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June 27, 2019

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli,

Post-2020 Natural Gas Demand Side Management Framework

Board File No.: EB-2019-0003

Our File No.: 339583-000263

On May 21, 2019, the Board released Procedural Order No. 1, which outlined that the Board had begun its consultation regarding the Post-2020 DSM Framework. Procedural Order No. 1 provided that the consultation would be done in stages. The first stage was to solicit interested parties to provide comments regarding three specific questions:

- 1) Principles – Do the guiding principles from the 2015-2020 DSM Framework remain appropriate? If not, what guiding 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?

Before providing its comments on the specific questions posed by the Board, CME has some general remarks.

First, CME has had the benefit of reviewing the comments provided by IGUA and SEC. CME sees merit in their comments.

Second, since the Board designed the 2015-2020 DSM Framework, Ontario has undergone significant changes in its conservation landscape. Most significantly, since 2014, Ontario has had a provincially mandated cost of carbon, through the implementation of the cap and trade program, and currently has a federally mandated cost of carbon.

In many of the proceedings before the Board, there was significant uncertainty regarding the interaction between DSM and the requirements of the carbon cost programs. Since the Board is now grappling with the design of the Post-2020 DSM Framework, and Ontario has recently moved from the cap and trade program to the federal carbon price program, CME submits that it is an ideal time for the Board to consider reformulating the Post -2020 DSM Framework in light of the fact that there is a cost of carbon.

Goals and Objectives

CME believes that comments regarding the goal and objectives of the program should be considered by the Board first, rather than principles. The goals of the post-2020 DSM Framework will help to scope and inform the principles to which the program adheres. Currently, the 2015-2020 DSM Framework is animated by three goals:

- 1) Assist consumers in managing their energy bills through the reduction of natural gas consumption.
- 2) Promote energy conservation and energy efficiency to create a culture of conservation.
- 3) Avoid costs related to future natural gas infrastructure investment, including improving the load factor of natural gas systems.

CME believes that managing energy bills through the reduction of natural gas consumption must remain as a central focus in any DSM framework moving forward. Many of CME's members use natural gas as a major input into their operations throughout the province. Their costs are heavily dependent on the cost of energy. Accordingly, the Post-2020 DSM Framework must continue to be mindful of the context of natural gas bills, and rate affordability, in order to ensure that energy intensive businesses across the province are able to survive and thrive in Ontario.

Due to similar concerns, CME submits that the Board should renew its focus on avoiding costs related to future natural gas infrastructure investments. Natural gas distribution is a very capital intensive industry. These capital costs are born by ratepayers. The post-2020 DSM Framework should ensure that utilities engage in appropriate infrastructure planning. This integration between infrastructure planning and DSM will greatly benefit ratepayers, mitigate cost increases, and contribute towards conservation in the province.

Principles

Currently, the 2015-2020 DSM Framework articulates a list of 10 principles that define how the DSM program is meant to operate. Below are CME's comments on each of the principles in turn.

- 1) **Invest in DSM where the cost is equal to or lower than capital investments and/or the purchase of natural gas**

CME agrees with and supports the inclusion of this principle in the Post-2020 DSM Framework.

2) Achieve all cost-effective DSM that result in a reasonable rate impact

CME submits that this principle is critical, and should remain in the Post-2020 DSM Framework. DSM programs ultimately have costs that are born by ratepayers. Given that DSM has a direct and significant impact on distribution charges, all conservation measures should be viewed in the context of their impacts on rates.

CME also believes that the meaning of ‘cost-effective’ should be better defined in the Post-2020 DSM Framework. Currently, there are a number of possible tests which attempt to measure the costs and benefits of conservation efforts. The Post-2020 DSM Framework should provide more clarity and certainty regarding how cost-effectiveness should be measured going forward.

CME also submits that when determining whether an endeavor is cost effective, the costs should be measured against benefits that accrue to ratepayers within a commercially reasonable time-frame, in order to align the costs born by commercially-oriented ratepayers with the savings relevant to businesses with budgetary horizons.

3) Where appropriate coordinate and integrate DSM and electricity CDM efforts to achieve efficiencies

CME agrees with and supports the inclusion of this principle in the Post-2020 DSM Framework. Coordination and efficiency between energy providers is to the benefit of conservation efforts, and to ratepayers.

4) Gas utilities will be able to recover costs and lost revenues from DSM programs

CME agrees with and supports the inclusion of this principle in the Post-2020 DSM Framework. Given that much of the effort of providing DSM programs falls to gas utilities, ensuring that they are able to recover the costs of providing such program as well as lost revenues is a reasonable principle to include.

5) Design programs so that they achieve high customer participation levels

CME agrees with and supports the inclusion of this principle in the Post-2020 DSM Framework. Since DSM costs are levied on ratepayers broadly, there is an inherent tension between the costs of DSM, and the benefits, which are only enjoyed by a subset of customers. Accordingly, the Post-2020 DSM Framework should continue to encourage and focus on high-levels of participation, in order to mitigate the disparity between those who pay for and those who benefit from the program.

6) Minimize lost opportunities when implementing energy efficient upgrades

CME agrees with and supports the inclusion of this principle in the Post-2020 DSM Framework.

7) Ensure low-income programs are accessible across the province

Although this principle does not implicate its members directly, CME believes that this continues to be an appropriate principle for the post-2020 DSM program.

8) Programs should be designed to pursue long-term energy savings

CME agrees with and supports the inclusion of this principle in the Post-2020 DSM Framework. However, CME believes that the pursuit of long-term energy savings should not come at the cost of current economic viability for Ontario's businesses.

While long-term energy savings are critical to conservation in Ontario and the DSM program, DSM costs are often incurred more immediately. Accordingly, too much of a focus on long-term energy and cost savings can cause the program to lose track of the costs facing energy-intensive businesses in Ontario.

9) Shareholder incentives will be commensurate with performance and efficient use of funds

While CME supports the continued inclusion of this principle, CME submits that shareholder incentives should be based on actual, measured result, rather than estimates. This will bring increased transparency and reliability to the DSM program, and allow for all stakeholders and ratepayers to understand the benefits of conservation that they are achieving under the Post-2020 DSM Framework.

10) Ensure DSM is considered in gas utility infrastructure planning at the regional and local levels

As discussed above, CME supports a renewed focus on infrastructure planning both as a result of conservation and DSM efforts, and as a method of containing costs for the ratepayers of Ontario. This principle should remain as part of the post-2020 DSM Framework.

Scope of Review

CME believes that minor, more targeted changes to the 2015-2020 DSM Framework are warranted. While there are undoubtedly improvements that could be made, CME submits that the current framework incorporates many of the principles and goals necessary for conservation to be achieved meaningfully in Ontario, while remaining cognizant of the costs of demand side management to ratepayers.

The one area that CME believes could benefit from a major review would be the inclusion of a cost of carbon. As discussed previously, the 2015-2020 DSM Framework was designed prior to the implementation of Ontario's cap and trade program, when there was not a cost added to carbon. Given that the post-2020 DSM Framework will exist in a significantly different context, CME believes it might be appropriate for the OEB to proceed with a larger reformulation of the program to account for that change.

Costs

CME requests 100% of its reasonably incurred costs associated with this proceeding.

Yours very truly,



Scott Pollock

c. Intervenor EB-2019-0003
Alex Greco (CME)

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