

# Parameters for an Outcomes-Focused Regulatory Process

Responding to DERs (EB-2018-0287)  
Utility Remuneration (EB-2018-0288)

Stakeholder Forum  
September 2019



# The Ontario Ethic

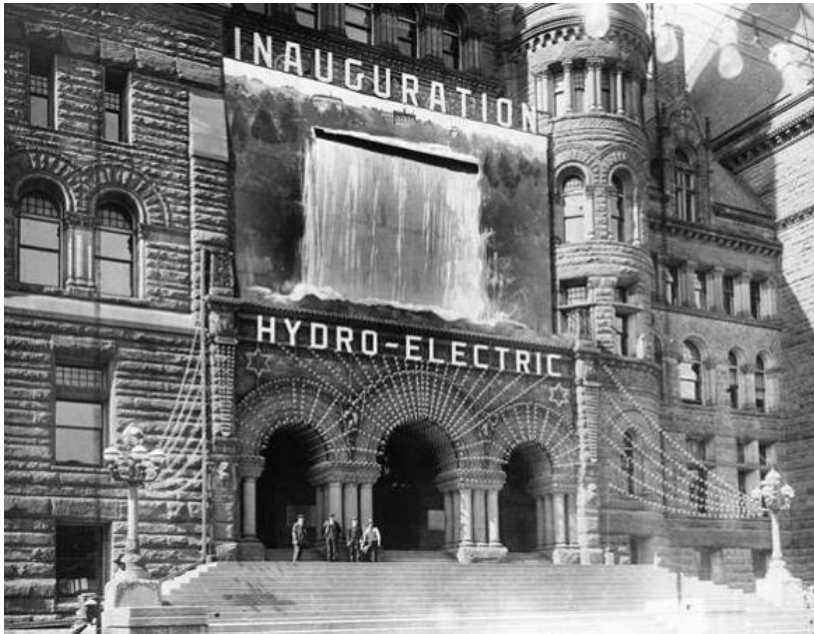


Build on the past. Prudent steps forward.

Socially progressive. Fiscally conservative.

An Ontario that is good for both for me and my neighbour.

# Regulation reflects the Ontario Ethic

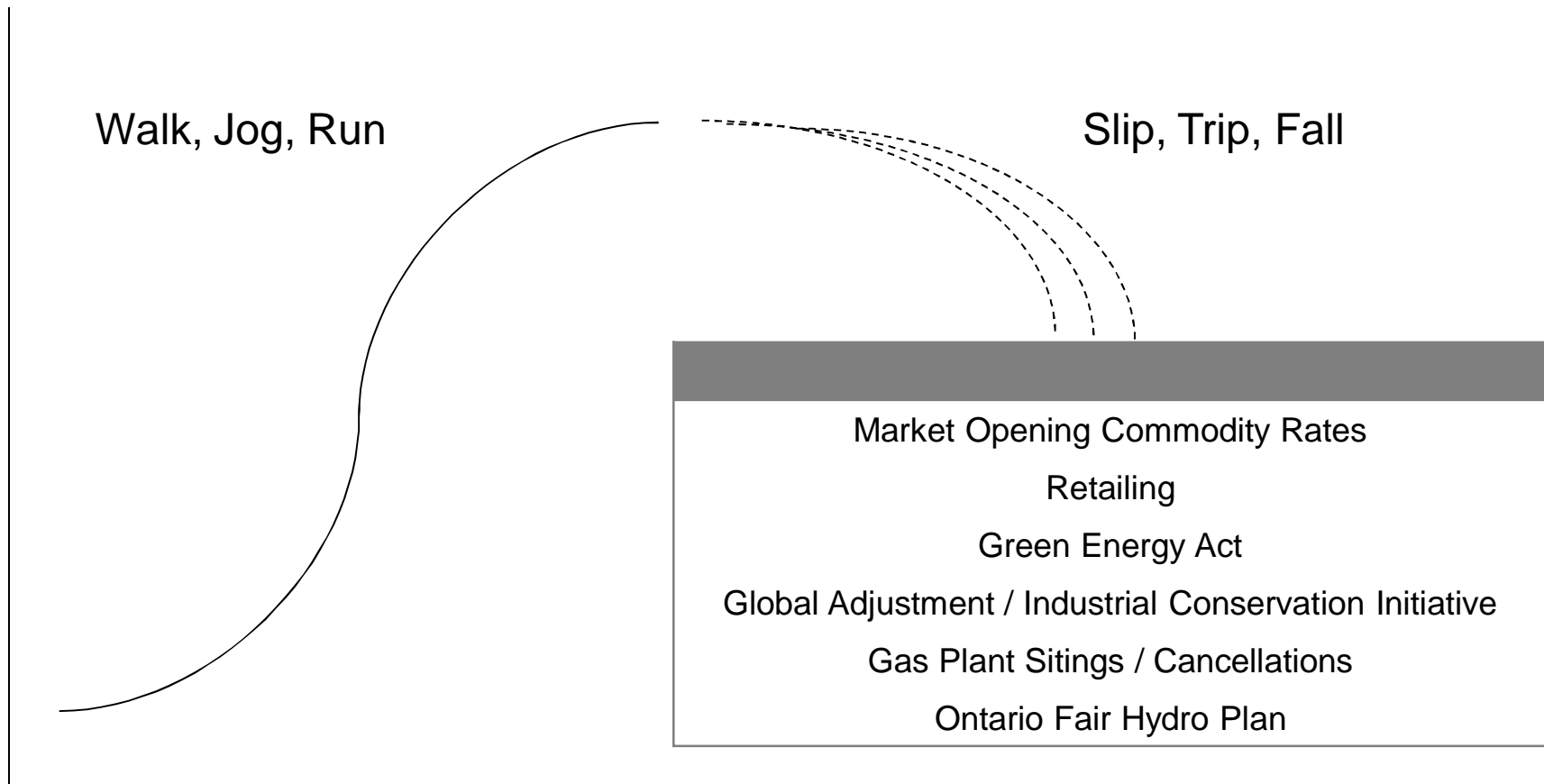


Public Ownership  
Public Procurement  
Public Interest Regulation

*It is just as true today as it was in the beginning.*

*When we forget, we fail.*

# Regulatory Process Matters



*Good Process Reduces Risk*

*Bad Process Increases Risk*

# To Regulate or to Forbear

Major Policy Initiative	Choice
Market Opening Commodity Rates	To not regulate rates
Retailing	To not regulate sales of electricity products
Green Energy Act	To not regulate siting; to not regulate rates
Global Adjustment / Industrial Conservation Initiative	To not regulate rates
Gas Plant Sitings / Cancellations	To not regulate siting; to not regulate contracts
Ontario Fair Hydro Plan	To not regulate rates

*Bearing the consequences of a precipitous fall*



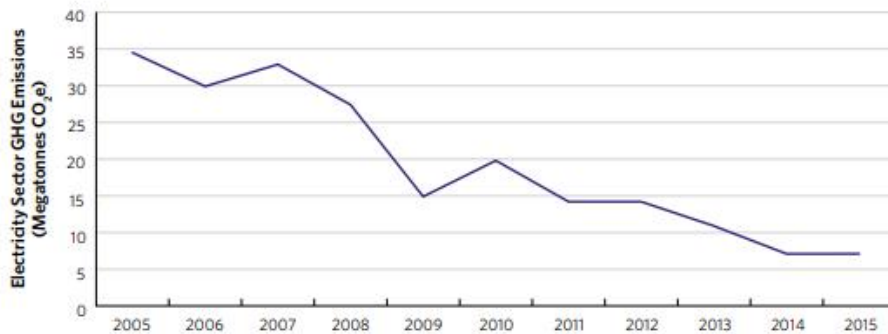
# Ontario's Strong Start for DERs

**Achievements** in Ontario are **aspirations** elsewhere.

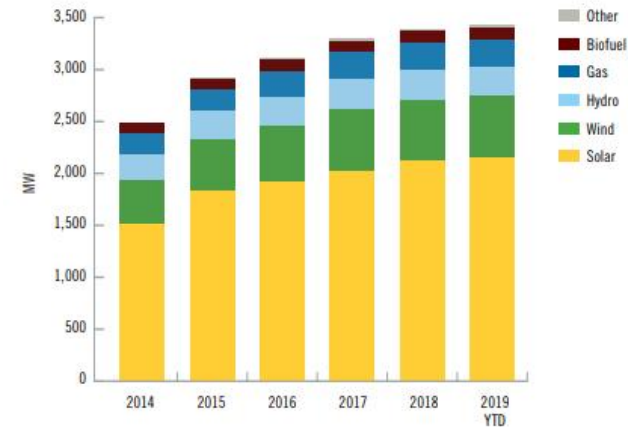
## Low GHG Emissions

## High Renewables Penetration

Figure 6: Electricity Sector GHG Emissions<sup>6</sup>



Contracted Embedded Generation Capacity in Commercial Operation



## High CDM attainment

Conservation Portfolio Progress – Results (as of 2019 Q1)<sup>3</sup>

Incremental Progress		2019 Q1 Incremental	2015-2019 Q1 Incremental	2020 Target Progress (%)
LDC & IESO Delivered CFF	Peak Demand Savings (MW)	6	765	-
	Energy Savings (GWh)	23	6,056	82
IESO Delivered IAP	Peak Demand Savings (MW)	1	117	-
	Energy Savings (GWh)	19	424	33
<b>Total Portfolio</b>	<b>Total Peak Demand Savings (MW)</b>	<b>7</b>	<b>882</b>	<b>-</b>
	<b>Total Energy Savings (GWh)</b>	<b>42</b>	<b>6,480</b>	<b>-</b>

Note: Totals may not align due to rounding.

Source: IESO



# Ontario's Strong Start for DERs

## Planning

DERs already considered

LONG TERM ENERGY PLANNING R	REGIONAL RESOURCE PLANNING R
DISTRIBUTION SYSTEM PLANNING R	PROJECT PLANNING R

*DERs are not new.  
We can build on our successes.*

## Projects

Cecil TS Local Demand Response

Eglinton Crosstown LRT ESS

Thousands of DGs behind the meter connected to the Grid



# Policies must serve the People

## Statutory Mandate\*

To inform consumers and protect their interests with respect to prices and the adequacy, reliability and quality of electricity service.

To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.

## Key Questions

How will customers who adopt DERs be protected re: Pricing, Adequacy, Reliability & Quality of Service?

How will customers who do not adopt DERs be protected re: Pricing, Adequacy, Reliability & Quality of Service?

How will the grid become more economically efficient and cost effective through the deployment of DERs?

What DER policies lead to stable, sustainable outcomes for customers?

\*Selections from OEB Act, 1998, s.1(1), pending proclamation



# Strong Basis for Remuneration

*“Under the regulatory compact, the regulated utilities are given exclusive rights to sell their services within a specific area at rates that will provide companies the opportunity to earn a fair return for their investors.*

*In return for this right of exclusivity, utilities assume a duty to adequately and reliably serve all customers in their determined territories, and are required to have their rates and certain operations regulated....*

*Therefore, when interpreting the broad powers of the Board, one cannot ignore this well-balanced regulatory arrangement which serves as a backdrop for contextual interpretation.*

*The object of the statutes is to protect both the customer and the investor.”*

*ATCO Gas and Pipelines v. Alberta, [2006] 1 S.C.R. 140 , para. 63*

# Policies must serve the People

*“First, in return for a monopoly franchise, utilities accepted an obligation to serve all comers.*

*Second, in return for to commit capital to the business, utilities were assured a fair opportunity to earn a reasonable return on that capital.”*

Charles F. Phillips *The Regulation of Public Utilities* (1993 Public Utilities Reports, Inc.), p. 21.

What will I pay?

What will my neighbour pay?



Will I have near perfect service?

Will you be there when I need you for years to come?

# Regulating in the Public Interest

## Prerequisite Decisions

To regulate or forbear?

What is the best regulatory mechanism  
(public ownership, public procurement, regulator)?

Which regulator will lead?

How to get and keep the right stakeholders engaged?

## Criteria

1. Reflect the Ontario Ethic
2. Be Evidence-Driven
3. Respect the Risk Tolerance of Ontarians
4. If a Solution is not Sustainable, it is not a Solution

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