PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC
ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7
Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. http://www.piac.ca

Michael Buonaguro
Counsel for VECC
(416) 767-1666

February 14, 2011

VIA E-MAIL/RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor; 2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli

**Re: EB-2010-0346 DSM Guidelines for Natural Gas Distributors
Staff Discussion Paper and Revised Draft DSM Guidelines
Comments of Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed VECC's Comments regarding the above Discussion Paper and Proposed Guidelines.

Yours truly,

Original signed

Michael Buonaguro
Counsel for VECC
Encl.

EB-2008-0346

Demand Side Management ("DSM") Guidelines for Natural Gas Distributors

Comments on Staff Discussion Paper and Revised Draft DSM Guidelines

Comments from the Vulnerable Energy Consumers Coalition

1. OVERVIEW AND BACKGROUND

VECC notes that the Background is incomplete. It does not address the development and the filing of the Union Gas and EGD Supplementary 2011 Low Income DSM programs and the Board Approval of these in its Decision.

2. PURPOSE

No Comments.

3. REVISED DRAFT DSM GUIDELINES

3.2 Term of the Plan

Staff proposes a term of three years. Staff notes that the proposed three-year term, which would end in December 2014, would coincide with the established timeline for electricity distributors' CDM targets.

VECC disagrees with a three year term for the Plan(s). The coincidence with the OPA CDM programs is not an important driver. The CDM programs are 4 years in duration and are funded predominantly from the Global adjustment. The regulatory cycle for EGD and Union is critical. The end of the IRM plans in December 2012 is a more important consideration because of the potential for an increase in rates in 2013.

A three year term is far too short, particularly for program elements aimed at Low Income and vulnerable consumers. These include targeted home audits and weatherization, social housing retrofits and the multi residential low income sector.

To date Low income customers have been, in VECC's view, adversely affected by the start/stop nature of Government and Board policy related to programs aimed at these customers. Much time has already been lost.

This start/stop approach is still happening in the electricity sector. The OPA Low Income programs have not been approved by the OPA Board and are not part of the Master

Program Agreements with the Electricity Distributors. In any event the 4 year proposed term will not allow for capacity building at the ED level and will likely result in under spending and under achievement as has happened I the past

For the Gas DSM Low Income Programs, three years is simply too short to build capacity and if followed by hiatus, will erode the critical capacity building that is necessary in the start-up phase of targeted Low Income programs.

Manitoba's experience should be a lesson to all. Due to delayed start up and slow capacity building the 2008-2010 Lower Income Energy Efficiency Program (LIEEP) (Gas and Electric) has dramatically underperformed and not utilized the assigned Affordable Energy Efficiency funds.

Anecdotally, VECC understands that the Initial OPA Low Income Program (2006) also under performed.

The CWG was clear that a long term sustained effort is required for these "hard to reach" sectors.

Finally VECC suggests that there is no requirement for a single term for all sectors. There could be different staggered terms and review cycles for sectors other than Residential Low Income; it is just that 3 years is simply short for the Low Income sector.

Mid Term Review

> *Staff proposes that the Board consider a review of the natural gas DSM framework during the three-year plan term. If the Board is satisfied that the natural gas DSM framework remains appropriate, the Board could extend its term.*

VECC does not disagree with a mid- term review, but strongly advocates a full 5 year term for residential Low Income Gas DSM programs. VECC suggests a shorter term could be appropriate for other sectors which work on shorter business planning cycle.

3.3 Program Types and Design

In general, VECC agrees with Board Staff that the three main types of Programs should form the majority of the activities and budget allocations. At present there is provision for R&D and Pilot projects and these should be proposed and approved (or not) based on their merits as at present.

The only caveat that VECC suggests is "program centric" activities that improve the delivery effectiveness and the results of programs. The only one of the 3 examples cited by Board Staff that meets the "program centric" criterion is the training of building operators.

VECC agrees with Staff that it may be that resource acquisition and low-income programs require a certain level of "Capacity Building," which may be part of a program

delivery component. This is particularly the case for targeted Low Income Programs, as noted earlier.

3.3.1 Program and Portfolio Design

VECC agrees with the design principles set out in this section:

- Maximization of cost effective natural gas savings;
- Provision of equitable access to DSM programs among and across all rate classes to the extent reasonable, including access to low-income customers;
- Prevention of lost opportunities; and
- Pursuit of deep energy savings.

However we note that these principles may come in conflict with other aspects of the Framework; for example any Shareholder reward/incentive system that encourages "cream skimming".

VECC notes that Staff also propose to allow flexibility of up to 30% in budget transfers among the DSM portfolio:

> *Staff proposes to adopt provisions similar to those introduced in Section 3.2 of the Board's electricity CDM Code. Namely, natural gas utilities would not be required to apply for Board approval unless cumulative fund transfers among Board-approved DSM programs exceed 30% of the approved annual DSM budget for an individual natural gas DSM program.*

VECC disagrees with allowing the utilities to shift budgets from one program to another *if* the program is specifically targeted to a certain sector or segment of customers as is/should be the case for Low Income Budgets and programs.

3.3.2 Low-Income Programs

This Section sets out proposed guiding principles for Low-Income natural gas DSM programs. As a member of the OEB CWG, VECC endorses these principles as articulated in the Report of the CWG.

Staff notes that Principle 3 indicated that low-income customers should be eligible for the low-income DSM programs "whether or not these residents are responsible for paying their energy bills." For consistency with the OPA's definition of an eligible "low-income customer" as further explained below, staff proposes taking out this wording from Principle 3.

VECC disagrees with this proposal. The reason for this is that some measures should be delivered directly to low income tenants. These would include replacement of tenant-owned appliances, (cooperative program with electric LDCs), energy efficient lighting and water conservation measures that do not require the landlord's approval.

As to the question of eligibility (page 15) for Social Housing tenants and other renters, VECC agrees that if any changes to the building fabric or equipment are being considered, then landlord consent is required. The Guidelines should reference the Tenancy Agreement and both the Gas Utility and participant must operate in accordance with its terms.

With regard to the CEA criterion listed in footnote 9 VECC suggests this is a program design matter and is not in the same category of the other principles. However it is a Best Practice for program design and delivery and should be used by the utilities as part of their portfolio development and delivery.

3.4 Screening

VECC notes that screening can be done at three levels:

1. Measure
2. Program, and
3. Portfolio

Board Staff only addresses the last two.

If screening for cost effectiveness is a requirement of the new framework, then the utilities should screen at all three levels. Otherwise, for example, pipe wrap for water heater supply lines will be included in TAPs even though it is probably not cost effective. TAPs as a program will screen positive but will have a lower net TRC.

VECC suggests this is a critical issue particularly for Low Income measures and programs. Money should not be spent on grossly ineffective measures.

VECC agrees with the CEA and Staff (page 20) that at a *measure level* there should be a threshold, but suggests that at the Program Level if the TRC is positive then measures screening between 0.7 and 1.0 should be included.

Finally VECC notes that Avoided Costs will continue to be a moving target and measures could be included/excluded as these are updated.

VECC agrees with Staff's proposed treatment of Market Transformation and R&D and project /programs.

VECC agrees with staff that the PAC Test is a useful tool to be used in conjunction with other considerations for prioritization, but should not be a requirement.

3.5 Development, Updating and Use of Assumptions

> *Staff recommends using updated input assumptions based on the best available information to determine both the LRAM and incentive amounts. Staff is of the*

view that using a consistent set of input assumptions for LRAM and incentive amounts will address some of the criticism about DSM activities that was raised earlier in this consultation.

VECC has historically been concerned that there may be unreasonable lags in updating input assumptions that results in inflated LRAM and Incentive.

VECC agrees with Board Staff that both LRAM and incentive should be based on Best Available information.

VECC suggests in support of this position that as well as annual updates of input assumptions, if information from the audit of results demonstrates that input assumptions are wrong, then this should be factored into the incentive for that year, the same as verification of participants, free-ridership and other factors. Everything should be auditable not just everything but input assumptions. We note that this places greater onus on the expertise of the external auditors and EAC.

VECC notes Staff's comments about actual results and incentives for Low Income Weatherization. However, in our view, few mass market measures lend themselves to before and after audits and average savings are the norm.

3.5.2 Avoided Costs

VECC agrees with the treatment of utility avoided costs, except that if the Plan term is extended beyond 3 years, then this should also be done as part of the mid- term review.

With regard to Commodity costs, VECC believes these should be updated more than annually if material changes occur during the year. The QRAMs of the utilities are the primary source of forecast information and a materiality threshold should be determined and commodity costs updated if this is exceeded.

3.5.2.3 Discount Rate

Staff has offered a range of possible Discount Rates (page 28):

Table 1 – Social Discount Rate Options

Option	Nominal Rate
1. Board's Deemed Long-Term Debt Rate[a]	5.5%[b]
2. OPA's Discount Rate	6.1%[c]
3. Methodology Proposed by Peter Spiro for the Province of Ontario	7.1%[d]
4. ATWACC for Enbridge	7.6%[e]
5. ATWACC for Union	7.9%[f]
6. Treasury Board of Canada	10.2%[g]

Staff recommends that the chosen discount rate be fixed for the duration of the proposed three-year term of the plan. At the end of the three-year term, the Board may wish to consider updating the discount rate.

For residential customers in general and low and fixed income consumers in particular VECC suggests that opportunity cost is a consideration in selecting a social discount rate. The key parameter is the real discount rate and it appears from the examples provided by Staff that this can run from 4-8% with OPA and Peter Spiro at the low end of the range. For reasons related to symmetry VECC would support using the OPA approach based on a 4% real rate and 6.1% overall discount rate in 2011.

3.6 Adjustment Factors for Screening and Result Evaluation

3.6.2 Attribution

VECC agrees with most of Staffs proposals on attribution with the exceptions that:

a) in the absence of a formal agreement on joint delivery of DSM and CDM programs, gas utilities should not be disincented to provide low cost electricity savings while in the home (CFLs etc) and
b) Gas utilities should either share (If cooperative program delivery) water savings based on the type of hot water system(s) in the house or otherwise get the full amount of water and (if applicable Electricity) savings.

   For these incidental electricity savings there is the remaining issues of whether these should be included in or reported outside of the achieved savings for target achievement and incentives. Section 17.1 of the Guidelines allows for sharing of the net revenues, rather than including savings in Target achievement for incentive purposes,

   On balance VECC supports the implicit continuation of the current practice.

The key principle is to allow the utility to do what can be done for the homeowner while in the house.

3.7 Budgets

While not disinterested in the proposed overall level of the DSM budgets in absolute terms and as a percentage of Distribution revenues, VECC's primary concern is the Budget for targeted Low Income programs and other programs aimed at Seniors and other hard to reach consumers.

Board Staff have put forward three options on total budget trajectories two of which in VECCs view are not helpful:

Option 1: Freeze DSM budgets at current levels;

Option 2: More than double budgets dramatically over the period 2011-2014

Enbridge's DSM budget would increase from $28 million in 2011 to $76 million in 2014 and Union's DSM budget would increase from $27 million in 2011 to $62 million in 2014; ☐

Enbridge's DSM budget would represent about 7.3% of its distribution revenue in 2014 while Union's DSM budget would be about 8.7% of its distribution revenues in 2014;[44]

Using the methodology outlined in the CEA report[45], staff estimates that the average annual natural gas DSM funding per customer would increase from $15 in 2011 to $40 in 2014 for Enbridge's customers and from $21 in 2011 to $47 in 2014 for Union's customers;

Option 3: Increase the Natural Gas Utilities' DSM budgets to about 6% of their Respective Distribution Revenues by 2014.

First VECC suggests that the Guidelines move to a three envelope budget:

- Envelope 1: Residential
- Envelope 2: Commercial
- Envelope 3: Industrial

Discussion and analysis around levels and budget trajectories would be much more meaningful based on *three* envelopes than on a total Budget basis. In addition, Program costs are allocated/recovered on a class basis which corresponds more closely to the three envelope approach we are suggesting.

In general VECC does not agree with freezing overall budgets at current levels. Both Union and EGD are growing utilities (customers and revenue) and at a minimum growth plus cost inflation should be a component of the Budget trajectory going forward. In addition, as the programs grow there is reason to question whether the current structure of shareholder incentive is appropriate (see below).

On the other hand, the second option results in budgets that are way out of the range recommended by CEA (and Best Practices) and would result both in rate impacts that are excessive and in undue cross-subsidization of participants by non-participants.

VECC is very concerned about these latter two considerations. There are several hundred thousand Low Income "gas" customers and only a small portion will be reached by the programs in the plan period. There are hundreds of thousands more seniors, many on fixed incomes, and an even lower proportion of these will be reached by the programs over the plan period.

The third option is more realistic, but VECC suggests that moving to 5% (rather than 6%) of Residential revenue is a more reasonable and realistic trajectory for the Residential sector budget over the plan period.

VECC recommends that Board staff provide an Envelope Level analysis of two additional budget options for the residential budget Envelope:

a) Benchmarking Budget Option using a *modified* CEA range of 3-5 % of Total revenues, and
b) A budget trajectory based on a continuation of the current DSM Y factor under IRM.(escalation at CPI-X)

The Divergence of the Union and Enbridge Residential Sector budgets is to be expected and appropriate, at least for the residential sector, given the differing customer bases of EGD and Union.

3.7.3 Budget for Low-Income Programs

VECC notes the Staff review of the current agreements regarding the 14% floor for the Low Income RA and MT programs.

As staff also notes, the budgets for the MURB sector are outside this agreement and fall into the proposed Commercial Sector budget envelope.

Staff recommends that

> " the natural gas utilities consult with their stakeholders to determine appropriate low-income DSM budget levels over the term of the plan. Staff expects those consultations to consider the degree to which coordination and/or integration of low-income natural gas DSM programs with low-income electricity CDM programs is warranted at this time, as well as consider the low-income natural gas DSM budget level required to support that recommendation."

VECC agrees with a further round of consultations, but suggests that they be focused on the Residential sector Budget Envelope and attended by representatives of Low Income consumers and other residential ratepayers.

With regard to the Commercial Budget Envelope, VECC suggests that both ratepayers and housing providers be included in the discussions

In VECC's view there is also merit in dealing with the residential sector in a holistic way rather than trying to parse it into two pieces.

3.8 Metrics

Staff proposes that scorecard(s) for both RA and low-income programs include (but not limited to):

a) m^3 savings of natural gas;
b) $ spent per m^3 of natural gas saved; and
c) Number of participants that receive at least one deep measure

VECC agrees with these basic metrics that were already accepted for the 2011 Low Income Program.

VECC is concerned however that as staff (page 58) notes, these metrics provide a disincentive to provide widely based Mass Market measures (showerheads and PTs etc.) that may be particularly important for participants in the tenant/rental housing market. Therefore these measures should be included in the programs and measured in a similar way to the current practice. The budgets and incentive for these should be balanced with the budgets and incentives for deeper measures.

3.9 Targets

VECC suggests first that targets be based on M^3 of natural gas saved, in order to align with the recommended RA and LI Scorecards (and Incentives- see below).

Second, consistent with the 3 Envelope budget planning approach, Targets should be established on an Envelope Basis rather than on an aggregate basis.

VECC suggests this means that screening of measures and programs will still employ TRC analysis and the results of Programs will be analysed and reported on the basis of *both* Net TRC and M^3.

3.10 Incentive Payments

One of Staffs proposals is to start the forward year 1 incentive using the current 2011 level of incentive:

> staff proposes that $9.5 million be the maximum incentive amount available for the 2012 program year, to be escalated for inflation to determine the subsequent program year caps (the “Annual Cap”)

VECC strongly disagrees. The current TRC-based Incentive is broken and needs to be fixed. Also it is not consistent with Targets based on M^3 of gas savings. Further, VECC suggests that concentration on incentives has resulted in a system and new proposals that are too difficult to comprehend for the average customer and need to be simplified. For example:

> Staff also proposes to introduce a pivot point at the 100% level. More specifically, to encourage performance beyond the 100% target level, staff proposes that 40% of the incentive available be provided for performance achieving the 100% level, with the remaining 60% available for performance at the 150% level. As indicated previously, staff recommends that the 100% target level be set to be appropriately challenging for the natural gas utilities to meet. The incentive amount would be capped at the scorecard weighted score of 150%.

VECC suggests that for symmetry purposes with the electricity sector, although based on M^3 rather than net TRC, analysis should be performed by Staff for RA and LI programs on three options in order to seek to align Budgets, Targets and Incentives:

a) The minimum aggregate incentive should be a percentage of achieved gas savings only.(including off- scorecard Mass Market measures), monetized at the average avoided cost. The incentive should kick in at the 75% target level and be capped at the 125% level. The bonus could be that every M^3 saved above target would count as $2M^3$.
b) The maximum incentive should be a percentage of achieved gas savings only (including off- scorecard Mass Market measures) monetized at the average avoided cost. The incentive should kick in at the 75% target level and be capped at the 125% level.
c) A Budget Envelope level analysis that estimates the incentive range as under options a) and b) based on the targets for each of the Residential, Commercial and Industrial Envelopes.

VECC agrees that for MT Programs there needs to be a broader discussion of the Board Staff proposal (page 62):

> Staff proposes that the maximum annual incentive amount available to market transformation programs be set at 5% of the Annual Cap, which would provide continuity and consistency with the amount available under the current DSM framework.

3.11 Lost Revenue Adjustment Mechanism ("LRAM")

VECC agrees with Staffs proposal for alignment of EGD and Union LRAM calculations:

> Staff recommends that Union adopts Enbridge's approach whereby the annual impact for the first year of the DSM programs is calculated on a monthly basis based on the volumetric impact of measures implemented in that month multiplied by the distribution rate for each of the rate classes that the volumetric variance occurred in.

Although not mentioned by Staff, VECC assumes that as set out in the Guidelines, the LRAMVAs will be continued.

3.12 Program Evaluation and Audit; 3.13 Filing and Reporting Requirements; 3.14 Stakeholder Input and Consultation Process

VECC agrees with the Board Staff Proposals in all three areas with one exception.

VECC suggests that at least one annual review/planning meeting be held specifically for Low Income programs at which there is a broader group of invitees including representatives housing providers and social agencies involved in the intake process.

3.15 Coordination and Integration of Natural Gas and Electricity Conservation Programs

VECC disagrees strongly with the proposal not to mandate cooperation between the principal Ontario CDM and DSM program providers (the OPA and the two gas utilities).

The Board should require both parties to operate under a Board Approved/sanctioned MOU that aims to promote cooperative program delivery and avoidance of duplication. Since OPA is contracting its programs to the EDs it is critical that the requirements form part of the Master Agreements with these EDs.

It is not in the best interests of ratepayers and would be a major Missed Opportunity not to require this cooperation. Unfortunately the OPA train has left the station-- a fact that is exacerbated by the delayed issuance of these Draft DSM Guidelines.

4. NEXT STEPS

VECC suggests that is critical that Board Staff hold a Technical Workshop to present alternatives suggested by stakeholders (such as in this submission) prior to finalization of the DSM Guidelines.

Attached to these submissions are edits to the proposed guidelines that reflect the changes proposed by VECC in the submission.

Attachment A

VECC proposals for

Revised Draft Demand Side Management Guidelines for Natural Gas Utilities

EB-2008-0346

February 14, 2011

Proposed Changes to Guidelines to Align with VECC Comments

Section 2 Utility Bill Payment Responsibility Criterion

Participants ~~must pay their own utility bill,~~ must meet all eligibility criteria. Where they reside in rental accommodation landlord consent may be required (see 4a) below).~~except where they reside in social and assisted housing.~~ All residents of social and assisted housing (in Part 9 buildings, as defined by the 2006 Ontario Building Code ("OBC")) will be eligible for participation in the program provided they meet all other eligibility requirements. Only natural gas-heated ~~homes~~ housing units will be eligible for building envelope measures.

Section 4 Landlord Consent Criterion (if applicable)

Private building residents: Tenants living in privately rented ~~homes~~ housing units must obtain the consent of their landlord to participate in the program, in accordance with the terms of their tenancy agreement.

Section 6.2.1 Updating of Avoided costs

The natural gas utilities should submit avoided costs for approval as part of their multi-year DSM plan, with the commodity costs to be updated annually (i.e., natural gas and, if applicable, for other resources such as electricity, water, heating fuel oil and propane) but all other avoided costs (e.g., avoided distribution system costs such as pipes, storage, etc.) to remain fixed for the duration of the plan. As avoided costs should be based on long-term projections it is expected that updating the remaining component of the avoided costs (i.e. other than the commodity costs) on a multi-year cycle should not cause benefits to be significantly under or overstated.

If the QRAM filings of the utilities indicate that a material (25%??) increase in commodity costs is projected during the year, then an interim update of the avoided costs should be performed in-year and this should flow into the screening of new programs in that year and inform the annual update of avoided costs

Section 7.2.1 Attribution between Rate Regulated Natural gas Utilities and Rate-Regulated Electricity Distributors

For electricity CDM and natural gas DSM programs jointly delivered with rate-regulated electricity distributors, all the natural gas savings should be attributed to rate-regulated natural gas utilities and vice-versa for electricity savings. This represents a continuation of the simplified approach adopted in the 2006 Generic Proceeding.

Water conservation-related energy savings should be allocated based on the type of hot water system (gas or electric)

In the absence of joint delivery the gas utility may claim electricity and water conservation related savings based on the principles of centrality and dollars spent See section also 17.1

Section 8 BUDGETS

The recommended Aggregate natural gas DSM budget paths for Enbridge and Union are outlined in Table 1 below. The 2014 DSM budgets are expected to represent about ~~6~~ 5% of Enbridge and Union's respective distribution revenues. These DSM budget paths are based on a ~~30~~ X% per year increase of Enbridge's approved 2011 DSM budget and a ~~15~~ Y% per year increase of Union's approved 2011 DSM budget.
DELETE /MODIFY TABLE 1

Section 8.2 Budget for Low-Income Programs

Appropriate flexibility and guidance for the allocation of the low-income DSM budget among low-income customers will be provided by the guiding principles outlined in section 4.2, inputs received through the natural gas utilities' stakeholder engagement process, as well as the Board's review and approval process of the natural gas utilities' multi-year plan application.
Prior to filing of the DSM plan and at the mid term review
The natural gas utilities should consult with their stakeholders to determine appropriate low-income DSM budget levels over the term of the plan. Those consultations should consider

a) the current agreements regarding the minimum percentage of budgets allocated to Low Income programs
b) the recommendations of the OEB CWG regarding Low Income programs for both the single and multi-family residential sectors
c) the degree to which coordination and/or integration of low-income natural gas DSM programs with low-income electricity CDM programs is warranted at this time, as well as consider the low-income DSM budget level required to support that recommendation.

As part of their multi-year DSM plan application and for information purposes, the natural gas utilities should submit an update of the estimated share of the residential rate classes' revenues derived from their low-income consumers. The natural gas utilities should also file information providing a comprehensive overview of their low-income programs, which would include low-income programs within their residential rate classes as well as programs in other rate classes or sectors which are directed at low-income residents (e.g. social housing multi-unit residential spending).

Section 9 METRICS

Section 9.1 Resource Acquisition Programs

The natural gas utilities, as informed through its stakeholder engagement process, should propose the weight associated with each metric and may propose additional metrics. However, the inclusion of a TRC or societal net savings metric is not recommended; a metric based on m^3 of natural gas saved should be used instead. Likewise, the inclusion of a metric based on reduction of GHG emissions is not recommended as this metric would strongly, if not perfectly, correlate with m^3 savings of natural gas.

For non- scorecard Resource Acquisition Programs (e.g. TAPS/Enhanced TAPS) Metrics should be based on the Modified TRC Test and Targets assigned to these programs.

Section 9.2 Low-Income Programs

Low-income programs should be evaluated using a scorecard approach, which should help promote and strengthen the benefits of certain aspects of these programs. The low-income program scorecard(s) should include the following metrics:

m^3 savings of natural gas;
$ spent per m^3 of natural gas saved; and
Number of participants that receive at least one deep measure.

The natural gas utilities, as informed through its stakeholder engagement process, should propose the weight associated with each metric and may propose additional metrics.

To maintain equitable access to DSM programs among and across all rate classes to the extent reasonable, some programs within the portfolio of low-income programs may have to be "shallower" in nature. ~~It is recognized that if an individual program's scorecard is developed for such programs, a metric on the "number of participants that receive at least one deep measure" would not be applicable to it.~~
For non- scorecard Resource Acquisition Programs (e.g. TAPS/Enhanced TAPS) Metrics should be based on the Modified TRC Test and Targets assigned to these programs.

Section 11 INCENTIVE PAYMENTS

~~The maximum incentive amount available for the 2012 program year should be $9.5 million for each of the two main natural gas utilities, to be escalated for inflation to determine the subsequent program year caps (the "Annual Cap").25 The DSM incentive payments are pre-tax amounts~~

Incentive payments should be based on the gas saving portion of the Scorecard plus the the gas savings resulting from non-scorecard based program(s)

The minimum aggregate incentive should be a x % of achieved gas savings only.(including off- scorecard program gas savings), monetized at the average avoided cost. The incentive should kick in at the 75% target level and be capped at the 125% level. The bonus could be that every M^3 saved above target would count as $2M^3$
~~To encourage performance beyond the 100% target level, a pivot point should be introduced at the 100% level. More specifically, 40% of the incentive available should be provided for performance achieving a scorecard weighted score of 100% level, with the remaining 60% available for performance at the 150% level.28 As indicated in section 10, the natural gas utilities should file evidence on the challenges they will face in meeting each of their three scorecard levels (i.e., 50%, 100% and 150~~

Section 16.1 Stakeholder Engagement Process

All participants in the Board's consultation on the development of these Natural Gas DSM Guidelines (EB-2008-0346) should be invited to participate in the natural gas utility's DSM stakeholder engagement process. As part of their stakeholder engagement process, each natural gas utility should hold a minimum of two meetings every year and invite all such participants (the "General DSM Meeting").

- Among other things, the purpose of the General DSM meetings could include:
- Reviewing annual DSM results contained in the Draft Evaluation Report, the Audit Report and the Final Evaluation Report;
- Selecting any subcommittee that may be part of the stakeholder engagement process; and
- Providing advice on the development and operation of the natural gas utility's DSM plan

In addition, at least one Low Income DSM Stakeholder review/planning meeting be held specifically for Low Income programs at which there is a broader group of invitees including representatives housing providers and social agencies involved in the intake process.

Section 17. COORDINATION AND INTEGRATION OF NATURAL GAS AND ELECTRICITY CONSERVATION PROGRAMS

It is expected that greater coordination and integration of certain electricity and natural gas conservation programs could result in efficiency gains, thereby increasing total natural gas savings achievable at a given budget level. ~~However, greater coordination or integration of natural gas DSM and electricity CDM programs should be encouraged, as opposed to being mandated~~.

The utilities should complete an MOU with the OPA regarding cooperation and non duplication. The Board expects the OPA to include the main principles in its Master Agreement with regulated Electricity Distributors

The natural gas DSM framework outlined in these Revised Draft DSM Guidelines is expected to provide ~~adequate flexibility and~~ incentives to drive a rational coordination or integration of natural gas and electricity conservation programs. It is expected that the natural gas utilities will consult with stakeholders to design a proposed multi-year natural gas DSM plan that will reflect this objective.

Section 17.1 Electricity CDM Activities Undertaken by a Natural Gas Utility

In the absence of a cooperative delivery arrangement, the natural gas utilities may still undertake electricity CDM activities where they are clearly incidental to the natural gas utility's DSM activities and provided they do not entail investment in separate infrastructure. It is expected that, where such engagement is undertaken, they should bring about cost efficiencies and the clear focus will remain the natural gas utility's DSM activities. The natural gas utilities should use a fully allocated costing methodology for any electricity CDM activity they undertake.

The net revenues associated with any electricity CDM activity undertaken by a natural gas utility should be shared equally between the shareholders and the ratepayers (50%/50%). No natural gas ratepayer funded financial incentive amount should be provided for electricity CDM activities undertaken by the natural gas utilities.