



PUBLIC INTEREST ADVOCACY CENTRE  
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

**Essex Powerlines Corporation (“EPLC”) Cost of Service  
Application for 2025 Electricity Distribution Rates  
PowerShare Distribution System Operator Capital Additions  
EB-2024-0022 / EB-2024-0096**

Submission of the  
Vulnerable Energy Consumers Coalition  
(VECC)

November 1, 2024

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**Vulnerable Energy Consumers Coalition**

**Public Interest Advocacy Centre**  
613-562-4002  
[piac@piac.ca](mailto:piac@piac.ca)

## Submissions

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1. Essex Powerline Corporation (EPLC or Essex Powerlines), in conjunction with a number of partners including Utilismart and Essex Energy Corp, an affiliate of ELPC and the IESO's Grid Innovation Fund (GIF) developed a pilot program called the PowerShare DSO.<sup>1</sup> The Pilot program costs were subject to the application EB-2024-0096 which requested a new deferral account for a portion of the anticipated costs. The Board issued a decision with respect to the application of that new deferral account on August 29, 2024. The Board approved a limited form of that account placing a cap on the costs to be recorded at \$350,000 (a reduction from the amount sought of \$554,525).
2. The matter before the Board in this case is with respect what if any amount of funds others than those captured in the deferral account should be recovered from ratepayers. The total estimated cost to Essex Powerlines' customers for the PowerShare pilot project is \$1.134 million inclusive of the amounts estimated to be included the deferral account. The capital costs net of GIF funding for the 2023 to 2029 period are shown below.<sup>2</sup>

Table 2- 26: Detailed Project Budget Reconciled

2023	2024	2025	2026	2027	2028	2029
150,943	371,654	150,304	153,310	156,377	159,504	162,694

3. In 2025 GIF funding provides an incremental 50% of the costs for a total capital spending in 2025 on this program of \$300,608.
4. The amount in question is relatively (153k) is immaterial in relation to the \$9.8 million approved for Essex Powerlines' 2025 capital budget. On that basis it might be tempting for the Board to simply approve the request. However, while not technically binding on post 2025 spending on the DSO, the decision will necessarily be read as to the reasonability of including all DSO spending in rate base in the next cost of service application.
5. In its decision with respect to the deferral account the Board noted “[U]nder section 1 of the OEB Act, one of the objectives that guide the OEB in carrying out its responsibilities in relation to electricity is to “facilitate innovation in the electricity sector”. Another of the objectives set out in section 1 is that the OEB is to protect the interests of consumers “with respect to prices and the adequacy, reliability and quality of electricity services “. It can certainly be argued that the proposed DSO is “innovative.” And VECC is not arguing that the IESO GIF funds un inventive ideas. Whether the project will have any bearing of the adequacy, reliability or quality of electricity for Essex Powerlines ratepayers is a separate and debatable question. Whether it provides a cost effective solution to capacity issues is also in question. Certainly, no evidence to that effect has been provided. The Board noted as much in the same decision. “Essex Powerlines has provided general, qualitative but not

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<sup>1</sup> DSO meaning the Distribution System Operator.

<sup>2</sup> 2-SEC-24

*quantitative, evidence of value to Essex Powerlines, and potential benefits to its ratepayers, associated with a pilot project of this nature.”*<sup>3</sup> VECC set out in its DVA argument the limited evidence with respect to the measurable benefits of this pilot.<sup>4</sup>

6. In today’s environment of energy challenges, it is tempting to continually reference to the objectives section of the *Ontario Energy Board Act* in justifying decisions. This opens up interesting topics of social policy to consider and departs from the more linear, and more mundane art of economic regulation. We think it important however, to stay cognizant of the fact that fundamentally the OEB’s regulation is concerned with setting “just and reasonable” rates – a term used more than 30 times in the *OEB Act*. The question here is it reasonable to ask the EPLC’s ratepayers to pay for the DSO project?
7. In our argument with respect to the DSO deferral account we made a number of submissions on why it is not reasonable for customers to pay for this experiment. We will not repeat in detail all those arguments as our position has not changed and nor has the Applicant’s evidence (or lack thereof) on the matter. We submit that ratepayers should not be paying any amounts for this project.
8. We purposely use the word “pay” since one of the concerns we, and repeat here, is that it remains unclear who are the ultimate the beneficiaries of this project. As we have noted there are a number of partners in this enterprise and the technologies being developed are, by admission of the Applicant for the broader purpose of developing dispatchable local energy markets which may, or may not, alleviate in some way distribution system capital investments. That is, while EPLC’s ratepayers may not see any net benefit with respect to the prices they pay for delivered power other investors in this project may reap some benefit.
9. The argument against ratepayer support of this project is that there is no evidence, no cost-benefit analysis, no study whatsoever, which would allow one to ascertain the benefit to customers. As we pointed out in our deferral argument EPLC has in fact avoided making the claim that the project provides any net financial benefit to its ratepayers. This is an experiment. It may produce an outcome of some value. That value may be reaped by other adopters, even ratepayers of other utilities, from the technologies being developed. What seems clear to us though is that Essex Powerlines’ ratepayers will pay more than they will get in benefits. Why they should subsidize other private investors or even other provincial ratepayers is unclear and unexplained by the Applicant.
10. Either one holds to financial and economic test in determining reasonability or one strays into the social policy. Perhaps it is a good thing to develop distribution local power solutions in an effort to minimize electricity infrastructure. Or alternatively,, perhaps it is economic folly to delay inevitable infrastructure investments driven the greater demands of “energy

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<sup>3</sup> Decision and Order, EB-2024-0096/EB-2024-0022, August 29, 2024, page 11

<sup>4</sup> VECC PowerShare Deferral and Variance Account, EB-2024-0022/0096, July 25, 2024, page 7

transition” demands. Whatever the case it is not clear why the particular ratepayers of EPLC have been chosen to fund this experiment especially given they have no stake in the intellectual or other derivative value that might accrue should the DSO pilot have future applicability.

11. EPLC makes the claim that the Pilot is “locally supported” but we can find no evidence that supports that assertion<sup>5</sup>. In fact, contrary to Board filing directions, EPLC did not explicitly seek customer input as to the merit of the DSO initiative.<sup>6</sup> Specially customers were not asked what they thought of funding a project which would leave them financially worse off and which, if success were had, they would be excluded from benefiting in the rewards. That seems neither just or reasonable to us.
12. In their argument-in-chief EPLC “*cautions the OEB*” that reducing the requested amount will result in EPLC foregoing the matching 50% contribution from the GIF<sup>7</sup>. This is not true. EPLC would only forgo matching amounts if its shareholder is not willing to make its contribution. There is no evidence, and no reason to believe that the IESO’s matching funding is contingent on only ratepayers contributing to the project. The Utility’s resistance to putting shareholder money on the table should cause pause. If the project has potential for franchises other than Essex than shareholders have a potential to reap dividends.
13. In sum this project promises no specific benefits to Essex Powerlines’ ratepayers. If it does succeed as a monetizable technology there are no guarantees that ratepayers would see that benefit. Even if succeeds only within Essex franchise, EPLC has no forecast for it producing any measurable financial benefit to ratepayers.
14. In our argument on the associated deferral account, we recognized that the Board may wish to provide some flexibility to utilities who wish to invest in speculative technologies. If that is the case we suggest a 50/50 sharing of the costs as between the shareholder and ratepayer. The implication of this would be that the Utility upon rebasing only be allowed to include 50% of its net costs depreciated investment in rate base. This is an imperfect solution but it would lower the risk and cost to ratepayers and has the ancillary benefit of motivating the Utility to spend the DSO monies wisely within budget.
15. VECC submits that it has acted responsibly and efficiently during the course of this proceeding and requests that it be allowed to recover 100% of its reasonably incurred costs.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED**

**November 1, 2024**

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<sup>5</sup> EPLC Argument-in-Chief, page 2

<sup>6</sup> 1-Staff-3, responses b) and c).

<sup>7</sup> EPLC Argument-in-Chief pages 1 & 2