

DER benefits and barriers

Pollution Probe's presentation for the OEB's
Utility Remuneration and Distributed Energy Resources Initiatives
EB-2018-0287/8

About Pollution Probe

- **Pollution Probe** is a national charitable organization that exists to improve the health and well-being of Canadians by advancing policy that achieves positive, tangible outcomes in favour of consumers and the environment
- **Pollution Probe** works collaboratively with energy consumers, industry, regulators and governments at all levels for creating balanced and practical solutions
- We support enhanced, cost-effective DER that enables the effective transition to a cleaner energy system and reflects consumer interests, and in promoting effective innovation
- Recent related work includes: Future of Natural Gas, Canada's Energy Transformation, helping communities for planning for EVs

What are DERs?

- These technologies are “distributed” in so far as they are not centralized; “energy” as they manage the availability of energy to locations. Some examples:
 - Distributed generation
 - Energy storage (including EVs)
 - Demand response
 - Energy efficiency
 - Microgrids
- All of these needed to be considered as “resources” when considering energy plans

(Emerging Energy Trends, 2016)

Objectives

- Pollution Probe generally supports the elements outlined in Attachment A:
 - Consumers must come first
 - Don't Lose Sight of Fundamental Regulatory Principles
 - Effective DER Integration is Critical
 - The Utility Business Model Needs to Evolve
 - Work to Support Sector Evolution Must be Co-ordinated
- Plus, Pollution Probe recommends additional objectives and suggestions to refine the objectives

Objective: Consumers and community

- The mission of the OEB is to “[promote] outcomes and innovation that deliver value for all Ontario energy consumers.”
- The focus for these proceedings need to be on what consumers want and where the needs are heading, and how to adapt
- *Enabling* consumers, not just protecting consumers, needs to be supported
- The role of community choice, and the rise of community energy plans, will greatly affect DER role out. It is imperative that the OEB align energy solutions to better serve consumer needs and integrate with community energy planning

Objective: Promote and integrate innovation

- Innovation is happening right now, yes by utilities but, even more importantly, by customers behind the meter
- In Pollution Probe-QUEST report for Natural Resources Canada (Canada's Energy Transformation, 2019), from 46 interviews across every jurisdiction there was general consensus that the regulatory system across Canada needed reform to encourage innovation.
- Remove inherent barriers at the utility and regulatory level. The Sandbox initiative is a good start, but more is needed.
- How to push innovation to ensure benefits to energy users with “market pull” (rates discussed later).
- Ensuring that utilities properly consider innovation? Requires a mix of carrots and sticks:
 - “DER first” could mandate adequately analyzed potential
 - Monitor performance through Rate Cases and/or Scorecard, Rewarding excellence

Issue: Breaking down silos in planning

Scenario A (current state)

- Little to no meaningful consultation with municipality or community
- Favours traditional deeply ingrained engineering solutions
- Lack of alignment with community energy plans
- Not consumer focused
- Siloed and not-transparent

Scenario B (future state)

- Cost-effective integrated resource supply planning (all fuel)
- Includes non-wire solutions (including DER, CDM, etc.)
- Integrates with community energy plans
- Provides cost-effective solutions that optimizes benefits to consumers
- Objective and transparent

Issue: Need for effective DER rates

- Mowat Centre's *Emerging Energy Trends and Distributed Energy Resources* reports illustrates need for a revised cost-benefit equation that comes out of a holistic and inclusive planning regime
- Move from a “policy-push” model to a “market-pull” model that allows for new entrants to propose beneficial projects
- Need a consistent formula across Ontario and clear information and data so that companies can develop projects
- We need to move to a more value-based tariff, that includes granularity based on regional/local conditions, but is still transparent and consistent across Ontario
- Value of DER formula, transparency and regime from New York can be used as an example

Comments on draft principles

Pollution Probe supports the draft principles in Attachment B, with the following suggestions:

Consumers

- The OEB's draft principle on consumers focuses entirely on efficiency and value, with the clear aim of ensuring consumer protection. What about what consumers options? Providing consumers with opportunities to participate is an integral part of the utilities' obligation

Regulatory simplicity

- Undue and unclear regulatory burdens of course need to be eliminated. But simplicity is not a virtue, efficiency is a virtue. The wording should be changed to reflect regulatory “efficiency and effectiveness” rather than just simplicity. This applies to LDC protocols as well.

Thank you

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