



**Ontario Energy Board**

Commission de l'énergie de l'Ontario

# **Electricity Storage and Ontario's Renewed Regulatory Framework**

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- Role of the Ontario Energy Board
- Storage and the current regulatory approach
- Background to Renewed Regulatory Framework
- How does storage fit with the RRFE?
- Next steps

# Role of the Ontario Energy Board

- OEB regulates (licence and set rates) 77 distributors of varying size
- Also regulates 5 transmitters, OPA and IESO (including SME)
- Licences generators, wholesalers, sub-metering and retailers
- Review and approval of major transmission facilities
- Review of market rules, reliability standards
- Sets CDM targets and establishes compliance with targets
- Five objectives guide the Board in electricity sector regulation:
  - protecting consumers
  - financial viability and economic efficiency effectiveness
  - promotion of renewable energy generation and CDM, facilitate development and implementation of smart grid



# Current regulatory approach and electricity storage

- Minister's Directive on smart grid
  - 3 areas of focus: customer control, system operations and adaptive infrastructure
  - 10 policy objectives
  - Innovation objective includes development of flexibility accommodate storage
- Guidelines for distributors and transmitters regarding smart grid activities
  - Promote demonstration projects
  - Funding mechanisms
  - Reporting on progress, sharing of knowledge
- Review of plans for demonstrations and smart grid related to connection of generation

# Renewed Regulatory Framework Objectives

- Shift focus from utility cost to value for customers
- Better align utility reliability and quality of service levels with customer expectations
- Institutionalize continuous improvement and innovation
- Provide for a comprehensive approach to network investments to achieve optimum results
- Better align timing and pattern of expenditures with cost recovery
- Provide a sustainable, predictable, efficient and effective regulatory framework

# The Renewed Regulatory Framework for Electricity

## - October 18, 2012

- Comprehensive approach to rate setting for distributors that focuses on outcomes
  - Monitor and measure performance against defined performance outcomes
  - Three incentive based rate setting alternatives suited to individual utility circumstance
  - Enhance asset planning oversight based on five year plans – good planning



- **Customer Focus**
  - services are provided in a manner that responds to identified needs customer preferences
- **Operational Effectiveness**
  - Continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives
- **Public Policy Responsiveness**
  - Utilities deliver on obligations mandated by government (e.g. in legislation and in regulatory requirements imposed further to Ministerial directives to the Board)
- **Financial Performance**
  - Financial viability is maintained; and savings from operational effectiveness are sustainable

# Distribution Planning and Performance

- Good plans are the backbone of the new approaches to rate setting
- Planning is the key to meeting expectations for predictable and smooth rates, due to pace and prioritization
- Regional infrastructure planning and greater coordination between utilities
- Performance measures to be developed that reflect plan objectives
- Identify measures that will encourage improvement and innovation
- Performance measures to encourage greater efficiency

# Smart Grid Development & Implementation

- Smart grid is a modernization of the grid
- Meter is demarcation point for utility smart grid activities
- Allow opportunity for all players, creativity and innovation
- Board Report recognizes need for innovation, develop appropriate incentives for utilities
- Provides direction on developing a clear set of expectations for utilities in planning for smart grid



- Storage is one of the smart grid objectives
- Distributors need to consider changes in customer expectations
- Planning to involve regional players, address regional issues
  - New ways to address grid requirements
- Operational efficiency will drive new ways of providing distribution service
- Establish incentives for innovation that will benefit consumers and greater efficiency

- Regional Infrastructure Planning
  - All players work together for optimal solutions
  - Four outcomes will guide planning considerations
- Focus on sharing of information between transmitters, distributors, others
- Will coordinate with policies regarding interoperability and other smart grid objectives

- Board Report establishes timetable
  - New rate-setting options ready for implementation with 2014 rates
- Reliance on working groups to develop the details in Planning and Performance
  - Smart Grid Working Group meeting to advise staff on expectations for development and criteria for evaluating plans
  - Developing regional coordination process through planning

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