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December 19, 2019

To: All Rate-regulated Natural Gas Distributors
All Participants in EB-2019-0003

Re: Post-2020 Natural Gas Demand Side Management Framework
Board File Number: EB-2019-0003

This letter provides an update on the consultation process that the Ontario Energy Board (OEB) is undertaking to develop a post-2020 Demand Side Management (DSM) framework for natural gas distributors.

Background

The existing 2015-2020 DSM framework is set to expire on December 31, 2020. In a [letter](#) dated May 21, 2019, the OEB indicated that it will undertake a post-2020 DSM framework consultation, and that it will undertake this work in stages.

As part of Phase 1, the OEB held a Stakeholder Meeting on June 13, 2019 to seek input and comments from interested stakeholders on underlying guiding principles, the goals and objectives to be achieved, and the scope of the review. Interested stakeholders were also given an opportunity to provide written comments on these three topics following the Stakeholder Meeting.

In a [letter](#) dated September 16, 2019, the OEB determined it appropriate to undertake a comprehensive review of the current 2015-2020 DSM Framework for the purposes of establishing the new framework. The scope of the review will include, amongst other things, consideration of the objectives to be achieved by DSM activities, integrated resource planning, cost recovery, program mix and how utility performance should be incentivized and measured.

The OEB stated its expectation to continue the policy consultation in the fall of 2019 and into 2020. The OEB also indicated that further details would be provided at a later date regarding any requirements necessary to facilitate the transition from the current framework to the new framework.

Transition Period

On November 27, 2019, the OEB received an application from Enbridge Gas Inc. (Enbridge) for a 2021 DSM Transition plan. The OEB is initiating its review of this application.

Integrated Resource Planning

On November 1, 2019, Enbridge filed a Leave to Construct (LTC) application for the 2021 Dawn Parkway Expansion Project¹. As part of this application, Enbridge is also seeking approval of its Integrated Resource Planning (IRP) Proposal. The proposal consists of an IRP framework to guide Enbridge's assessment of future IRP applications relative to other facility and non-facility LTC alternatives. The OEB is initiating its review of the application. It is the OEB's expectation that the DSM framework consultation will monitor the IRP framework proceeding.

Phase 2 of the Post-2020 DSM Framework Consultation

At this time, the OEB will commence Phase 2 of the consultation. The OEB is seeking stakeholder feedback on the following items:

1. **Consultation Plan** –The OEB is interested in commencing Phase 2 with a discussion on the OEB's consultation plan, focusing on among other matters, whether working groups are appropriate and if so, the composition, selection process and pace of the working groups. The OEB's goal is to be as inclusive as possible with an aim to involve the most knowledgeable parties for each topic area while being mindful of the overall costs of this consultation. Attached to this letter is a draft consultation plan.
2. **General Framework Ideas** – Subject to the OEB determining the full nature of the comprehensive review of the next DSM framework, stakeholders are invited to provide initial input and comments on the ideal length of the new framework, what sectors will be best served by future DSM opportunities, and what pressing issues related to current and new programs that should be prioritized for the consultation (e.g. enhancements, changes, new concepts, and evaluation ideas). A preliminary discussion on these topics will help inform additional research and analysis that may be required once parties begin discussions on the more substantive elements of the consultation in Phase 3, and may inform the pacing and scheduling of these future discussions.

¹ EB-2019-0159

Phase 3 will commence after the OEB provides formal guidance related to the goals and objectives, and guiding principles of the next DSM framework, which is expected sometime in early-2020. Following the establishment of the goals and objectives, and guiding principles, the OEB will then be able to assess, with input from stakeholders, the central components of the next framework such as targets, budgets, programs, cost recovery, and performance incentives.

The OEB will host a Stakeholder Meeting to discuss the two items noted above on Wednesday, January 29, 2020. The Phase 2 Stakeholder Meeting will take place at the OEB's offices at 2300 Yonge St., Toronto in the West Hearing Room. The Stakeholder Meeting will also be available remotely for registered participants. Parties planning on attending must register in advance. The deadline to register for the Phase 2 Stakeholder Meeting is Friday, January 17, 2019. Parties should indicate if they will be participating in-person or remotely. Details on how to participate remotely will be provided separately.

Based on input received at the Phase 2 Stakeholder Meeting, the OEB will finalize the consultation plan and determine next steps.

To register for the Phase 2 Stakeholder Meeting, or ask questions about this consultation process, please contact Josh Wasyluk at josh.wasylyk@oeb.ca or at 416-440-7723. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Original signed by

Christine E. Long
Registrar and Board Secretary

APPENDIX A

Post-2020 Demand Side Management Framework Consultation EB-2019-0003

Draft Consultation Plan

The OEB consulted on the principles, objectives and scope under Phase 1 of this consultation. The OEB intends to consult on the approach to the substantive portion of this consultation as part of a Phase 2 to this consultation. The draft consultation plan will be updated following the Phase 2 stakeholder meeting. The OEB expects to begin the comprehensive review of the framework components under Phase 3 early in 2020. It is anticipated that it will take approximately four months to complete Phase 3 plus additional time for stakeholder written submissions on a new draft framework.

#	TOPIC / OBJECTIVE	Need for Expert Consultants	Working Group Meetings	Status/ Comments
1	PURPOSE OF DSM <ul style="list-style-type: none"> - Goals and Objective - Guiding Principles 	No	Session completed – June 13, 2019; submissions from parties received June 27, 2019	OEB to provide guidance in early-2020
2	TARGETS Topics that may be discussed: <ul style="list-style-type: none"> - What kind of targets: Specific OEB-approved figures or general guidance, cumulative or annual natural gas savings, GHG Emissions Reduction Targets, - What are the appropriate links to 2019 Achievable Potential Study and Government's Environmental Plan? - What additional metrics that should be considered? 	Achievable Potential Study provides information to support development of targets	Recommend one full-day session	Ongoing monitoring for any further developments with respect to government's Environment Plan
3	PROGRAMS Topics that may be discussed: <ul style="list-style-type: none"> - What programs are best designed to meet goals and objectives? - What programs will have the greatest opportunity to achieve the targets? - Where should resources be focused – specific sectors? - What changes, improvements and enhancements need to be made to current 	Expert program consultants may complete research on best practices programs in other jurisdictions	Recommend two full-day sessions – one for Residential programs and one for Commercial/ Industrial programs	Consider recent results of currently approved programs

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	<p>programs?</p> <ul style="list-style-type: none"> - What new programs should be explored and developed? - What evaluation methods should be used for various programs? 			
4	<p>BUDGETS</p> <p>Topics that may be discussed:</p> <ul style="list-style-type: none"> - How much guidance should the OEB provide related to budgets? Specific parameters, general concepts, portfolio-level budget? - What considerations should be made – cost to customer, payback periods, gross cost vs net cost of programs? - What cost recovery mechanisms should be allowed? (for example, rate base DSM costs) 	Achievable Potential Study provides information to support development of budgets	Recommend one full-day session	
5	<p>PERFORMANCE INCENTIVES</p> <p>Topics that may be discussed:</p> <ul style="list-style-type: none"> - Is the current performance incentive structure appropriate? - What alternative structures are available? - What is the overall reasonableness and effectiveness of the performance incentive? - Are penalties for missing metrics/targets appropriate? 	Expert program consultants may conduct a jurisdictional scan of performance incentive structures	Recommend one full-day session	
<p>*After completing the comprehensive review with stakeholders, it is anticipated that the OEB will release a draft framework for comment as the final step of Phase 3 of this consultation.</p>				
<p>DRAFT OEB REPORT – Post-2020 DSM Framework</p> <p>Written comments from stakeholders</p>				
<p>FINAL OEB REPORT – Post-2020 DSM Framework</p>				
<p>*Following completion of the policy consultation, utilities will file applications for plan and budget approvals.</p>				
<p>Gas utilities file application</p>				
<p>OEB review process and Decision</p>				