

# Feedback Form

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

### Feedback Provided by:

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### OEB/IESO Joint Engagement

Topic	Feedback
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>The consideration of all DER policy issues requires a high degree of coordination and detailed policy road-mapping across a multitude of individual consultations to ensure decisions made in one forum do not work at cross purposes to another. Ontario requires a systematic and strategically sequenced approach to DER policy-making.</p> <p>The development of the cross-cutting issues list, and bi-annual engagement sessions are a good first step in this direction. Hydro One encourages the OEB and IESO to identify issue dependencies within each agency’s mandate and to sequence their consideration on that basis.</p>

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Given the scope of work, are there any specific initiatives or concerns that should receive focused attention?	The integration of DERs into the electricity system requires active involvement and action from both transmission and distribution utilities. Hydro One encourages the OEB and IESO to find more opportunities to engage directly or partner with utilities across all initiatives to ensure that the policies, procedures, and outcomes are well-informed by the operational realities of the grid and can be cost-effectively implemented.

## General Comments/Feedback on Joint Initiatives

### Feedback on IESO/OEB Joint Study on DER Incentives:

Hydro One supports the IESO and OEB's efforts to identify the financial incentives associated with distributed energy resources. We appreciate the IESO and OEB for sharing the work plan of the DER Incentive Study and seek to understand how the Brattle group's research and findings will be contextualized within the broader issues of DER enablement & system readiness. Hydro One is already working to integrate DERs to provide system benefits and enable our customers to benefit from their behind-the-meter DERs. Financial incentives designed for DERs must consider system reliability and safety requirements as well as the economic interests of the DER owner.

Given these considerations, Hydro One would like to submit the following feedback on the proposed study.

### Role of LDCs & Conceptual Framework

The IESO and OEB should engage with utilities directly throughout the development of the study to ensure that current and future financial incentives are useful and efficient across the full value chain (i.e. customer, distribution, transmission, bulk, and generation). Utilities are uniquely positioned to provide these insights due to our relationships with our customers and our deep knowledge of our current and future system needs. As DERs are connected both directly and indirectly to distribution systems, any consideration of the effectiveness of incentives must include direct and in-depth input from LDCs.

Further, the Conceptual Framework for DER incentives proposed must consider the operational and technical specifications of the transmission and distribution system<sup>1</sup>, and the requirement of LDCs to ensure system reliability and safety. LDCs are currently working to modernize their systems, preparing for customer-driven demand and DER growth and continuing to explore the efficient and effective use of DERs as non-wires alternatives to traditional investments in alignment with recent OEB guidance (i.e. Framework for Energy Innovation Report). The Conceptual Framework will be an essential tool for helping LDCs determine how to efficiently enable DER solutions that comply with

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<sup>1</sup> The distribution system was designed for uni-directional power flow. LDCs will be responsible for modifying their systems to permit bidirectional flow and will have the greatest visibility and insight into where and how DERs can connect, where they can provide value to the system, and will be responsible for dispatch signals and system balance in the future.

the technical and physical realities (e.g. capacity, connection requirements) of the Distribution system to help maximize their value and promote customer satisfaction.

As the study progresses, we would encourage more opportunities for Hydro One and LDCs to provide input, review initial findings and help develop the DER incentive Conceptual Framework. This could be achieved through dedicated engagement with all LDCs on the DER Incentive Study (e.g. a working group) as well as through interviews and working sessions with LDCs that have significant experience with DERs. In addition, all stakeholders should be provided with a complete list of incentives within the scope of the study before study completion.

#### Feedback on the Scope of Study:

In addition to the scope identified in the engagement session, Hydro One submits that the study should clarify whether and how current incentives promote the adoption of DERs which align with the needs of the bulk system and the local distribution systems, in addition to the needs of customers and DER proponents. Specifically, how and whether financial incentives will encourage:

- DER connections where there is the capacity to connect;
- Optimal DER siting where load demand is best supplied through DERs;
- DER adoption provides local grid benefits; and
- DERs that do not pose a risk of customer dissatisfaction (e.g. by reducing reliability or power quality for other customers on the line).

The study should also consider if the existing and future financial incentives are technology-specific, and this should be discouraged whenever possible. For example, in the Distribution System Code, connection cost subsidies are provided to renewable generators that are not available to storage facilities. This should be avoided provided DERs align with the interests of the customer, the LDC, and the system.

#### Feedback on Jurisdictional Scan:

The study authors should provide examples of both effective and ineffective mechanisms, or where incentive mechanisms resulted in unintended consequences (e.g. financial incentives for DER owners led to system reliability issues, subsidy for DER investment incited poor/low-quality capital investments with shorter life cycles.)

#### Further considerations:

As referenced in the OEB's energy transition roadmap, a consultation on a Benefit-Cost Analysis (BCA) Framework for DERs will be launched to clarify how LDCs should evaluate DERs as non-wires alternatives. Given that this study will be focused more broadly on all financial incentives for DERs, the IESO, and OEB should clarify how this study will overlap or integrate with the forthcoming BCA work.