

ONTARIO ENERGY ASSOCIATION

Post-2020 Natural Gas Demand Side Management Framework

EB-2019-0003

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To shape our energy future for a stronger Ontario.



Ontario Energy Association

ABOUT

The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research, but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

Together, we are working to build a stronger energy future for Ontario.

The recommendations contained in OEA papers represent the advice of the OEA as an organization to the provincial government. They are not meant to represent the positions or opinions of individual OEA members, OEA Board members, or their organizations. The OEA has a broad range of members, and there may not always be a 100 percent consensus on all positions and recommendations. Accordingly, the positions and opinions of members and their organizations may not be reflected in this report.

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INTRODUCTION

The Ontario Energy Association (OEA) is pleased to participate in the Ontario Energy Board (OEB) is undertaking to develop a Demand Side Management (DSM) framework for natural gas distributors beginning in 2021.

The OEB has invited interested parties to provide input on three specific issues as part of Phase 1 of this consultation:

1. Principles: Do the guiding principles from the 2015-2020 DSM Framework remain appropriate? If not, what principles are needed and why?
2. Goals and objectives: What should be the primary goal(s) and objective(s) of the post-2020 DSM Framework?
3. Scope: Should the OEB undertake major revisions to the 2015-2020 DSM Framework or focus on specific updates that are more minor in nature?

The OEA's submission is intended to help inform the OEB's Phase 1 deliberations. The OEA looks forward to participating in future consultations related to the OEB's undertaking to develop a Demand Side Management (DSM) framework for natural gas distributors beginning in 2021.

The OEA also hopes that the OEB can provide more details related to subsequent phases and timelines of this consultation as soon as possible.

SUBMISSIONS

A. Scope

The OEB believes that properly scoping this consultation to focus on specific updates is essential to success. There is no compelling reason or evidence suggesting that the OEB undertake major revisions to the 2015-2020 Framework.

In the Mid-Term Review of the Demand Side Management (DSM) Framework for Natural Gas Distributors (2015-2020)¹ Report of the Board dated November 29, 2018 the OEB concluded that:

The current suite of natural gas conservation programs approved as part of the OEB's DSM Decision continue to be appropriate and effective. Verified program results from the 2015 and 2016 program years show strong performance and long-term natural gas reductions across the residential, commercial and industrial sectors. Therefore, the OEB concludes that material changes to the DSM Framework and DSM Plans are not warranted at this time.²

While there have been policy changes at the provincial government level since the development of the 2015-2020 Framework, the most significant change (the revocation of the Cap and Trade Regulation) occurred in July 2018 was considered by the OEB as part of the Mid-Term Review.

As well, the benefits of the DSM Framework have been well document by the Environmental Commissioner of Ontario (ECO; now part of the Office of the Auditor General of Ontario) for being cost effective and lowering greenhouse gas (GHG) emissions:

“For natural gas conservation, 2016 verified results have shown that Enbridge and Union programs have TRCs of 2.6 and 2.9 respectively, a benefit of close to \$3 to society for every \$1 spent on natural gas conservation. Therefore, utility conservation continues to be beneficial to Ontario as a whole.”³

Natural gas conservation from 2007 to 2016 has reduced Ontario's annual greenhouse gas emissions by roughly 3.3 Mt (approximately 2% of Ontario's annual emissions).⁴

“DSM programs to date have accrued a net benefit of over \$5 billion for its customers through reduced natural gas usage and lower energy bills.”⁵

¹ OEB (2018): <https://www.oeb.ca/sites/default/files/Report-of-the-Board-DSM-Mid-Term-Review-20181129.pdf>

² Ibid., p. 5.

³ ECO (2019), 2019 Energy Conservation Progress Report, p. 52

⁴ ECO (2019), 2019 Energy Conservation Progress Report, p. 55

⁵ Ibid., p. 64.

The OEA further notes that Mid-Term Review Report of the Board stated that “The OEB will begin development of the post-2020 DSM framework in early 2019.”⁶ However, the development of the post-2020 DSM framework did not begin until mid-2019. If the OEB is to carry-out this consultation, so that gas utilities have an appropriate amount of time to develop a new multi-year DSM plan and allow for continuity in the market, then the only reasonable prospect to do so is under a specific focus on central components of the DSM Framework such as targets and budgets. The OEA bases this assessment on the length of time taken by the OEB to develop and conclude the original 2015-2020 DSM Framework (April 10, 2014 to December 22, 2014) and the Mid-Term Review (June 20, 2017 to November 29, 2018).

The reason the OEA recommends that the OEB focus on targets and budgets is based on the provincial government’s policy direction in A Made-in-Ontario Environment Plan (Environment Plan), which states that 18% (about 3.2 Mt) of planned GHG emissions reductions by 2030 are expected to come from natural gas conservation.⁷ Further, the Environment Plan makes the following statement goals regarding the DSM Framework set by the OEB:

- The Natural Gas Conservation action reflects programs that are well established in Ontario to conserve energy and save people money. This case assumes a gradual expansion of programs delivered by utilities, which would be subject to discussions with the Ontario Energy Board.
- Work with the Ontario Energy Board and natural gas utilities to increase the cost-effective conservation of natural gas to simultaneously reduce emissions and lower energy bills.

B. Principles, Goals and Objectives

The OEA believes that apart from minor changes to reflect the new priorities of the provincial government (e.g., discontinuation of the “Conservation First” policy) and any other obvious editorial changes that the existing guiding principles, goals and objectives of the DSM Framework should remain intact post-2020. As stated above, recent evaluations of the DSM Framework by the OEB and the ECO have resulted in positive assessments and have not identified any significant shortcomings. It is clear Ontario consumers have been well-served by DSM programs provided by gas utilities since the OEB established the original regulatory framework for natural gas DSM programs in 1993.

⁶ OEB (2018), p. 32.

⁷ <https://www.ontario.ca/page/made-in-ontario-environment-plan#section-3>

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Ontario Energy Association

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