

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto ON M4P 1E4
Telephone: 416-481-1967
Facsimile: 416-440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
2300, rue Yonge
27^e étage
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY EMAIL AND WEB POSTING

June 20, 2017

**To: All Rate-regulated Natural Gas Distributors
All Participants in DSM EB-2015-0029 and EB-2015-0049**

Re: DSM Mid-Term Review (EB-2017-0127 and EB-2017-0128)

This letter outlines the consultation process by which the Ontario Energy Board (OEB) will undertake the Mid-Term Review of the 2015-2020 Demand Side Management (DSM) Framework for Natural Gas Distributors.

Background

On March 26, 2014, the Ministry of Energy issued a [Directive](#) to the OEB to establish a DSM policy framework, including a Mid-Term Review to align with the Mid-Term Review of the Conservation First Framework. On March 31, 2014, the Ministry of Energy [directed](#) the IESO (then OPA) to complete a Mid-Term Review of the Conservation First Framework no later than June 1, 2018.

On December 22, 2014, the OEB issued the [Report of the Board: Demand Side Management Framework for Natural Gas Distributors \(2015-2020\)](#), in which it noted that a Mid-Term Review would be completed by June 1, 2018 to align with the Mid-Term Review of the Conservation First Framework. The report indicated that the Mid-Term Review would allow the OEB to ensure that the DSM Framework continues to be reasonable and contributes to effective natural gas conservation programs for Ontario customers while achieving annual and long-term targets for reduced consumption.

As part of the [OEB's 2015-2020 DSM Decision](#) on Enbridge Gas Distribution Inc.'s (Enbridge) and Union Gas Limited's (Union) respective 2015-2020 DSM Plan applications (the "DSM Decision"), the OEB stated that the Mid-Term Review would assess performance on annual metrics, budget levels, impact on customer rates, and shareholder incentives, as well as allow the OEB to consider the DSM Framework relative to the overall energy conservation landscape. The OEB also outlined a number

of studies and reports that Union and Enbridge would be required to submit as part of the Mid-Term Review.

The DSM Decision indicated that while cost-effectiveness screening and avoided costs are important considerations in pursuing all cost effective DSM, the OEB did not expect there to be sufficient experience with the Cap-and-Trade (C&T) program at the time of the Mid-Term Review to set a new direction for the screening of DSM programs. Further, the Decision noted that natural gas utilities were not expected to have the capacity to expand their DSM programs to the extent of delivering all cost-effective programs before 2020.

On May 11, 2017, the OEB suggested to the Minister of Energy that it would be appropriate to defer completion of the DSM Mid-Term Review by 6 months to December 1, 2018. This extension would enable the consideration of an additional year of evaluated DSM program results and afford the utilities an opportunity to make further progress on the reports and studies required of them in the DSM Decision. On June 5, 2017, the Minister of Energy agreed that the extension would contribute to the robustness and usefulness of the results of the Mid-Term Review. This letter initiates the Mid-Term Review under this revised timeline.

Scope of Mid-Term Review

The Mid-Term Review will include a review of the mid-term study and reports listed in the DSM Decision and a limited review of the DSM Framework in the context of the C&T program.

The scope of the review will be limited because of the uncertainties with respect to the new C&T program and the lack of experience to date with the 2015-2020 DSM programs. The appropriateness of continuing ratepayer-funded DSM, the inclusion of a shareholder incentive for the gas utilities, and the general makeup of the DSM portfolios are topics that will be more appropriately assessed and reconsidered as part of any post-2020 DSM Framework. This will align more closely with the C&T Framework review that is scheduled to be completed before the end of the first C&T compliance period (i.e., December 31, 2020), and enable the OEB to have a more complete understanding of the larger energy conservation and climate change landscape in Ontario. With respect to the evaluation, measurement, and verification of the OEB-approved 2015-2020 DSM programs, the OEB anticipates that only 2015 and 2016 verified results will be available for consideration during the Mid-Term Review.

The approach and timelines are outlined below.

Approach

The OEB will undertake the Mid-Term Review in two parts. In the first part, interested parties will be asked to comment on two issues related to the relationship between DSM and the C&T program. The second part will require Union and Enbridge to submit the studies and reports set out in the DSM Decision. The issues, and the studies and reports to be submitted, are described below.

Part 1

The OEB will undertake a limited review of the overall 2015-2020 DSM Framework in the context of the C&T program. The OEB has identified two specific issues that relate to the OEB-approved ratepayer-funded DSM plans and the C&T program where the OEB seeks comments from interested parties, namely:

- Consideration of the relationship between the current suite of DSM programs and actual C&T activities of customers with their own compliance obligations
- Consideration of the attribution of costs and savings to ratepayer-funded DSM programs where natural gas utilities offer carbon abatement programs in the market

Interested parties may submit comments to the OEB on either or both of the two issues identified above. Parties are requested to ensure that their comments are specific to the issues identified. Comments from interested parties must be submitted to the OEB no later than **September 1, 2017**.

Part 2

Enbridge and Union are to submit the studies and reports set out in the DSM Decision according to the following schedule:

First Requirement	<p>Studies and reports on the following topics must be submitted by October 1, 2017:</p> <ul style="list-style-type: none"> • Union and Enbridge to provide information showing how they have lowered the free ridership rates of its custom programs (section 5.2.6) • Enbridge to provide the evaluation results of the Small Commercial New Construction pilot program (section 5.2.7) • Enbridge to report on the Energy Leaders Pilot Program (section 5.2.8) • Union and Enbridge to demonstrate that all low-income programs
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	<p>have a TRC-Plus result of at least 0.7 (section 5.3)</p> <ul style="list-style-type: none"> • Union and Enbridge to consider the appropriateness of categorizing the Residential New Construction programs as Resource Acquisition programs (section 5.4.1) • Union and Enbridge to provide information related to an integrated Energy Literacy program (section 5.4.9) • Union and Enbridge to move RunSmart and Run-it-Right programs to Resource Acquisition scorecard (section 5.4.10) • Union and Enbridge to move Comprehensive Energy Management and Strategic Energy Management programs to Resource Acquisition scorecard (section 5.4.11) • Union and Enbridge to provide information related to program overhead and portfolio overhead (or administration) costs (section 8.3)
Second Requirement	<p>Studies and reports on the following topics must be submitted by January 15, 2018:</p> <ul style="list-style-type: none"> • Enbridge to explore an integrated program with electricity utilities related to adaptive thermostats (Decision section 5.2.2) • Union to submit results of adaptive thermostat pilot program (section 5.2.3 of the 2015-2020 DSM Decision) • Union to explore different conservation measures and technologies for a mass-market residential program (Decision section 5.2.3) • Union and Enbridge to provide a summary of market needs and demonstration of how Market Transformation programs are prioritized (section 5.4) • Union and Enbridge to develop and expand access to bill for financing purposes related to energy efficiency investments (section 7) • Union and Enbridge to provide information related to additional outcome-based performance scorecard metrics (section 9.2) • Union and Enbridge to provide suggestions on appropriate changes to the target adjustment formula (section 9.4) • Union and Enbridge to provide a progress report related to integrated conservation programs developed with the IESO (section 11) • Union and Enbridge to submit a transition plan to incorporate DSM into infrastructure planning activities (section 12)

The 2015 and 2016 DSM results, verified through the OEB-led evaluation process, will be publically available once they are finalized. They are expected to be a useful reference in assessing the utilities' performance on annual metrics, budget levels, and shareholder incentives. Additionally, the OEB is an active participant in the IESO's Non-Energy Benefit Study that is currently under way.

Upon completion of these studies and reports and as part of the DSM Mid-Term Review, the OEB will determine if and how the study results may be applied to current or future DSM programs.

Stakeholder Meeting and Conclusion

The OEB will hold a Stakeholder Meeting in Spring/Summer of 2018 for Enbridge and Union to provide an overview of the various studies and reports that were submitted, and answer any questions that interested parties may have. Interested parties will also have an opportunity to submit written comments following the Stakeholder Meeting. Further details will follow in due course.

The OEB will issue a report outlining its conclusions on the Mid-Term Review and any associated regulatory requirements. This report will take into consideration stakeholder comments and Union and Enbridge's studies and reports. The OEB Report is expected to be released by December 1, 2018.

Invitation to Participate

The OEB encourages all interested parties to participate in this consultation process. Those interested in participating should indicate their intent by filing a letter with the OEB by July 5, 2017 in accordance with the filing instructions set out below. The letter should include a statement indicating whether the participant requests cost eligibility. All requests for cost eligibility should comply with the requirements referred to under "Cost Awards" below.

Cost Awards

Cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998* for participation in cost eligible activities as set out in Appendix A. Appendix A also contains information regarding cost eligibility requests and objections. Costs awards will be recovered from the natural gas utilities based on their respective customer numbers.

Filings to the OEB in relation to participation and/or requests for cost awards eligibility must be made in accordance with the filing instructions set out below. In order to facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

Filing Instructions

All filings to the OEB must quote the file numbers, EB-2017-0127 and EB-2017-0128, be made in searchable / unrestricted PDF format electronically through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Valerie Bennett at valerie.bennett@ontarioenergyboard.ca.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@ontarioenergyboard.ca

DATED at Toronto, **June 20, 2017**

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix A: Cost Awards

Appendix A

To Cover Letter Dated June 20, 2017

EB-2017-0127 / EB-2017-0128

COST AWARDS

Cost Award Eligibility

The OEB will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person intending to request an award of costs must file with the OEB a written submission to that effect by **July 5, 2017**, identifying the grounds on which the person believes that it is eligible for an award of costs (addressing the OEB's cost eligibility criteria as set out in section 3 of the OEB's *Practice Direction on Cost Awards*). All requests for cost eligibility will be posted on the OEB's website.

If a natural gas distributor has any objections to any of the requests for cost eligibility, such objections must be filed with the OEB by **July 12, 2017**. Any objections will be posted on the OEB's website. The OEB will then make a final determination on the cost eligibility of the requesting participants.

Eligible Activities

Cost awards will be available in relation to submission of comments on the issues identified in Part 1, participation in the Stakeholder Meeting following Part 2, and submission of written comments after the Stakeholder Meeting.

ACTIVITY	TOTAL ELIGIBLE HOURS PER PARTICIPANT
Written comments on the two specific issues identified in Part 1 of the Review	Up to 8 hours
Preparation for, attendance at, a Stakeholder Meeting of up to one (1) day in length	Up to 16 hours
Written comments following Stakeholder Meeting	Up to 12 hours

Cost Awards

When determining the amount of the cost awards, the OEB will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the OEB's Cost Awards Tariff will also be applied. The OEB expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process.

The OEB will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the OEB will act as a clearing house for all payments of cost awards in this process. For more information on this process, please see the OEB's [Practice Direction on Cost Awards](#) and the [October 27, 2005 letter](#) regarding the rationale for the OEB acting as a clearing house for the cost award payments. These documents can be found on the OEB's [Rules, Codes, Guidelines and Forms](#) webpage.