

# Feedback Form

## OEB/IESO Joint Engagement on DER Integration – November 27, 2023

### Feedback Provided by:

Name: Kaleb Ruch

Title: Director, Regulatory Policy & Strategy

Organization: Hydro One Network Inc.

Email: [REDACTED]

Date: December 18 2023

Following the November 27, 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. The OEB and IESO are also seeking feedback on the Joint Study of DER Incentives. Please complete the sections below that are relevant to you.

All of the referenced presentations are posted on the [DER Roadmap webpage](#). The Joint Study presentation is also posted on the dedicated [Joint Study of DER Incentives webpage](#).

**Please provide feedback by December 18, 2023 to [engagement@ieso.ca](mailto:engagement@ieso.ca).** Please use subject header: *OEB/IESO Joint Engagement*. To promote transparency, this feedback will be posted on the [DER Roadmap webpage](#) and [Joint Study of DER Incentives 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.

## OEB/IESO Joint Engagement

Topic	Feedback
Are there any specific DER initiatives or concerns that should receive focused attention in the OEB/IESO Joint Engagement forum?	
Was today's session useful? How can we improve the next session?	

## OEB/IESO Joint Study of DER Incentives

Topic	Feedback
What is your perspective on the current state of DER incentives in Ontario?	
What are the biggest challenges Ontario faces when aligning DER incentives?	
Which mechanisms (slide 7) hold the most promise for the practical and economically efficient deployment and operation of DERs?	
Do you see any unnecessary / inefficient overlap in existing DER incentives in Ontario (slide 11)?	
Which principles are most critical for the success of the DER incentives (slide 13-18)?	
Where are the most significant gaps in "value stacking" with DERs in Ontario (slide 14)?	
Are there any specific DER technologies or applications that present unique challenges that may require more tailored incentives?	

## General Comments/Feedback on Joint Initiatives

## General Comments/Feedback on OEB DER Activities

## General Comments/Feedback for the IESO DER Activities

### **General Feedback on the DER Incentive Study:**

Hydro One appreciates the opportunity to provide feedback on the IESO/OEB joint study on DER Incentives, specifically the methodology for evaluating distributed energy resources (“DER”) that was shared with stakeholders on November 27<sup>th</sup>. Hydro One looks forward to providing further feedback on the study results in the next phase of this work.

**The study authors must be cognizant of the recent shift in DER policy direction in Ontario.** The OEB’s Framework for Energy Innovation (“FEI”) forms the basis of a clear construct for distributors to enable DER connections and leverage DERs as non-wires alternatives (“NWA”). This policy direction, informed further by the Benefit Cost Analysis Framework currently under development, has direct and fundamental implications to distributors on how they plan their systems and how they deliver electricity to customers. This direction coincides with an unprecedented growth in demand for clean electricity, and customers continuing to seek opportunities to be energy participants at all levels of the system. Properly aligned incentives can drive optimal DER adoption to meet system needs on an economically efficient basis that will serve customers well and encourage their direct participation in the Energy Transition. This is precisely the right time to assess and identify potential reforms to DER incentives.

**Distributors are key stakeholders on how DERs can provide value at the customer, distribution, and transmission levels.** Utilities will benefit from receiving a comprehensive understanding of DER incentives as they seek to use them to defer costs at the local system. The ongoing work of the OEB to develop a BCA Framework, and the IESO’s joint efforts with LDCs to formulate a post-2024 CDM framework are key dependencies for the usefulness of this study.

**Incentive design has direct implications on utilities.** Distributors should be continually engaged on the design and objective of incentives to ensure incentives for DERs are optimized for deployment of DERs as NWAs. For example, incentives that encourage the siting of DERs in geographic locations where they can be efficiently connected/deployed and will tend to provide more benefits to the local system.

**The outcomes of this study are expected to directly inform future policy decisions. As such, it is premature to assess current incentives and gaps.** One area of policy focus this study will inform is the currently limited opportunities for residential and small business customers. As illustrated in the mechanisms listed in the materials (slide 7), participation is geared to commercial and industrial customers, and those residential customers who can afford to invest in new technologies (to facilitate load displacement, net metering etc.). We expect that opportunities for participation could be expanded through residential demand response and energy efficiency programs, which are accessible across rate classes and can be efficiently deployed. The IESO and OEB, with significant utility input, can encourage the development and scaling of demand response, enabling access to programs and subsidies that promote broader participation in the energy transition.

## **Feedback on Guiding Principles & mechanics of the proposed study:**

**Although each of the principles proposed are essential to sound evaluation methodology, the first principle 'Economic Efficiency' (*Mechanism should encourage optimal DER adoption and participation*) requires a clear understanding of what is 'optimal'.** The definition of optimal may vary across contexts (i.e., what is optimal for the bulk system, may be less optimal for the local system, and vice versa). Having a common means of assessing the benefits of DERs (i.e., through the BCA Framework at the OEB) across both the distribution and bulk systems is essential for aligning DER incentives, and designing programs that address system needs. Building on the third principle ('Simple and Accessible'), incentives should also be reasonably simple to administer (or roughly in proportion to the value they generate).

**More detail on the methodology and study findings is required to permit meaningful feedback on inefficiencies in existing incentives, and mechanisms which hold the most promise for practical and economically efficient deployment of DERs.** Hydro One strongly encourages the IESO and OEB to review incentives against common regulatory principles:

- A) Rate design – e.g. impact of incentives on participating customers as well as non-participating customers in the same rate class;
- B) Cost allocation – e.g. impact of incentives on non-participating customers in other rate classes;
- C) Intergenerational equity – e.g. impact of incentives on future ratepayers; and
- D) Economic externalities – e.g. societal benefits like decarbonization, economic growth.