PWU Submission on Proposed Amendments to the Distribution System Code (DSC) to enable Flexible Hosting Capacity arrangements - Board File No.: EB-2019-0207

February 13, 2024

The PWU is pleased to provide feedback on the Ontario Energy Board's (OEB) proposed amendment to the DSC. The proposed amendment is intended to enable electricity distributors to offer flexible hosting capacity arrangements to help facilitate the connection of distributed energy resources (DERs) that in aggregate could exceed feeder and/or substation capacity. This proposal reflects the efforts of the DER Connections Working Group.

The PWU agrees in principle with the intent of the amendment to provide distributors with the capability to control any third party DERs that may be connected to what would otherwise be restricted feeders in order to "*to optimize the capacity available on the distribution system*". This is especially in consideration of DERs that "*may not be generating at full capacity all the time, or often enough, to make effective use of the distribution capacity already allocated ...*" and or *" … may be operating very few times in a year however, the capacity is allocated to a customer for the entire year*."

The PWU does not accept the OEB's foundational objectives justifying this change:

- "*arrangements will support options for consumers by facilitating greater DER adoption*";
- "*allow more DER connections that are not normally possible within the feeder and/or substation technical capacity limits of the distributor's distribution system*";
- "*the proposed amendments will …. assist in accommodating additional DER facilities*"; and,
- *" these amendments will provide customers with greater opportunities to take advantage of DERs."*

It should not be an objective of the OEB to promote DER adoption as stated in the OEB's Draft BCA framework (EB-2023-0125).[1] The draft BCA framework states that "*A distributor would only pursue* Non-Wires Solutions (*NWS) options where distribution service costs decline or are justified by improvements to distribution service that is provided to customers*."

**The PWU recommends:** conducting a benefits-cost assessment before making the DSC amendments to quantitatively establish how positive net benefits will accrue to distribution system ratepayers by accommodating flexible hosting and the associated control capabilities.

This is important for several reasons:

- There are uncertain cost risks for distributors to develop their capability to assess, connect, and operate DERs under the notional flexible hosting arrangements;
- The significant demand growth from electrification will accelerate the emergence of risks to the distribution system. New third party DERs should not increase risks to system reliability and affordability for distribution system customers as a result of inefficient use of system capacity;
- The amendment states that OEB staff have been informed of the potential complexity of these arrangements and the need for more analysis and discussion between the distributor and DER customers;

[1] OEB, Draft Benefit-Cost Analysis Framework for Addressing Electricity System Needs, Dec 2023.

- The OEB has acknowledged that time and effort will be required to "*establish connection requirements and terms and conditions to ensure there is minimal impact to the distribution system and existing customers*"; and,
- The OEB is developing a benefits cost analysis framework for integrating such DER and NWS solutions in the distribution system.

Finally, the OEB's DSC amendment states that the OEB:

- "***believes*** *that the proposed amendments will facilitate innovation in the electricity sector, support increased distribution system capacity optimization and cost effectiveness in distribution, and assist in accommodating additional DER facilities.*"
- " ***is of the view*** *that the flexible hosting capacity arrangement will benefit prospective DER proponents as well as distributors*"
- that *"a distributor* ***will likely*** *have to incur some additional costs";* and finally,
- *"****believes*** *the benefits from greater DER integration and optimization of distribution system capacity through flexible capacity arrangements will outweigh any costs required for the development and implementation of such arrangements."*

The PWU has consistently advocated for developing policy for decision-making that is based on quantified and rigorous benefit costs analyses and not based on speculation and conjecture.[2] The OEB has provided no evidence that supports their "beliefs" and should be required to transparently show that these innovations will benefit ratepayers. The OEB should not facilitate greater adoption of DERs that could increase costs to non-participating ratepayers as has been the case for most 3rd party system connected DERs to date.[3]

***Closing***

The PWU supports OEB efforts that facilitate innovation in the electricity sector and improve the cost-effectiveness and capacity of Ontario's distribution system. The PWU is committed to the following principles: Create opportunities for sustainable, high-pay, high-skill jobs; ensure reliable, affordable, environmentally responsible electricity; build economic growth for communities; and promote intelligent reform of energy policy. We believe these recommendations are consistent with the objectives to supply low-cost and reliable electricity for Ontario. The PWU looks forward to discussing these comments in greater detail and participating in the ongoing stakeholder engagements.

[2] PWU submission to the OEB on Completing a DER BCA Framework - Jan 2023.

[3] The Industrial Conservation Initiative (ICI) and Net Metering programs are the primary cause for DER adoption in Ontario and have increased total system costs borne by rate payers as a result. PWU Submission to MENDM, Changes to Ontario's Net Metering Regulation to Support Community-Based Energy Systems, Nov 2020.