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September 28, 2018

Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario M4P 1E4

Attention: Kirsten Wali, Board Secretary

Dear Ms. Wali:

**Re: Ontario Sustainable Energy Association's Written Submission
DSM Mid-Term Review
Board File Nos. EB-2017-0127 and EB-2017-0128**

Please see attached Ontario Sustainable Energy Association's Written Submission, in the above-noted file.

Yours truly,

Robert Woon

cc: Dan Goldberger, OSEA

Document #: 1431933

ONTARIO ENERGY BOARD
DEMAND SIDE MANAGEMENT MID-TERM REVIEW
WRITTEN SUBMISSION OF
ONTARIO SUSTAINABLE ENERGY ASSOCIATION

September 28, 2018

I. INTRODUCTION

1 The Ontario Energy Board (Board) is conducting a Mid-Term Review as part of the Board's approval of Enbridge Gas Distribution Inc. (Enbridge) and Union Gas Limited's (Union), (collectively the Utilities) 2015-2020 Demand Side Management (DSM) Plan applications.

2 The Ontario Sustainable Energy Association (OSEA) is supportive of DSM programming and the ultimate goals of reducing natural gas consumption and lowering energy bills for Ontarians.

3 The purpose of the Mid-Term Review is to provide an opportunity to review the Utilities' 2015-2020 DSM Plans, including the annual metrics, budget levels, impacts on customer rates and shareholder incentives.¹ The purpose is also to provide an

¹ EB-2014-0134, Report of the Board DSM Framework for Natural Gas Distributors (2015-2020) dated December 22, 2014 at p 3.

opportunity to assess the DSM framework relative to the overall energy conservation landscape and new government directions.²

4 The energy conservation landscape in Ontario has changed drastically since the commencement of the Utilities' 2015-2020 DSM Plans and during the Mid-Term Review. Subsequent to the Board's approval of the Utilities' 2015-2020 DSM Plans, the government of Ontario passed the *Climate Change Mitigation and Low-carbon Economy Act, 2016*, which created a Cap and Trade Program that became effective on January 1, 2017. The Cap and Trade Program allowed for significant funding and investments to be made in energy efficient and low-carbon technologies, which had the potential to overlap with DSM programming. The Utilities and intervenors provided comments to the Board as Part 1 of this Mid-Term Review about how DSM and Cap and Trade should co-exist.

5 Since that time, the newly elected government of Ontario has put forward a bill that would cancel the Cap and Trade Program in Ontario and the associated funding.³ In addition, on September 20, 2018, the government introduced a new bill to repeal the *Green Energy Act, 2009*.⁴

6 The proposed provincial bills create an emphasis that the DSM Framework and Utilities' DSM Plans must continue to provide programs that pursue long-term energy savings and reductions in natural gas use. The elimination of the Green Ontario Fund removes a significant source of funding that would have aided ratepayers in investing in energy efficient and low-carbon technologies and supplemented DSM programming.

² EB-2014-0134, Report of the Board DSM Framework for Natural Gas Distributors (2015-2020) dated December 22, 2014 at p 4.

³ Bill 4, *Cap and Trade Cancellation Act, 2018*.

⁴ Bill 34, *Green Energy Repeal Act, 2018*.

7 The federal Pan-Canadian Framework will impose a federal carbon pricing backstop if Ontario does not replace the Cap and Trade program with a carbon pricing system. The federal carbon pricing will impact ratepayers and increase bills, similar to the Cap and Trade Program. However, unlike Ontario's former Cap and Trade program, there is no guarantee that the funds created by the carbon pricing will be used to benefit ratepayers and help investments in energy-efficient, low-carbon technologies in Ontario.

8 With this context, the Board must ensure that the Utilities' DSM Plans continue to meet the DSM Plans meet the goals of the DSM Framework including:

- (a) assisting ratepayers to manage their energy bills through the reduction of natural gas consumption
- (b) promoting energy conservation and energy efficiency to create a culture of energy conservation, and
- (c) avoiding costs for future natural gas infrastructure, including improving the load factor of natural gas systems.⁵

II. ENBRIDGE RECOMMENDATIONS AND REQUESTS

9 As part of Enbridge's submissions, Enbridge made several recommendations and requests for the Board as part of the DSM mid-term review. OSEA generally supports Enbridge's recommendations and requests subject to the following comments:

- (a) The Board should not approve a 10% conservation target decrease as requested by Enbridge. A reduction of Enbridge's energy conservation

⁵ EB-2014-0134, Report of the Board DSM Framework for Natural Gas Distributors (2015-2020) dated December 22, 2014 at p 5.

target is not consistent with the purpose and goals of the DSM Framework to promote energy conservation and energy efficiency in Ontario. If the Board decides to grant Enbridge's request to increase Enbridge's annual budget by 10%, the Board must restrict the increased budgets to only the program incentive budgets and prohibit the increased budgets from being used to cover administration and overhead costs.⁶

- (b) The Board should not approve the modification to the shareholder incentive formula proposed by Enbridge at this time. The minimum achievement level creates incentive for the Utilities to strive to meet their conservation targets. Enbridge does not provide sufficient rationale to support its claim that the minimum threshold will not incentivize DSM activities. Further, part of Enbridge's rationale for the adjustment was that it was needed in response to Cap and Trade, which no longer will exist. OSEA submits that an adjustment to the incentive formula should be re-assessed in the next DSM Framework.

III. UNION RECOMMENDATIONS AND REQUESTS

10 As part of Union's submissions, Union made several recommendations and requests for the Board as part of the DSM mid-term review. OSEA generally supports Union's recommendations and requests subject to the following comments:

- (a) The Board should not approve the modification to the shareholder incentive formula proposed by Union at this time. Similar to Enbridge, Union cites the competing energy conservation programs funded by

⁶ Enbridge Submission dated January 15, 2018 at pp 19-20.

Ontario's Cap and Trade Program as the need for the modifications to the shareholder incentive formula. Given the Ontario government's announcements to cancel the Green Ontario Fund, the need to modify the shareholder incentive formula is no longer present.

- (b) The Board should not approve Union's request to reduce its conservation targets by 10%. Union cites that prior to the introduction of Cap and Trade, increasing the targets "could be considered reasonable."⁷ Therefore, maintaining the targets now should continue to be reasonable. If the Board decides to grant Union's request to increase Union's annual budget by 10%, the Board must restrict the increased budgets to only the program incentive budgets and prohibit the increased budgets from being used to cover administration and overhead costs as proposed by Enbridge.

IV. ADDITIONAL COMMENTS

11 OSEA has had the opportunity to review BOMA's comments for the Mid-Term Review. OSEA agrees with BOMA's comments on the need to incorporate metered data over engineering estimates as part of DSM evaluation. OSEA made similar submissions in EB-2016-0246:

OSEA submits that the TRM should be considered a transitional document until the Utilities develop an approach measuring DSM results using real data. This could be accomplished either during or after the upcoming DSM mid-term review with direct links to calculating results for achieving GHG emission reductions for greater transparency and efficacy.

⁷ Union Submission dated September 1, 2017 at p 20.

The model for utility driven DSM had been developed in the United States and was founded on the basis that investments in new supply could be avoided if conservation programs which were cheaper than the supply alternative could be delivered. Historically, utilities assessed the cost effectiveness of conservation by determining the costs of replacing standard efficiency equipment with higher efficiency equipment. This relied on theoretical mathematical calculations between standard efficiency and high efficiency equipment.

Ontario's natural gas utilities with the support of the Board, pioneered the concept of custom projects which enabled programs that were more customer centric. These programs look at a project and are not limited to one specific higher efficiency product at a time. However, the pre-and post evaluation process typical of the product by product installations has been applied to custom projects. This has been ineffective and created more complexities, greater debate and costlier third party audit processes in addition to third party evaluations.

The current policy framework in Ontario provides an excellent opportunity to enhance, rationalize and reduce the costs of conservation in Ontario and to better account for energy savings and GHG emission reductions. These plans and public disclosure provide a better basis for planning, implementing and evaluating DSM programs than the complex and costly approach in the TRM.

The relevant elements of the current policy framework are:

- a) O.Reg. 397/11 under the Green Energy Act which requires the public sector to develop energy management plans and report on energy savings and greenhouse gas emission reductions and,*
- b) O.Reg. 20/17 under the Green Energy Act will require building owners of properties not owned by a public agency to report on energy consumption, water use, and performance metrics.*

The widespread use of big data applications and accessible communications infrastructure has dramatically altered the technical landscape for using real data to make informed decisions about managing energy (and water) use. For example, the regulation for private sector buildings requires the data to be added to Portfolio Manager, the ENERGY STAR electronic reporting system developed by the United States Environmental Protection Agency, as adapted for use in Canada and administered by Natural Resources Canada, and available on the Internet.

It is likely that once these applications are used to measure real reduction, the cost effectiveness of renewable energy and storage will be enhanced. This can be achieved with an increased adoption

of distributed energy resources to reduce costly transmission and distribution systems as well as to support energy conservation and reduce greenhouse gas emissions.

Real data inputs in the TRM are more valuable than estimates and weighted averages.

For illustrative purposes, real data versus estimates can be helpful in assessing natural gas consumption at school. The Utilities have decided to assume that schools operate 54 hours per week. This estimated value was arrived at through the use of data from the U.S. and is an average value. The assumed operating hours for Ontario schools was previously 84 hours per week. This change in assumption alone results in an approximate 35% reduction in energy usage. OSEA submits that a real data input would more accurately reflect the cold Ontario climate and the expanded uses of schools for various community, day care, athletic and educational programs.

The Utilities should be taking advantage of reported and measured data from schools that are becoming increasingly available through regulations, such as O.Reg. 397/11. With real data, the intensity of energy use (gas, electricity or water) for a given unit of floor space for the facility could be determined and tracked annually. The Utilities could be assessed on how much they help school boards reduce the energy intensity in their schools. DSM measures should not be restricted by size limits which are barriers for individual schools.

OSEA submits that the Utilities review and update the input data to more accurately reflect measured and reported energy use. This will fulfill the purpose of the TRM, which is to provide assumptions and calculation algorithms, and to support stakeholders' estimates of the savings achieved for the Ontario energy efficiency portfolios. [footnotes omitted]

12 The Board should require the Utilities to continue to study outcome-based performance metrics and in particular, the use of metered consumption data over engineering assumptions. The Utilities should provide their findings before the next DSM Framework.