

30 July 2014

Ontario Energy Board
2300 Yonge St., 27th Floor
Toronto, ON
M4P 1E4

Attn: Ms. Rosemarie T. Leclair, Chair

By e-mail

Dear Ms. Leclair:

Re: EB-2014-0134 Consultation to develop a new DSM Framework for natural gas distributors for the period 2015 to 2020.

On April 17th I wrote to you on behalf of the GEC¹ concerning the process going forward for the Board's consideration of the matters being considered by the DSM working group. As you will recall, despite GEC's central role in the evolution of the current DSM framework it was not invited to participate in that committee. We have had no response to our letter.

We now understand that Board Staff will be proposing to the Board a cap on DSM budgets and several significant changes to the framework. These are fundamental issues deserving of proper consultation. For example, Staff is proposing a budget cap that is proportional to electricity CDM budgets based on relative revenue requirements. In our view such a cap is neither in compliance with the Minister's explicit direction to the Board to base the framework on achievement of *all cost-effective conservation*, nor is it based on an appropriate comparator with the electricity sector for how fast the ramp up should occur.

DSM and CDM are about efficient use of energy and reducing environmental impacts. If a comparator is appropriate, surely it must consider the relative use of energy by fuel type and the contribution to climate change. According to Board Staff, Ontario's electric CDM budget is \$367 million per year for an energy source that supplies just 19% of our energy needs, whereas natural gas provides Ontario with 35% of its energy requirements (and an even higher relative

¹ The Green Energy Coalition (GEC) represents over 125,000 Ontario residents who are members or supporters of its member organizations: the David Suzuki Foundation, Greenpeace Canada, Sierra Club Canada Foundation and WWF-Canada. All of the GEC's member groups are charitable or non-profit organizations active on environmental and energy policy matters.

contribution to GHG emissions)². A ramp up to a proportional DSM budget over the six year period would be to \$675 million per year, more than six times higher than what Board Staff is proposing. Board Staff's proposal is far too slow, though ramping up to \$675m/yr. over six years may not be the right answer either. In GEC's view the appropriate benchmark is how fast and how far the top utilities have gone in achieving all cost-effective conservation, not some arbitrary comparison of revenue. In that regard a recent paper looking at Ontario's DSM situation offered the following observations³:

Consider these four jurisdictions: two cold climate jurisdictions currently required to pursue all cost-effective gas efficiency resources -- Massachusetts and Rhode Island -- and two others -- Vermont and Minnesota -- with at least comparable energy savings goals. As Table 1 shows, these four jurisdictions have annual DSM budgets that range from 3½ to 13 times (average of 8 times) greater than the current Ontario utility DSM budgets on a gas sales normalized basis. Put another way, if the Ontario gas utilities DSM budgets were to increase to levels comparable to those of leading jurisdictions, they would be at least \$100 million per year per utility -- at least \$200 million for the province -- and potentially several times that amount.

...Some period of ramp up would be necessary to ensure that there is sufficient time to develop new and more aggressive programs, and to increase utility and private sector delivery capability in a reasonably efficient and effective manner. The experience of the Massachusetts gas utilities may be instructive in this regard. As Figure 1 below demonstrates, Massachusetts budgeted only \$38 million for gas DSM in 2009, the year that a new legislative requirement to acquire all cost-effective efficiency went into effect. Spending then more than doubled the following year and continued to increase fairly linearly until 2013, at which point increases levelled off. In other words, the state ramped up to acquiring all cost-effective efficiency -- with a nearly five-fold increase in budget -- over the course of about 4 years.

In contrast Board Staff are proposing a 6 year budget ramp up to less than twice current levels. This is but one example of the complex and contentious issues at play. Others include the role of intervenors in audit and technical oversight. These are highly arcane matters where experienced intervenors such as GEC have routinely found significant problems that the auditors have missed and as a result we have saved ratepayers millions. We are greatly concerned that an inadequate process can lead to inadequate results.

We understand that Board Staff has indicated that the next step will be a Board proposal rather than a staff proposal.

² Environmental Commissioner of Ontario, Restoring Balance -- Results: Annual Energy Conservation Progress Report -2011 (Volume Two), page 58.

³ We refer the Board to the papers provided by Toronto Atmospheric Fund that canvass this issue and others and that were authored by Mr. Chris Neme, a DSM expert that GEC has relied upon in numerous cases and who has earned widespread respect in the intervenor community: <http://www.towerwise.ca/ontarios-natural-gas-conservation-framework/>.

In our earlier correspondence we noted the following:

Given the Board's pre-emptive determination of the DSM budget issue prior to the completion of the last DSM framework consultation, we are concerned that this first stage of consultation could freeze out a fair and meaningful consideration of alternatives in subsequent phases. While as a matter of law a proposal for comment or the issuance of a Board guideline does not bind the Board, the reality is that such pronouncements often amount to a de facto determination. Accordingly, we ask the Board to avoid formally or impliedly endorsing any conclusions or narrowing of options prior to non-working group members being offered the opportunity to participate and bring forward expert evidence.

We ask the Board to ensure that there is a suitable consultation process, open to all intervenors before the Board takes a preliminary position.

Sincerely,

A handwritten signature in black ink, appearing to read "David Poch". The signature is written in a cursive style with a large, stylized "P" and "C".

David Poch

Cc: Lynne Anderson, Vice-President, Applications