

MEETING NOTE

NAME OF ORGANIZATION: Electricity Distributors Association (EDA)

DATE/TIME OF MEETING: Thursday, March 1, 2018

LOCATION OF MEETING: 900 Bay, 4th floor Hearst Block

ATTENDEES: **Ministry of Energy**
Chief of Staff, Mike Feenstra

EDA
Teresa Sarkesian, President and CEO

LAST MEETING: Deputy Minister Serge Imbrogno, met with the EDA on February 13th, 2018 .

ANTICIPATED AGENDA ITEMS:

1. LTEP Implementation Plans and the EDA's LTEP Submission
2. OEB Modernization Panel
3. Renewed Smart Grid FundConservation First Framework and GreenON Programs
4. Enhancements to Ontario's Net Metering Regulatory Framework
5. Renewable Distributed Generation Projects, including Virtual Net Metering Demonstration Projects

NOTES ON AGENDA ITEMS:

1. **LTEP Implementation Plans and the EDA's LTEP Submission**

Suggested Response:

- **Thank you for the EDA's LTEP submission on December 16, 2016. The recommendations put forward by all stakeholders and Ontarians were considered as part of the Ministry's development of the 2017 LTEP.**
- **On October 26, 2017, the Ministry of Energy released the 2017 Long-Term Energy Plan (LTEP), which sets out the direction for Ontario's energy future.**
- **As you know, the Ontario Energy Board (OEB) and Independent Electricity System Operator (IESO) have released their LTEP implementation plans. I**

would be keen to hear about the EDA's views on these plans.

This process including public consultations by the IESO in 2018 and the OEB in 2019. What issues do you intend to raise during these stakeholder activities?

Background:

- The Ministry released the 2017 LTEP, as well as implementation directives to the IESO and the OEB, on October 26, 2017.
- The IESO and OEB submitted individual implementation plans, based on the objectives contained in the implementation directives, to the Minister on January 31, 2018. These were approved and have been publicly released.
- The OEB has identified a number of work streams to address barriers to grid modernization and innovation, issues of particular interest to the EDA. As part of this work, the OEB has appointed an Advisory Committee on Innovation, which will help identify action items and regulatory priorities to be considered by the OEB that can encourage greater innovation by regulated utilities. Other work streams include:
 - “The Way Forward for Adaptive Regulation”, which will work to create regulatory incentives to ensure LDCs are investing in innovative solutions that make their systems more efficient, reliable and cost-effective, and provide more customer choice.
 - “Enabling Distributed Energy Resources,” which will identify regulatory reforms needed to facilitate DER adoption in a manner that enhances value to consumers and the system; and,
 - “Encouraging Innovation,” which will aim to develop a formal mechanism for identifying and addressing barriers to innovative activities.
- The OEB's Implementation Plan is also responsive to the LTEP Directive that the OEB seek new and enhanced opportunities to drive efficiency and accountability within LDCs.
- The IESO has also identified three work streams to promote innovation in Ontario's energy sector. They include:
 - Develop a program to support a select number of innovative renewable distributed generation demonstration projects in order to gain direct experience with integration of distributed energy resources, refine methodologies for assessing value streams, and to inform the evolution of grid systems, processes, and practices;

- Identify potential obstacles to fair competition for energy storage with other technologies in the delivery of services and, where appropriate, propose mitigation strategies; and,
- Identify options for pilot projects that evaluate the electricity system benefits, costs and greenhouse gas emission reductions of using electricity to create hydrogen.
- In its submission to the Ministry, the EDA provided 29 recommendations under 4 categories which the EDA suggest should be key focus areas for the 2017 LTEP:
 - Expanding conservation and integrating climate change:
 - 14 recommendations which center on reaffirming the government's commitment to 'Conservation First', extending and expanding the current conservation framework and removing barriers to enable LDCs to further rollout programs, particularly to residential customers.
 - Pursuing further efficiencies and savings:
 - 9 recommendations which center on moving costs to deliver the Rural or Remote Rate Program (RRRP) to the tax base, reducing the regulatory burden imposed by the OEB and allowing LDCs to perform the exclusive functions of the Meter Data and Management Repository (MDM/R) at a lower cost.
 - Supporting partnerships:
 - 4 recommendations which center on extending incentives and removing barriers to encouraging consolidation, mergers and partnerships, including private investment, among LDCs.
 - Driving innovation:
 - 2 recommendations which center on ensuring that LDCs are integrally involved in electrification initiatives and the integration of distributed generation across the province.

2. OEB Modernization Panel

- The EDA met with Panel Chair Richard Dicerri on January 18th. The EDA will wish to continue to engage with the Panel

Suggested Response:

- **Thank you for meeting with Richard early in the process. I know the EDA's input will be critical to inform the views of the Panel.**

- **As you are aware, the Panel is targeting an early March public launch, complete with details on how to engage formally. The EDA will be given the opportunity to present to the full Panel.**

Background:

- EDA CEO Teresa Sarkesian, Chair Vinay Sharma, and Vice Chair Brian Wilkie presented on behalf of the EDA.
- The EDA presented early thoughts on challenges facing Ontario's electricity sector and potential areas of focus for the Panel. Topics included:
 - Need to align OEB mandate with available resources and appropriate regulatory framework
 - Opportunities for LDCs within disruptive technologies and business models.
 - Improvements to rate-setting processes to address inconsistencies in rules and sector uncertainty.
 - Roles of OEB staff and intervenors within hearings
 - OEB bench-marking, including application timelines and evidentiary criteria.
- These areas align with the seven areas Chair Dicerni has identified for Panel review:
 - OEB Mandate
 - Governance Framework
 - Relationship to Government
 - Relationship to Stakeholders
 - Innovation and Disruption
 - Regulatory Excellence and Bench-marking
 - Resourcing
- The project plan calls for an early March call for written submissions (to be due by early May). During the same period the Panel will meet with stakeholders across the Province to gather input.

3. Renewed Smart Grid Fund

Suggested Response:

- **I know your members have been active participants in the Smart Grid Fund (SGF). LDCs have been important to the success of SGF projects.**

- In the LTEP, the Ministry announced a renewed SGF to meet the need for continued investment in cost-effective smart grid deployment and address non-regulatory barriers to smart grid integration.
- The Ministry will announce a new call for applications as the first phase of the 4th round of SGF funding in the coming days, which will support shovel-ready technologies that promote the digitization of Ontario's distribution grids.
- I am pleased that this call will provide support for LDC deployment of maturing, grid modernizing technologies.
- We will also launch a Phase 2 of the renewed SGF in April 2018. This call will be broader in scope with the aim of advancing grid modernization.

Background:

- This call for applications is the first phase of the 4th round of SGF funding, and will support shovel-ready technologies that promote the digitization of Ontario's distribution grids. Phase 2 of Round 4 will launch in April, giving eligible applicants more time to complete their applications.
- The call in March will support two types of projects: demonstration projects by organizations that seek to commercialize new and innovative smart grid technologies, and deployment projects that help Ontario's utilities to acquire and install grid modernizing solutions. Only LDCs will be able to apply for deployment funding.
- The goals of the renewed SGF include:
 - Address barriers to grid modernization through targeted funding for LDCs that will help address barriers to grid modernization in Ontario, and reduce risk and uncertainty in smart grid deployments;
 - Advancing Ontario's innovation economy through open and targeted calls for technology demonstrations that will create jobs and economic development opportunities for innovators with an Ontario presence that are seeking to commercialize and export smart grid technologies; and,
 - Positioning Ontario at the forefront of smart grid through supporting the demonstration of the innovative utility business models, emerging smart grid technologies, and other initiatives that both respond to changes in the sector and have the potential for generating value for Ontario's utilities and ratepayers.

- The Smart Grid Fund was launched in 2011 to support innovation in Ontario's energy sector. Through three successive calls for applications, the Smart Grid Fund has supported 37 projects, directly created nearly 800 jobs, and led to nearly \$200 million in total sector investments in grid modernizing technologies.

4. Conservation First Framework (CFF) and GreenON Programs

The EDA may provide views on the experiences and role of LDCs in delivering conservation programming under the CFF, as well as opportunities for LDCs for new GreenON programs and post-2020. The EDA is a member of the IESO's CFF and Industrial Accelerator Program (IAP) Mid-Term Review Advisory Group.

Suggested Response:

- **The ministry is pleased at the progress the LDCs are making to achieving electricity savings targets under the CFF, and their overall commitment to conservation programming.**
- **The IESO is nearing completion of the formal CFF and IAP Mid Term Review. We are pleased to know that the EDA has been an active member of the MTR Advisory Group, and we look forward to the review outcomes. Are there particular opportunities at the MTR that the EDA would like to share?**
- **As identified in the 2017 LTEP, ENERGY staff are working with MOECC, IESO and the Green Ontario Fund to explore how to further integrate conservation and low-carbon technology programs for both electricity and fuels. Has the EDA brought forward partnership opportunities to the IESO, MOECC and/ or the Green Ontario Fund for consideration?**

Background:

- The 2015 to 2020 CFF has given the flexibility to distributors to design and deliver local and regional Conservation and Demand Management (CDM) programs that meet their customer needs.
- Recognizing the opportunity to improve the availability of programs for customers, on December 16, 2016 the Minister of Energy issued direction to the IESO to require province-wide CDM programs to be delivered in each distributor service area.
- To date, LDCs have achieved more than half of the 7 TWh CFF energy-saving target, and the CFF is on track to exceed the target by 12% (based on IESO forecasts included in Q4 2017 results).
- The IESO is also a partner in the delivery of certain Green Ontario Fund programs to help promote an efficient and customer-focused approach and minimize duplication with existing programs.

Mid-Term Review

- The IESO was directed to work with distributors to complete a formal Mid-Term Review of the 2015-2020 CFF by June 1, 2018 (March 31, 2014 Minister's direction to Ontario Power Authority, now IESO).
- In November 2016, the IESO commenced the MTR, which is focusing on: conservation targets/budgets, lessons learned on LDC funding models, customer needs, conservation integration with regional planning, CFF alignment with Climate Change Action Plan (CCAP) initiatives and post-2020 approaches to energy efficiency.
 - A comprehensive engagement strategy ensures LDCs, customers, channel partners, consumer groups, associations, and other interested parties have given opportunities to all stakeholders to provide feedback on framework successes and challenges.
 - On January 30, 2018, the IESO held a public webinar on draft opportunities identified through the MTR. Public written comments were due February 13.
 - The IESO plans to conclude the MTR on March 31, 2018, and to submit its final MTR recommendations report to the Minister of Energy by June 1, 2018.
- As one input to the MTR, a conservation achievable potential study (APS) must be completed every three years. An achievable potential study is a quantitative analysis of how much energy can be saved through the implementation of energy efficiency measures within a given geographical area.
 - The IESO's APS for electricity conservation was released on June 30, 2016, identifying that a potential of 7.4 TWh of savings by 2020 was achievable within the existing budget of the CFF (this included savings from behind the meter generation – primarily Combined Heat and Power – for which applications will no longer be accepted starting July 1, 2017).
- Going forward, the IESO and the Ontario Energy Board (OEB) are planning to conduct an integrated electricity and natural gas conservation APS to be completed by June 2019, to identify and quantify energy savings (electricity and natural gas), GHG emission reductions and associated costs from demand side resources for the period from 2019-2038.
 - An APS Advisory Group is being established. It will consist of at least 12 members, including LDCs, natural gas utilities, consumers and/or associations, consultants, service providers/delivery agents. The Ministry of Energy will be an observer to the Advisory Group.

Integration of existing conservation programs and new GreenON programs

- On February 13, 2017, the Minister of Energy wrote a letter to IESO requesting that the IESO support the implementation and early adoption of Green Ontario Fund services.
- On August 4, 2017, the Minister of Energy issued an amending direction to the March 31, 2014 Minister's direction establishing the CFF to enable IESO to enter into an agreement with MOECC or the Green Ontario Fund to support the design and delivery of GreenON programs.
- The Green Ontario Fund, GreenON.ca website and GreenON Installations Program were launched on August 30, 2017.
- Residential GreenON programs launched and supported by the IESO include:
 - GreenON Installations (free smart thermostat installation and home energy review) – currently closed and may reopen later in 2018)
 - GreenON Home Energy Expert
 - CFF-GreenON Province-Wide Smart Thermostat \$100 Rebate
 - GreenON (low-carbon technology) Rebates
- GreenON has also launched GreenON Industries for large emitters (this program delivered by the Ontario Centres of Excellence).
- Other proposed offerings include: low-carbon technology incentives for multi-unit residential buildings, as well as for small and medium sized commercial businesses; a direct install program for small and medium sized businesses; and programs targeting on-reserve Indigenous customers and low-income customers.

5. Enhancement to Ontario's Net Metering Regulatory Framework

- 1. EDA has been supportive of the Ministry of Energy's proposed changes to Ontario's net metering regulatory framework**
- 2. EDA provided feedback on proposed changes to the net metering regulatory framework posted on the Environmental and Regulatory Registries.**

Suggested Response:

- I would like to thank the EDA for the feedback provided on the Ministry's regulatory postings.
- Feedback received through comments to the regulatory postings is being considered as the Ministry works to prepare the proposed regulatory updates.
- Pending the Government's approval, the Ministry anticipates having the updates in place in 2018.

- The OEB, as part of its process to assess the need for code changes and any other actions to support implementation and compliance of the new and amended regulation, would consult with distributors.

Background:

- The 2017 LTEP, released October 26, 2017, committed to developing and proposing legislative and regulatory amendments to:
 - 1) Enable third-party ownership (TPO) of net-metered renewable generation facilities while ensuring appropriate consumer protection measures are in place; and
 - 2) Provide flexibility for distributors to enable virtual net metering (VNM) demonstration projects, via participation in a program to be administered by the Independent Electricity System Operator (IESO).
- Legislative amendments to the *Ontario Energy Board Act, 1998*, required to expand the scope of eligible net metering ownership models, were approved by Cabinet October 4, 2017, tabled on November 14, 2017 through Bill 177, *Stronger, Fairer Ontario Act (Budget Measures), 2017*, and were passed December 14, 2017.
- On November 28, 2017, ENERGY posted three regulatory proposals related to the 2017 LTEP commitments on the ER/RR. The postings were open for public comment for a 50-day period ending January 18, 2018. They are as follows:
 - Proposed Amendment of Ontario Regulation 541/05: Net Metering, or a new Regulation (To Be Determined), to be made under the Ontario Energy Board Act, 1998 to make TPO and VNM demonstration projects eligible for net metering.
 - Proposed Amendment of Ontario Regulation 389/10: (General), to be made under the Energy Consumer Protection Act, 2010, to introduce new and enhanced consumer protections that would support the introduction of third-party ownership arrangements under Ontario's net metering framework.
 - Proposed New Regulation to be made under the Electricity Act, 1998, to ensure that prescribed types of renewable energy generation facilities are sited appropriately.
- ENERGY received a total 45 stakeholder comments and submissions on the regulatory proposals, including 20 responses from industry businesses, 9 responses from industry associations (including two associations representing distributors), 5 from distributors, 4 from municipalities, 4 from individuals and one

from an NGO.

- The EDA's feedback on ENERGY's regulatory proposals was overall supportive, but expressed the need for clarity around sharing of customer information with third parties, obligations for distributors to comply with siting requirements, ability to use charges to recover costs to administer the new requirements, what customer protections would exist if third-parties cancel contracts and what would be the process for dispute resolution related to the siting restrictions. The EDA also suggested that distributors should be eligible to act as third parties and encourage the use of standardized forms and guidance materials to support the changes.

6. Renewable Distributed Generation Projects, including Virtual Net Metering Demonstration Projects

- **EDA has been supportive of the Ministry of Energy's commitment to support innovative renewable distributed generation demonstration projects.**
- **EDA will engage the IESO on the development of the innovative renewable distributed generation program, which will include support virtual net metering demonstration projects.**

Suggested Response:

- I am pleased the EDA is supportive of the Ministry's approach of exploring virtual net metering and other innovative renewable distributed generation projects through demonstration projects.
- The IESO recently released their LTEP Implementation Plan with timelines for when it will engage stakeholders on the development of the program and a first call for virtual net metering demonstration projects.
- What level of interest has the EDA seen from its member distributors to participate in demonstration projects and what learnings are of interest?
- I encourage the EDA and its members with interest in VNM demonstration projects to engage the IESO on the development and design of the program.

Background:

- The 2017 LTEP committed to proposing legislative and regulatory changes that would enable the deployment VNM demonstration projects. The current regulatory proposal would provide distributors with the flexibility to facilitate VNM arrangements for demonstration projects participating in a prescribed program.

- The EDA’s feedback on ENERGY’s regulatory proposals as it related to VNM demonstration projects was overall supportive. They encouraged ENERGY and IESO to engage distributors, provide flexibility for distributors to be innovative and align projects with overall distributed energy resource objectives, and to ensure VNM projects adhere to consumer protections. They also suggested a number of learning areas, such as delivery costs, regulatory requirements, impacts on distribution systems and interconnections.
- The IESO LTEP Implementation Directive instructed the IESO to: *“develop a program to support a select number of innovative renewable distributed generation demonstration projects, strategically located and paired with other distributed energy resources and smart grid technologies, as well as virtual net metering demonstration projects. The program shall be administered by the IESO, and will inform future grid modernization and net metering policies, support grid interoperability and be aligned with market renewal.”*
- Timelines regarding engagement, program development, and launch are communicated in the IESO’s LTEP Implementation Plan, which was released last week (February 22). Milestones indicated by the IESO for the development of the Renewable DG Demonstration Program include:
 - Q1 2018: Stakeholder engagement and introduce the first call for VNM
 - Q2 2018: Draft project documents for VNM posted
 - Q3 2018: Final VNM documents released
 - Q3-Q4 2018: VNM proposal submissions received