in this situation.</p>

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<p>Finally, was today's session useful? How can we improve the next session?</p>	<p>The EDA finds joint engagement sessions with IESO and OEB to be very useful and hopes to see work related to EV integration (EVI) feature more prominently in future sessions. We appreciated that EVI was mentioned in the "OEB Updates on DER Integration work" presentation's slides 6 to 9.</p> <p>Regarding cross-cutting issues specifically, the EDA is interested in how #2 "Evolution of distribution-level activities and services" will be addressed in future sessions. Utilities need to have a better understanding of their role when it comes to DERs. The identification of utility roles and responsibilities, including what services are provided by distributors, is key to developing potential incentives for DERS.</p>

General Comments/Feedback

This proposed Joint Study would benefit from including the OEB's CDM Guidelines in its scope, as these Guidelines could integrate very well with any DER implementation or incentive. Moreover, pricing, programs, and procurements should not be considered by scenario or use case and should instead focus on the holistic view as well as the seams between DER incentives, as described on slide 15.

Pricing, rate design, programs, and procurements should be harnessed in a way that drives technology adoption to meet bulk system needs. Using CDM as an example, the OEB's CDM Guidelines is only applicable to address distribution-level needs and constraints in a very regional context. In the hypothetical case of a battery installation, its business case would be made under the OEB CDM Guidelines as an investment that solves an immediate capacity problem. However, this narrow lens overlooks the potential network effect of batteries, where multiple units could provide increased resiliency.

Consequently, the proposed Joint Study would ideally consider how the 3 Ps should be coordinated to drive technology adoption based on the business cases of the DER value stack. The 3 Ps should be based on current market price, product availability, and a deemed rate of return for utilities to ensure ratepayers receive a return. This concept was noted in the [FEI Working Group's final report](#) (page 15, "Planning Integration and Coordination.")

Other questions based on materials presented at the IESO-OEB joint session on November 23:

- [Joint Engagement Introduction \(Slide 7\)](#) re: Joint Targeted Call (JTC)
 - Could the IESO and/or OEB elaborate or define what is meant by "business models" in the JTC high level objective #3 "test new activities and business models related to DERs"?
 - Would this include new business models for LDCs (e.g., Distributed System Operator (DSO)) and/or business models on how to operate in the Ontario energy market?

- [Joint Engagement Introduction \(Slide 10\)](#) re: 3Ps cross-cutting issue
 - Has a decision been made regarding which entity or entities would administer the incentives?
 - Will incentives strictly target customers/businesses?
 - Will there be incentives targeting LDCs for DER-related programs?