

**Canadian Manufacturers and Exporters (CME) Submission
EB-2021-0118**

Framework for Energy Innovation: Distributed Resources and Utility Incentives (FEI)

The OEB is moving forward with the consultation on Utilities Remuneration and Distributed Energy Resources (DER) Integration and under a new file number and name: EB-2021-0118 *Framework for Energy Innovation: Distributed Resources and Utility Incentives (FEI)*. CME believes the cost of doing business in Ontario must be reduced and CME has identified how energy policy can contribute through the following principles:

- Energy costs must be affordable, reliable, transparent, and sustainable so that industry can become more competitive.
- Energy policies must be informed by evidence-based research as well as data, analysis, and comparative case studies.
- Energy policies must be market-based and driven by the need to attract new investment, jobs, and new growth.
- Unnecessary red tape and regulations should be eliminated.
- Policy recommendations should be adopted only if the full extent of their economic and competitiveness impacts are clearly understood and taken into account.

The OEB has outlined two workstreams of near-term priorities to be addressed by a Working Group:

1. **Workstream # 1 - DER Usage:** This workstream is intended to investigate and support utilities' use of DERs they do not own as alternatives to traditional wires solutions to meet distribution needs. This includes defining an approach to measuring benefits of certain DER use cases relative to costs, something we've identified as critical.
2. **Workstream # 2 - DER Integration:** This workstream is intended to ensure that utilities' planning is appropriately informed by DER penetration and forecasts.

In response to the February 3rd meeting, CME offered several recommendations on outstanding issues and what priorities this OEB consultations should be focused on going forward. We are pleased to see that these workstreams touch on some of these recommendations, as they must be addressed before other broader questions can be answered.

However, the OEB should clarify certain aspects of these priorities to ensure they are being carried out appropriately and will achieve the needed results. As such CME provides two recommendations:

1. Ensure that total system costs and benefits are being considered when defining an approach to measure benefits of DER use cases; and
2. Conduct a sensitivity analysis on how the benefits of the Industrial Conservation Initiative (ICI) may impact DER adoption.

Recommendation #1: Ensure that total system costs and benefits are being considered when defining an approach to measure benefits of DER use cases

Within the first workstream, OEB has outlined the need to develop a number of high-value DER use cases and define an approach to measure the benefits of these use cases relative to traditional distribution investments. CME supports this notion as we have continuously noted in previous

recommendations that resolving the value proposition requires a proper Cost-Benefit Analysis (CBA) of DER.

While the OEB states that it will “define an approach to measure the benefits of these DER use cases relative to costs and assess the value of DERs relative to traditional distribution investments”, it does not differentiate whether this will be from a customer, utility, or system perspective. We must stress that any useful CBA must be done from a system perspective as opposed to the customer perspective taken in the ICF study.

We recommend that the development of a CBA be prioritized within the workstream.

Recommendation #2: Conduct a sensitivity analysis on how the benefits of the Industrial Conservation Initiative (ICI) may impact DER adoption

CME supports the second workstream activities that would encompass appropriately informing utilities’ planning through DER forecasts. As we have noted in previous recommendations¹, the majority of DER adoption in the province is being driven by the generous incentives provided within the ICI program and these outcomes are not helping to reduce total system costs to ratepayers. DER penetration and forecasts should be informed by how adoption could change if the particulars of the Industrial Conservation Initiative (ICI) evolved, were modified, or, as a bounding scenario, even removed.

What is not clear is how DER adoption will change absent the current ICI program conditions. This is the test of value that DER provides to the system. Appropriate utilities planning would consider these scenarios potentially through a sensitivity analysis to potential changes to the program.

About Canadian Manufacturers & Exporters (CME)

Since 1871, CME has been fighting for the future of Canada’s manufacturing and exporting communities and helping them grow. The association directly represents more than 2,500 leading companies nationwide. More than 85 per cent of CME’s members are small and medium-sized enterprises. As Canada’s leading business network, CME, through various initiatives including the establishment of the Canadian Manufacturing Coalition, touches more than 100,000 companies from coast to coast, engaged in manufacturing, global business and service-related industries. CME’s membership network accounts for an estimated 82 per cent of total manufacturing production and 90 per cent of Canada’s exports.

¹ CME Utilities Remuneration and Distributed Energy Resources (DER) Integration Submission, February 19,2021.