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June 27, 2019

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St.
Toronto, ON

Dear Ms. Walli:

**Re: EB-2019-0003 Natural Gas Demand Side Management Framework
Phase 1 Submissions of Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the submissions of VECC on Phase 1 of the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

(Original Signed By)

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EB-2019-0003

Post-2020 Natural Gas Demand Side Management Framework Consultation

Submissions of Vulnerable Energy Consumers Coalition

The Ontario Energy Board (OEB) is undertaking a post-2020 Demand Side Management (DSM) Framework consultation in stages. In Phase 1 the OEB seeks comments on underlying guiding principles, goals and objectives to be achieved and on scope of the review. Specifically, the OEB seeks input on three specific issues as follows:

- 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 March 26, 2014 Minister's Directive from the previous government to the OEB required the OEB to establish a DSM policy Framework for six years, 2015 to 2020. The Directive included objectives and a Mid-Term Review of the DSM Framework to align with the Mid-Term Review of the Conservation First Framework. The 2015-2020 DSM Framework was released by the OEB on December 22, 2014.

The OEB completed its Mid-Term Review of the 2015-2020 DSM Framework on November 29, 2018. The OEB's DSM Mid-Term Review Report sets out the OEB's assessment of the natural gas utilities' performance to date under the 2015-2020 DSM Framework and focused on making only certain necessary updates to the DSM Framework and the natural gas utilities' DSM plans.

Two recent Minister's Directive from the current government dated March 20, 2019 discontinued the Conservation First Framework and the Industrial Accelerator Program, and directed the IESO to design, coordinate, deliver and/or fund the delivery of electricity CDM programs instead of LDCs based on a set of principles that include the IESO's coordination of the delivery of the IESO CDM Programs with entities delivering natural gas DSM, where reasonably practicable. This principle is also a guiding principle in the 2015 to 2020 DSM Framework. The post-2020 DSM Framework should continue to align with this principle.

The DSM directive from the previous government does not contemplate a post-2020 Framework. The IESO was directed to make the IESO CDM Programs available from April 1, 2019 to December 31, 2020.

In considering these recent significant changes to the conservation landscape, VECC submits it may make the most sense to make only a few minor tweaks to the current DSM Framework at this time and allow it to continue for the next 12 to 24 months while a more comprehensive review of DSM takes place where the primary goals and objectives, outcomes, programs, and customer needs and benefits can be reviewed, re-evaluated, and updated as needed.

Although the existing principles should be reconsidered as part of a comprehensive DSM review, VECC offers the following preliminary comments on the current principles and goals.

1. Principles: Do the guiding principles from the 2015-2020 DSM Framework remain appropriate? If not, what principles are needed and why?

The 2015-2020 DSM Framework principles are as follows:

1. Invest in DSM where the cost is equal to or lower than capital investments and/or the purchase of natural gas. The administration costs for delivering DSM programs and participant incentives should be equal to or lower than the capital investments and/or the purchase of natural gas costs calculated on a life-cycle basis and expressed on a \$/m³ of natural gas saved or supplied, respectively.

VECC submits this principle requires evaluation as it adds more complexity and barriers to adoption that may not be appropriate.

2. Achieve all cost-effective DSM that result in a reasonable rate impact. The gas utilities' overall DSM portfolio and individual programs should aim to achieve all the cost-effective DSM available in its franchise area, having regard to the Board's guidance that the costs required to do so result in reasonable rate impacts for customers.

In VECC's view, principle #2 should be moved to "Goals and Objectives". VECC sees "Achieve all cost-effective DSM that result in a reasonable rate impact" as the future desired result that needs to be achieved and as such should not be a principle but an overarching DSM goal. As discussed below, the term cost-effective needs to be re-evaluated to reflect the evolution of conservation and policy objectives related to the environment and climate change.

3. Where appropriate, coordinate and integrate DSM and electricity CDM efforts to achieve efficiencies. Gas utilities should pursue coordination and integration in designing, promoting and delivering DSM programs with the OPA as well as with electricity distributors, where appropriate and possible, to increase overall efficiency, reduce delivery costs, and maximize program impacts.

This approach logically supports overall efficiency and the post-2020 DSM Framework should continue to include this principle. By coordinating the activities of the IESO and the gas utilities and others, transaction costs can be reduced through economies of scale. This approach can also result in less consumer confusion about who is doing what and is consistent with the March 20, 2019 Minister's CDM directive that includes a principle for the IESO to coordinate the delivery of CDM programs with entities delivering natural gas DSM.

4. Gas utilities will be able to recover costs and lost revenues from DSM programs. Gas utilities will be allowed to recover spending associated with the administration and delivery of DSM programs, lost revenues and shareholder incentive amounts, subject to any specific alternative approach such as a pay-for-performance funding/incentive mechanism.

This principle should be re-evaluated as part of a comprehensive DSM review to allow for new alternative cost recovery approaches to come forward.

5. Design programs so that they achieve high customer participation levels. Programs should be designed to remove financial, information and other barriers in the market place to increase take-up of DSM

programs. Gas utility DSM plans should allow as many natural gas consumers as reasonably possible the opportunity to participate and share in the benefits of DSM.

This principle should be expanded to reflect program designs that also minimize free ridership in addition to achieving high participation levels.

The word programs should be expanded to programs/portfolios to reflect the idea that a single program may not achieve high customer participation levels but when several similar programs are defined within a portfolio with a wider reach, higher customer participation levels are achieved at the portfolio level.

6. Minimize lost opportunities when implementing energy efficient upgrades. DSM programs should pursue opportunities such as replacement of equipment with long lives that, if not undertaken during the current planning period, will no longer be available or will be substantially more expensive to implement in a subsequent planning period.

This principle should be expanded to include minimizing lost opportunities in new construction so that energy efficient products are considered early and incorporated into the design of new construction projects.

7. Ensure low-income programs are accessible across the province. Low-income programs should be screened at lower thresholds than other programs, as determined by the Board, and be available across the province.

This principle should be expanded so that low-income programs are “targeted, prioritized and accessible” across the Province so that critical energy efficiency opportunities reach vulnerable customers. In approving the gas utilities 2015-2020 DSM plans the OEB determined that new low-income opportunities could be considered at the Mid-Term review. This sent a signal that programs targeted at low-income consumers are important and a priority.¹ VECC notes the Minister’s CDM Directive targets low-income residential customers.

Low-income programs should continue to be screened at lower thresholds than other programs. VECC notes the Minister’s CDM Directive states that First Nations and low-income programs will not be required to meet cost benefit benchmarks.

8. Programs should be designed to pursue long-term energy savings. Programs should pursue DSM opportunities with long lives that produce long-term energy savings, such as thermal envelope improvements (e.g., wall and attic insulation). Emphasis should be placed on a comprehensive assessment of energy savings opportunities using a “whole home” or “whole facility” approach to foster coordination and integration of electricity and natural gas conservation programs.

Energy savings is not the only thing achieved. It may be appropriate for this principle to be revised to include “greenhouse gas reductions” to support Ontario’s Climate Change Action Plan and Environmental Plan, and “other benefits” to capture additional advantages such as environmental and societal benefits.

¹ EB-2015-0029/EB-2015-0049 Decision and Order, January 20, 2016 P24

VECC agrees with having a principle that supports opportunities based on a “whole home” approach that for example allows vulnerable consumers to reduce energy efficiency of homes and building in order to reduce overall natural gas consumption.

9. Shareholder incentives will be commensurate with performance and efficient use of funds. The amount of shareholder incentive will depend on meeting or exceeding the DSM targets, including natural gas savings targets, and will take into consideration the relative difficulty in achieving other goals the Board expects the gas utilities to achieve (e.g., programs that deliver long-term savings, accessible low-income programs, integration and coordination with electricity conservation programs, conservation first in infrastructure planning, etc.); and,

The wording should be revised to “Shareholder incentives will be commensurate with demonstrated performance and efficient use of funds”. Utilities should be compensated when empirical results are produced and tested.

10. Ensure DSM is considered in gas utility infrastructure planning at the regional and local levels. DSM should be one of the options considered when developing both regional and local infrastructure plans. Infrastructure investments may be avoided or deferred through targeted reductions in the demand for natural gas. The utilities should pursue DSM opportunities where the impact of the overall costs of DSM is equal to or lower than the avoided costs of the infrastructure investment.

It is important that from a public policy perspective that DSM continue to be considered in gas utility infrastructure planning.

2. Goals and objectives: What should be the primary goal(s) and objective(s) of the post-2020 DSM Framework?

The following three goals are part of the 2015-2020 DSM Framework:

- Assist consumers in managing their energy bills through the reduction of natural gas consumption. Customers who participate in the DSM programs should see a decrease in their energy bills.
- Promote energy conservation and energy efficiency to create a culture of conservation. DSM programs should advance conservation and energy efficiency, beyond the program participants, to the broader public in Ontario.
- Avoid costs related to future natural gas infrastructure investment, including improving the load factor of natural gas systems. Gas utilities are expected to consider DSM initiatives in the context of infrastructure planning so that reducing demand for natural gas also helps avoid or defer future infrastructure costs. This is consistent with the government policy of “Conservation First.”

VECC believes the above three objectives capture what we are trying to achieve through DSM programs but they should be reviewed as part of a comprehensive DSM review to allow for other policy objectives related to the environment and climate change to be considered.

As stated above, VECC believes principle #2 is better placed as a goal/objective and should be incorporated into Goals and Objectives as follows: “Achieve all cost-effective DSM that results in a reasonable rate impact.” VECC agrees the term “cost-effective” needs to be reconsidered at this time to

evaluate its meaning in the context of the new conservation landscape. In the case of lower thresholds for low-income customers, other non energy benefits should be considered.

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?

As discussed above, VECC does not believe the OEB should undertake major revisions to the 2015-2020 DSM Framework at this time. Instead minor updates should be undertaken to allow the current Framework to continue for the next 12 to 24 months and provide the space for a more comprehensive review of DSM to take place. The comprehensive review could revisit the goals, objectives and principles to assess what's working well and what needs to be adjusted, revised, deleted, and introduced to better reflect the evolution of the conservation landscape and other government policy objectives.