

ONTARIO ENERGY BOARD

INDUSTRIAL GAS USERS ASSOCIATION (IGUA)

**Interrogatories on
Green Energy Coalition (GEC) Evidence
Exhibit L.GEC.1**

1. **Reference:** Pages 3-4.

The evidence asserts: *“New Provincial policy commitments to carbon emission reductions should render 2014 [DSM] budget guidance obsolete.”* Particular reference is made to the Ontario government’s commitment to imposing a carbon “cap-and-trade” policy for meeting GHG emission reduction requirements.

- (a) Please detail Mr. Neme’s understanding of how Ontario’s proposed “cap-and-trade” policy will be implemented, including:
 - (i) Parameters for determining which large volume gas consumers will be directly subject to the policy.
 - (ii) What emission reduction requirements will be placed on those large volume gas consumers directly subject to the policy.
 - (iii) What the costs of meeting those emission reduction requirements is likely to be for the directly affected large volume gas consumers.
 - (iv) Timing for implementation of the policy.
- (b) Please explain how the requirements and associated costs for large volume gas consumers directly affected by Ontario’s proposed “cap-and-trade” policy for fulfilling their obligations under that policy relate to/interact with requirements for those customers to contribute to, and opportunities for those customers to partake in, Union and EGD’s proposed large volume customer DSM programs for the period 2015-2020.
- (c) How can the OEB ensure that those large volume gas consumers directly affected by Ontario’s proposed “cap-and-trade” policy do not pay twice for meeting their own emission reduction requirements?

2. **Reference:** Page 5.

The evidence states: *“There is also no empirical evidence – from Ontario or any other jurisdiction – to suggest that large customers pursue all cost effective efficiency measures absent efficiency programs.”*

- (a) Please detail Mr. Neme’s direct experience regarding evaluation of investment decisions (in energy efficiency or otherwise) by large volume industrial gas consumers.
- (b) Please define the term *“cost effective”* as used in the referenced statement.
- (c) What factors does Mr. Neme believe a large volume industrial gas consumer should consider in determining whether an energy efficiency investment can/should be made?

3. **Reference:** Page 5.

The evidence suggests an opt out provision *“for those customers that can truly demonstrate that they have already comprehensively addressed all cost-effective efficiency opportunities”*, and refers to similar mechanisms used in other jurisdictions.

The evidence suggests, by way of example, applying a 10 year payback test to determining whether *“all cost-effective efficiency opportunities”* have been addressed.

- (a) Please detail the factors that led Mr. Neme to suggest 10 years as an appropriate payback period.
- (b) Please detail Mr. Neme’s experience in “business case” type financial analysis for internal investments (in energy efficiency or otherwise) by large volume industrial gas consumers. In so doing please discuss the range of payback periods used in such analyses and explain what factors are typically determined in choosing the payback period appropriate for particular types of investments.
- (c) In responding to these questions, please specifically address considerations relevant to the opportunity cost of capital required for such internal investments, and how the financial implications of those opportunity costs are typically dealt with in the relevant business case analyses.

4. **Reference:** Page 31.

The evidence cites two recent studies (see footnotes 69 and 71) in support of the proposition that “free ridership” rates for commercial and industrial customers are significantly less than 100%, indicating that much of the claimed savings related to the ratepayer funded programs studied would not have occurred without the ratepayer funded programs.

- (a) Do the studies break down the subject customers by customer type (e.g. small commercial, large commercial, small industrial, large industrial)?
- (b) If so, please provided the definitions used in the studies for each such customer type, and provide the reported free ridership rates for each such customer type.
- (c) If not, please provide the range of customer types covered in the aggregated “free ridership” rates cited in GEC’s evidence.

5. **Reference:** Page 33.

The evidence references implementation of the proposed “opt out” mechanism by way of a “payback mechanism”.

- (a) Please explain the advantages of such a “payback mechanism”.
- (b) Please explain how such a “payback mechanism” would work.
- (c) Are there precedents for such a mechanism in other jurisdictions? If so, please comment on why they were adopted, their implementation and their effectiveness.

TOR_LAW\ 8756090\1