

**Ministry of Energy**

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Mr. Brian Bentz  
President and CEO  
Alectra Inc.  
2185 Derry Road West  
Mississauga ON L5N 7A6

Dear Mr. Bentz:

Thank you for your thoughtful submission regarding the development of an integrated regulatory framework addressing Distributed Energy Resources (DERs).

I am pleased to hear that Alectra's customers are seeking out integrated energy solutions, including DERs, to meet their unique needs. As you know, these resources can bring significant benefits for customers, utilities, and the system as a whole if implemented appropriately and cost effectively.

I am even more pleased to know that Alectra is actively tackling how it will expand its business and capabilities to meet customers' changing needs as they evolve. Government policy and regulation is integral to encouraging and mandating direction within the energy sector, but, without forward thinking sector participants like Alectra, our government's vision would remain unfulfilled. Alectra is at the forefront of efforts to integrate innovation into its core business and grid management, and has been an excellent leader and partner on several cutting edge grid modernization demonstration projects. The Ministry of Energy looks forward to working closely with Alectra and other utilities, the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB) to chart an intelligent path forward to help utilities and our grid adapt to these changing circumstances.

In your letter, you identified a number of ongoing government initiatives that either directly or indirectly consider the opportunity for DERs in Ontario, including: net metering regulatory reform, regional planning and the IESO's Market Renewal project. You have also identified a number of existing pieces of the regulatory framework which impact the deployment of DERs in Ontario and how these might be modified to better enable that deployment.

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The ministry is keenly interested in understanding any factors that dampen the effectiveness of government policy in this area. An important focus of the LTEP will be to explore the barriers you outlined more fully, in order to inform ongoing and future policy and regulatory initiatives. I hope Alectra will be a partner in these explorations to help ensure that robust and sustainable solutions to regulatory barriers are implemented.

The optimization of distributed energy resources, both from a grid and business perspective, depends on the appropriate mix of intelligent control systems that can effectively integrate new technologies with traditional distribution assets. The ministry supports these efforts and plans to use the LTEP to create the right environment for utilities to pursue business and system modernization where it results in greater efficiency, reduces costs, and provides customers with more choice.

These barriers include, among others, the 'diffuse benefits' issue. POWER.HOUSE is just one example of how LDCs can use innovative approaches and business models to address this issue, partnering with their customers to promote customer choice and efficient grid operations. The LTEP explores additional ways to address diffuse benefits as part of a broader effort that will encourage a collaborative regulatory process, encourage new business models, and support innovative solutions that has impacts that extend beyond Alectra's service territory.

Energy storage is one of those innovative solutions with significant promise for Alectra and your customers. To understand this opportunity, the ministry recently commissioned a study by Essex Energy to examine the value of energy storage at the distribution level. That report – which we expect to release in the coming weeks – highlights the number of direct and indirect benefits that energy storage can provide for distribution networks, and the strong business case for our commercial and industrial customers to incorporate storage behind-the-meter. The report also concludes that the application of Global Adjustment (GA) to energy storage facilities as the primary barrier to deploying energy storage at low voltages. That is why I recently announced that the government regulations that govern GA will be amended to recognize the full value of energy storage. The LTEP builds on this direction by seeking to address other market barriers that inhibit energy storage projects from competing equitably with other technologies.

The ministry is also focused on addressing the cultural and technological barriers to innovation, and is seeking to renew and enhance the Smart Grid Fund so it can target these barriers by supporting LDCs and the industry in new ways. More generally, the LTEP articulates that LDCs should explore innovative partnerships to drive greater efficiencies and productivity improvements in their businesses – this could include the use of DERs. The ministry will also encourage the OEB to ensure its regulatory processes are streamlined to help LDCs realize this future.

In addressing barriers to DER deployment and accommodating other emerging energy technologies, the ministry is also focused on ensuring that system needs are met at a low cost to ratepayers. This balance is critical to the sustainability of the electricity system and one we are committed to achieving. This will mean encouraging competition amongst technologies and solutions to changing system needs, and fostering an environment in which all options can fairly participate based on their capabilities and merits.

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I join you in your enthusiasm for the part that DERs can play in achieving this balance and continue to welcome Alectra's contributions to building the framework that will support its realization.

Thank you again for writing and please accept my best wishes.

Sincerely,

Glenn Thibeault  
Minister