

**Ontario Energy Board**  
**EB-2008-0346 – Gas DSM Framework Review**

**GEC Questions to Concentric Energy Advisors**

1. Please confirm that we have correctly understood Concentric's views on the following points:

***Cost-Effectiveness Tests***

- A. As typically applied in North America today, both the societal cost test (SCT) and the total resource cost test (TRC) do not capture societal non-energy benefits realized by program participants, including such things as improved comfort, improved health and safety, improved worker productivity, reduction in waste streams, etc. Thus, both tests often significantly understate true societal benefits of DSM.

***Comparative DSM Budgets and Impacts:***

- B. The data presented for DSM impacts and budget levels in other jurisdictions (e.g. tables 14, 15 and 23) are several years old and given the trend in these values are likely to understate key values, such as spending as a percent of utility revenues, expected in those other jurisdictions for the 2012 period.

***Policy that Should Inform Budgets and Goals:***

- C. Concentric's numerical recommendations on budget level are simply a reflection of the practices elsewhere (in the 2007-2008 timeframe). The underlying policy position that Concentric recommends is that DSM portfolios and budgets should be set to achieve the policy objectives in place.
- D. Concentric believes that it is desirable from an economic perspective to pursue all socially cost-effective efficiency tempered by a concern that rate impacts not be undue in any given period.
- E. Concentric believes it is possible to mitigate concerns about rate impacts from DSM programs through various means, including offering a broad enough portfolio of programs to allow all consumers to participate in at least some way.
- F. The three parameters Concentric presents for establishing budget goals on p. 95 of its report (achieving positive SCT, achieving 90% market penetration for best available technology and contributing in a significant way to meeting provincial greenhouse gas reduction goals) cannot all be met at budget levels of 4% to 6% per year.

### ***Evaluation and Audit:***

- G. Concentric's recommendation for evaluations and audits is to retain the Evaluation and Audit Committees as they exist today, except that they would be chaired by a Board appointee (likely a Board staff member) rather than by the utilities. Under this model, the appointment of evaluators and auditors would be a Board staff decision made in consultation with the committees, with all E&A activities funded by a charge levied on the LDC.
- H. The 3-5% of DSM budget recommendation for evaluation relates solely to spending on impact evaluation. Thus, it does not include research designed principally to inform new DSM initiatives. Such research should be funded from the program delivery budget.

### ***Program Integration:***

- I. Programs targeted to mass markets (e.g. residential and small commercial customers) benefit from clear and consistent messages to a variety of key market players (e.g. consumer, retailers, contractors, manufacturers, etc.). Thus, the Board should expect the two gas utilities to offer consistent, integrated programs in those markets unless compelling reasons for doing things differently in each service territory are offered.
- 2. With respect to the recommendation to focus utility DSM goals more on changes in market penetration rates of efficient technologies, would Concentric agree that this approach may necessitate moving to longer-term goals (both because progress in moving markets is often difficult to accomplish in one year time horizons and because the smaller changes that occur over just one year are not always possible to measure with sufficient accuracy to support payment of shareholder incentives).
  - 3. Concentric's discussion of avoided costs did not mention what is sometimes referred to as Demand Reduction Induced Price Effects (DRIPE), or the impact that substantial levels of gas savings could potentially have on market clearing prices for commodity. Why not? Is this simply a conservatism?
  - 4. Concentric notes that "Connecticut has one of the most inclusive and progressive methods of involving stakeholders in the development of DSM programs." (p. 139) It also suggests that stakeholder processes such as Connecticut's have "the potential to slow down development and delivery of cost-effective or innovative DSM programs..." (p. 141). Does Concentric have any evidence that this adverse effect is realized in Connecticut? What about in neighbouring Massachusetts or Rhode Island where similar systems are in place? Apart from California (where everything is seemingly very complex and even sometimes byzantine) does Concentric have concrete examples of how more formal stakeholder processes have either significantly slowed program development, hurt innovation or been more costly (after accounting for litigation and other regulatory costs avoided) than less formal mechanisms?