

Feedback Form

OEB/IESO Joint Engagement on DER Integration – May 26, 2023

Feedback Provided by:

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Following the May 26, 2023 OEB/IESO Joint Engagement session, the Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) are seeking feedback from participants on the joint engagement in general as well as the updates to the list of cross-cutting issues presented.

The referenced presentations can be found on the [DER Roadmap webpage](#).

Please provide feedback by June 26, 2023 to engagement@ieso.ca. Please use subject header: *OEB/IESO Joint Engagement*. To promote transparency, this feedback will be posted on the [DER Roadmap webpage](#) unless otherwise requested by the sender.

The IESO and OEB will work to consider and incorporate comments as appropriate and post responses on the webpage.

Thank you for your contribution.

Topic	Feedback
<p>Are there additional potential cross-cutting issues related to DER integration that should be considered for collaboration between the OEB/IESO? If so, do you have suggestions on how these issues could be addressed at future sessions?</p>	<p>The EDA is supportive of the cross-cutting issues that are identified.</p> <p>We recommend that the OEB/IESO develop a comprehensive workplan including deliverables and scheduled updates for the cross-cutting issues and updates to each of the five workstreams. In the May 26th session, the OEB/IESO only focused on the first (3Ps) of the five identified cross cutting issues (Slide 6), for inclusion in the Incentives study; however, many of these issues can be addressed in tandem. There is also the potential for overlap of topics and concerns among the 5 cross cutting issues. For example, the types and extent of “data and information sharing” that is required will depend on the “evolution of distribution-level activities and services” and the utilization of “DERs as NWAs”. We also recommend that the IESO and OEB clearly identify a cross-section of representatives between each initiative which consults on each workstream to achieve a coordinated and comprehensive outcome. Further, a list of topics “in scope” for each issue should be clarified.</p> <p>Potential other cross-cutting issues/topics related to DER integration that should be considered for collaboration between the OEB and IESO and their stakeholders are:</p> <p>Jointly scaling the success of the industry’s NWA pilots. The industry would benefit from the OEB/IESO joint assessment on the existing pilots. As more grid innovation is supported the results of these programs can inform DER integration in a positive way. It should also be examined how this effort can best be communicated to the broader sector.</p> <p>The OEB and IESO must partner more closely with distributors regarding the implementation of the Total Distribution System Operator (TDSO) model, ensure clarity of what related work will be undertaken through the Transmission Distribution Working Group (TDWG) and what will need to be undertaken outside of the TDWG. The impact of DER integration on the distribution systems needs to be addressed and have a</p>

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	<p>clear presence in all work streams for DER integration and market use of these DERs. Stakeholders have noted in many sessions that the OEB must consider the benefits of optimizing customer dollars through existing distribution assets.</p>
<p>Given the scope of work, are there any specific initiatives or concerns that should receive focused attention?</p>	<p>Specific initiatives or concerns that should receive focused attention are:</p> <p>As DERs are connected to the distribution system, LDCs are critical to the implementation and integration of DERs in the electricity system. The OEB and IESO need to continue its work to deepen the involvement of LDCs in the DER related files to ensure that programs, policies, and incentives are designed to effectively reflect all layers of Ontario’s electricity system.</p> <p>Given the magnitude of potential new DERs and electrification, including EVs, the role of the distributor is evolving. Maximizing the value that LDCs offer to coordinating and enabling DERs can provide the Ontario electricity system with added benefits. We recommend working towards TDSO implementation is the best solution to optimize the value of DERs, and ensure that resource procurement (e.g., NWAs) and their operations by LDCs do not work at cross-purposes to the IESO-Administered Market. This will also ensure that DERs can operate within the current grid structures and systems quickly while improving the customer experience and lowering overall costs. LDCs are strongly supportive of enabling these functions, and a specific initiative that should receive focused attention is the optimization of the distribution system to support their customers in each of the identified workstreams, not just the TDWG.</p>

OEB/IESO Joint Engagement

General Comments/Feedback on Joint Initiatives

Joint Engagement Feedback:

To maximize transparency and stakeholder input in the Joint Engagement, the OEB and IESO should establish **a dedicated website/webpage** to host relevant meeting materials (rather than separately through the IESO DER Roadmap, and the OEB Energy Transition Roadmap) and important related documents, to better support a shared holistic and comprehensive view of related activities. Additionally, as our industry enters an unprecedented time of increased electrification, we note that bi-annual meetings may need to increase to quarterly (monthly where appropriate) meetings with stakeholders to maintain transparency and momentum.

Pilot Program, Grid Innovation Fund, OEB Innovation Sandbox Reporting:

The EDA believes that the IESO's Grid Innovation Fund and OEB Innovation Sandbox are excellent resources to support pilot projects seeking how to derive value from DERs to the local electricity systems and economy. Distributors and proponents would benefit from added transparency of OEB and IESO efforts and information sharing of lessons learned with the energy sector, specifically as it relates to grid optimization and enabling local distribution connected DERs. While we appreciate the project-specific summaries of the successful projects within the industry, a built-in efficiency to this reporting and application process would be information sharing of the scenarios where proponents were not approved or considered complete in their application process, and the reasoning as to why. Distributors note that for the GIF is typically a four-year turn-around from application (~1y) to project completion (~3y). If time doesn't permit for this mechanism to aid transitioning type trials, then another mechanism will be needed.

Joint Study of DER:

The EDA supports the objective of the IESO and OEB to jointly prepare a study of financial incentives for DERs across Ontario, and we are hopeful this joint evaluation will achieve improving the efficiency and alignment of incentives for DERs being executed in a simple, stable and predictable method. We recommend that the Brattle Study consider the following for each of the five tasks presented:

1. Categorization and overview of DER incentive mechanisms: (3 Ps)

We propose that the joint study evaluates the overview of the DER incentive mechanisms, and that it considers an evaluation of multiple variations of the electricity markets. This could be achieved through transparent tracking mechanisms to quantify the DER incentives and monitor growth through classification, then produce the best solution for each variation of DERs. Distributors hold the direct

relationship with their customers, and we advise that prices which are most effective to signal market demand are the ones that are simple and more predictable.

2. Overview of DER Incentives:

We strongly encourage that jurisdictional scans used in the study seek to evaluate more than the North American jurisdictions described in the May 26th webinar. As we explore and review jurisdictions and take into consideration the future state of a potential wholesale and local Ontario markets, it may be more valuable to include achievements, and teachings from the European markets (UK, Germany, etc.) of varying market structures. These variations have experienced the dual participation model and more recently the Total DSO model. In addition, they have produced broad, thorough documents as guides and best practices on roles & responsibilities, protocols, processes, and so on.

3. Development of a conceptual framework for DER Incentives:

The role of LDCs is expanding to include integrated distribution system planning and new operating protocols. DERs are connected directly and indirectly on the distribution system. Any consideration for identifying value streams of DERs, and the method to compare customer and prosumer, and system values across different types of incentive mechanisms in the industry must unquestionably include distributor perspective. Distributors can identify value streams at the local level, including siting DERs close to load and mitigating losses while planning for reliability, safety and resource adequacy needs in the system. The conceptual framework must engage with distributors to ensure that current and future financial incentives are useful across the many layers of electricity in the system, including, flexibility, reliability, and ability to contribute to supply on the system.

4. GAP analysis for Ontario DER incentives:

We advise that the incentive study include the impacts of investment from a geographic assessment and propose that LDCs be engaged to inform this level of detail. LDCs are positioned closely to their customers to provide a better customer experience for meeting and expanding the capability of their grids. Another consideration is investment lead times and the incremental costs of DERs. It would be beneficial to the industry to have an assessment of the costs incurred prior to benefits and the net total system value.

5. Recommendations for a DER incentive framework for Ontario

We recommend that the DER incentive framework not overlook the pilots which have already been and have begun to be executed in the markets today and the offerings that can be leveraged. Market Structure of DERs need to be scaled for customer types, sizes, and accessibility to maximize the planning of the distribution networks.

Joint Study Scoping:

When scoping the study, it should be noted that, to help LDCs understand what is available in the market and the potential of DERs, there should also be consideration of the jurisdictions of market models – such as the future state of Ontario under the Total DSO model under the future regulatory framework. The importance of scoping the work for the future product of overlapping work of the IESO/OEB and stakeholder working groups will ensure that the study will be solutions-oriented and focused on implementation, not based on the status quo.

It would also be beneficial to the study to scope other resources competing with DERs to establish efficiencies, and market shift impacts on incentives.

We look forward to engaging with the OEB and IESO in the summer of 2023 and again in winter of 2023/2024 to review the work undertaken by the Brattle Group. We wish to emphasize that distributors should be more frequently engaged throughout the entire report preparation process to partner and offer expertise for developing recommendations and focusing on the attributes and considerations that are distinct from transmission connected supply resources.

CDM:

We are encouraged with the progress of the CDM Working Group and support a streamlined approach for LDC participation in CDM that adheres to the principle of “beneficiary pays.” The implementation of this principle is a key step to remunerating LDCs for designing and delivering programs based on both distribution and bulk system benefits, as applicable.

We appreciate the distinction between

- 1) LDC-led local/regional CDM programming (which support customer-driven energy goals and objectives) and
- 2) non-wires alternatives (which are focused on distribution system asset management),

as well as the acknowledgement that both (local/regional CDM programming and NWA) have bulk system benefits. We look forward to continuing working jointly with the IESO and the OEB in the CDM WG, and on how each entity can facilitate additional LDC-led CDM in Ontario at the provincewide and local/regional levels.

General Comments/Feedback on OEB DER Activities

To facilitate DER deployment and adoption that enhances overall value to energy customers and prosumers, the EDA recommends that the OEB provide regulatory clarity by developing and amending OEB requirements, guidelines, and utility incentives to reflect the presence of DERs. Additionally, the OEB **must address the role of distributors**. It was stated in the *FEI: Setting a Path Forward for DER Integration* report that the OEB expects distributors to modify their planning and operations to prepare for DER impacts on their systems, including integrating these resources ‘cost-effectively’, while maintaining reliable service for their customers. Distributors are also expected to consider DER solutions as NWAs when assessing options for meeting system needs. While

distributors await the results of the BCA Framework, it is acknowledged widely that the DER benefits and costs are broader than traditional distribution investments. Distributors share value in the vision and desire of unlocking the potentials of DER solutions for both reliability and system capacity needs. However, the uncertainty about the ability to recover DER-related costs and have those costs appropriately shared is a challenge for planning and supporting business cases. We emphasize that the OEB needs to move forward rapidly and provide distributors guidance and assurance to best facilitate innovation and achieve benefits for the wholesale and local systems.

In the OEB energy transition roadmap the review of **utility remuneration and future role of LDCs** is notably listed as a potential future initiative. We note that in the cross-cutting issues proposed #2 Evolution of distribution-level activities and services is listed; however, many of the joint initiatives and pilot programs are restricted until this item is addressed. The role of the distributor needs to be considered **as soon as possible** to inform the work of many of the cross-sectional DER developments. Distributors are optimally placed to facilitate growing DERs and have been delayed by regulatory approvals, and funding uncertainties. We strongly encourage the OEB to partner with LDCs to move forward, as delayed integration can place unintended costs on the future system. The cost of not doing anything is too high.

OEB Participation on the Transmission Distribution Working Group (TDWG):

We encourage continued and active participation of representatives from the OEB, and prioritization be given to supporting an expedited development of protocols and address the regulatory barriers to enable the TDSO model in the market. Distributors of all sizes and geographic regions have expressed their willingness to participate on the TDWG. Better policy outcomes can be achieved if the OEB scopes the recovery/best return on investments in tandem with the great work the TDWG is achieving.

General Comments/Feedback for the IESO DER Activities

There are three main functions for LDC and IESO coordination requirements: the extent to which distribution NWAs will offset the need for regional and bulk system investments; the extent to which DER adoption on local grids offsets capacity acquisition; and the operational coordination which can be leveraged to build market efficiency. To maximize the value of DERs to Ontario's wholesale and local electricity systems and address challenges and opportunities within the IESO mandate, the IESO must work closely with distributors to achieve the best outcomes in all workstreams. The DER market design project, DER potential study, RPPR NWA actions, CDM LIP and energy efficiency are all supported by distributors.

Distributors' goals are aligned with the IESO to both maximize the value DERs can provide to our grid and facilitate DER deployment and adoption that enhances the overall value to energy consumers. Partnering with LDCs presents variable efficiency opportunities are placed in the best position to optimize local grids, system plan locally, support the market supply to load balance, and provide customer experience value. LDCs have the desire to optimize their systems for reliability and resiliency and we are looking forward to partnering with the IESO and OEB.