



December 17, 2010

Ontario Energy Board  
2300 Yonge Street, Suite 2700  
Toronto, Ontario  
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

**RE: EB-2010-0055 – Union Gas Limited – 2011 Demand Side Management Plan – 2011 Drain Water Heat Recovery Performance Incentive Scorecard**

Dear Ms. Walli:

Please find attached Union's 2011 Drain Water Heat Recovery ("DWHR") Performance Incentive Scorecard.

On April 30, 2010, Union filed a one-year Demand Side Management ("DSM") Plan for 2011. In that plan it is noted that Union would consult with the EAC in Q4 of 2010 to develop a performance scorecard for the 2011 DWHR Market Transformation Program.

As has been the case in prior program years, Union has worked closely with the Evaluation and Audit Committee ("EAC") and the attached contains a scorecard for Union's 2011 DWHR Market Transformation Program with consensus approval from the EAC. Consistent with the approved 2011 DSM Plan, the maximum incentive that is achievable for any one scorecard metric is 150%. The overall maximum scorecard incentive that is achievable is \$0.500 million.

During the Market Transformation discussions with the EAC, the framework surrounding the nature of the incentive payment structure was raised. Union acknowledges, without prejudice, that the EAC has expressed a concern with respect to the incentive paid should Union achieve a total score of less than 50% in 2011. It is understood that the EAC and interveners will have the opportunity to submit their positions on Union's 2011 Market Transformation scorecard and associated incentive payment as part of the 2011 deferral disposition process.

If you have any questions, please contact me at 519-436-4521.

Yours truly,

*[ original signed by ]*

Marian Redford  
Manager, Regulatory Initiatives

cc: Crawford Smith (Torys)  
EB-2010-0055 Intervenors

# 2011 Market Transformation Plan

## Introduction

Market transformation (MT) programs present a formalized approach to encouraging the adoption of specific energy efficient technologies within a pre-determined customer segment. As defined by the Ontario Energy Board (the Board),

*“Market transformation programs are those that (a) seek to make a permanent change in the market for a particular measure, (b) are not necessarily measured by number of participants, and (c) have a long term horizon.”<sup>1</sup>*

MT activities, with regards to the adoption of energy efficient technology, are frequently slowed by a variety of barriers found in the market place. Through utility intervention, these obstacles can be removed, and accelerated adoption of the energy efficient technology will occur.

Union’ MT plan is applicable for residential, commercial and industrial programming, according to identified opportunities. For 2011, the MT plan will continue to solely focus on Drain Water Heat Recovery (DWHR) in the new build residential market.

## Drain Water Heat Recovery (DWHR)

In 2007, Union Gas launched its first market transformation program entitled Drain Water Heat Recovery. The technology works by allowing cold incoming water in a home to be pre-heated by outgoing grey water, before going into a gas water heater or storage device. The device reduces the amount of energy needed to heat incoming cold water and provides the homeowner with savings on their energy bills.

Union uses a Direct-to-Builder approach focused on providing education and training to influence builders in the marketplace and reduce market barriers that would otherwise prevent the adoption of DWHR.

Marketing support used to reduce barriers and provide education to increase customer, builder and plumber awareness include: (a) presence at trade/home shows; (b) editorials and advertisements in trade publications/magazines; (c) co-branded marketing communication material; (d) direct mail; (e) brochures; (f) dedicated builder sessions; and (g) a dedicated customer/builder program website.

The program is currently in its fourth year of operation, with marketing support and incentives intended to continue throughout 2011.

## Objective

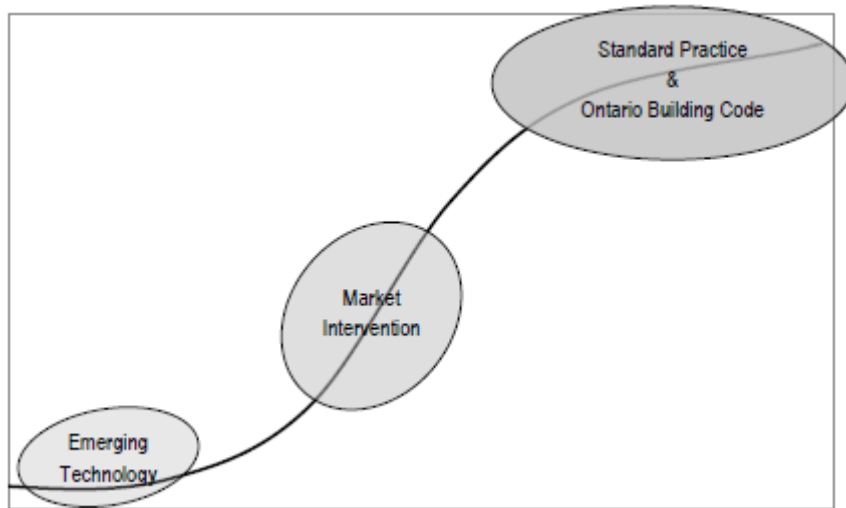
Adopting the OEBs definition of MT, the long term goal of the DWHR program is to affect a permanent change in the Ontario Residential New Construction segment such that DWHR unit installations are a standard industry practice and/or included in the Ontario Building Code.

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<sup>1</sup> Decision with Reasons. Ontario Energy Board Act 1998, S.O.1998, c.15 (Schedule B). August 25<sup>th</sup>, 2006, page 18.

With Union's long term goal in mind, Union has set short term goals to guide our activity in the Residential Builders market in our franchise area. Meeting or exceeding the market transformation scorecard target of 100% in all elements outlined in the scorecard for 2011 comprises the program's short term goals.

**Figure 1: Market Transformation over Time**



### **Strategy**

- Influence builders to participate in the program
- Educate builder related trades about the program to deliver to builders
- Work with key organizations to increase builder/customer knowledge and awareness
- Continue to work with manufacturers to further develop market infrastructure and distribution channel
- Consider implementing a reward system for builders that install multiple units

### **Plan**

To date, Union has experienced success in getting a diverse mix of builders, with a focus on energy conservation, to adopt the DWHR program. Going forward, Union will build on this success by continuing to extend the current program offerings and elements to participating builders by targeting through specific trades and manufacturers.

Marketing support will focus on targeting and educating new build customers about DWHR, in an effort to increase customer demand for the technology before the purchase of a home takes place. As customer demand increases, builders will be more likely to install units in their homes, thereby causing market penetration to increase.

Fourteen percent of Union's MT budget has been allocated to the Low-Income segment. Union will continue to work with regional Social Housing Corporations to bring them the benefits of DWHR installations. Since new Social Housing and Low-Income residential construction is not as prolific as market rate housing starts, much of the low income portion of the DWHR budget applies to retrofitting existing homes when pipe configuration allows.

## **2011 Incentive Scorecard**

Union can earn a maximum annual incentive of \$0.5 million for this market transformation program.

A market transformation program can use a number of metrics to determine an appropriate incentive for program execution and performance, and may include:

- Ultimate outcomes (e.g. market penetration vs. baseline, product sales)
- Indicators of market effects (e.g. indicators of lasting market effects and/or reductions in market barriers)
- Effective and efficient performance of planned activities
- A decline in the per unit cost of the equipment

Union will use a scorecard approach to evaluate program effectiveness and eligibility for an incentive payment. The scorecard for 2011 is outlined in Table 1 below. The scorecard multiplier will be applied to the eligible incentive amount to determine the actual incentive earned for each program.

**Table 1: 2011 Market Transformation Scorecard**

Element	Metrics (weighting)	Metric Value Levels			Score
		50%	100%	150%	
DRAIN WATER HEAT RECOVERY					
ULTIMATE OUTCOMES	Participating Builders	2010 Actual +5%	2010 Actual +10%	2010 Actual +15%	/20
	Units Installed (new build) as a percentage of 2011 residential new attachments	2010 Actual +0% or 15%	2010 Actual +2% or 17%	2010 Actual +4% or 19%	/80

**Table 2: Participating Builders / Total Builders**

Year	Builders Enrolled
2007	20
2008	51
2009	100
2010F	110
2011F	121

**Table 3: Units Installed / Residential New Attachments**

Year	Residential New Attachments	%
2007	18,728	5%
2008	18,428	9%
2009	12,677	12%
2010F	17,025	15%
2011F	TBD	17%*

\*2010 Actual + 2%

### **Metrics Description:**

- a) **Participating Builders** – The number of builders participating in the market transformation program. Eligible builders must install a DWHR technology in at least one of their homes between January 1 and December 31, 2011. The 100% target for this metric is an increase of 10% above the 2010 scorecard result.
- b) **Units Installed (New Build)** – The number of units installed as a result of the market transformation program. The 100% target for this metric is the installation of a DWHR unit in 2% more new build homes than the 2010 scorecard result or a total of 17% of units as a percentage of 2011 residential new attachments (the higher of the 2 results). All installations must be completed in a home built within Union's franchise area between January 1<sup>st</sup> and December 31<sup>st</sup>, 2011 (Includes detached, semi-detached and row/town homes).

### **Budget**

Union's 2011 budget for market transformation is \$1,464,100 million in 2011. A forecast of the 2011 spend details is shown in Table 4 below.

**Table 4: 2011 Market Transformation Budget**

DWHR 2011	
Total 2011 Incentives*	\$950,126
Marketing Materials** (including trade booths, development of ad content)	\$50,000
Advertising/PR	\$50,000
Builder Training Sessions & Workshops	\$75,000
Trade Shows & Builder Events	\$21,500
Sponsorship Opportunities	\$60,000
Promotional Items	\$4,500
End-user Education and Outreach	\$48,000
Low Income (14%)	\$204,974
<b>Total Budget</b>	<b>\$1,464,100</b>

\*Based on projected new residential attachments of 17,000

\*\*Plumber segment is a new target for 2011 requiring new material