EB-2008-0346

OSEA's Comments on Staff Discussion Paper On Revised Draft Demand Side Management Guidelines for Natural Gas Utilities, January 21, 2011

1. OSEA Comments on Section 3

> *In addition, an attempt has been made to maintain consistency, where appropriate, of certain elements of the proposed natural gas DSM framework with the Ontario electricity Conservation and Demand Management ("CDM") framework. In particular, staff has been informed by the results of the Ontario Power Authority's ("OPA") consultations on the 2011-2014 province-wide electricity CDM programs as well as the recent Board consultations on electricity CDM.*

OSEA suggests that it is premature to maintain consistency with the CDM Code given that the natural gas utilities have sixteen years of experience in DSM.

OSEA finds it inappropriate that staff has relied on the OPA consultations on the 2011-2014 electricity CDM programs for the same reason.

2. OSEA Comments on Section 3.1 DSM Framework

> *In staff's view, no new significant evidence has been provided on the appropriateness or lack thereof of the natural gas utilities undertaking DSM activities as part of their regulated business. In light of the participants' generally supportive comments to build upon the current DSM framework, staff is of the view that consideration of a fundamentally different framework is not warranted at this time.*

OSEA agrees with the first point, but its disappointed that many of the innovative suggestions in the Concentric Report and suggestions of intervenors have not been reflected in the new guidelines.

> *Based on the findings of the PEG report and the comments received, staff is not proposing to incorporate a "top-down" approach as part of the Revised Draft DSM Guidelines.*

OSEA concurs with this statement.

3. OSEA Comments on Section 3.2: Term of the Plan

> *Accordingly, 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.*

OSEA disagrees that a three year term is sufficient and suggests a five year term. Having it coincide with the established timelines of the electricity distributors targets is irrelevant and dysfunctional. Formal evaluation of the electricity results will not like be available at least until 2015 or later. Having another hiatus in the evolution of DSM or CDM such as that experienced in the past three years is unnecessary and counterproductive.

> *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.*

OSEA agrees that if the Board is satisfied that the natural gas DSM framework remains appropriate, the Board could extend its term.

4. OSEA Comments on Section 3.3: Program Types and Design

Staff is of the view that the three current generic types of DSM programs, in addition to the possibility of funding for pilot programs, covers an adequate spectrum of DSM activities for the natural gas utilities to undertake. Staff notes that some of the examples provided by Enbridge indicate that part of those programs may fall within market transformation and pilot programs, such as the "Infrastructure Development" and "Research and Development" programs. It may also be that some "infrastructure development" programs could be considered custom resource acquisition projects.

OSEA disagrees with Staff and suggests a framework analogous to the Conservation Fund for pilot programs and the Conservation Technology Fund for R&D with a longer term view toward merging funding and management for these funds.

While staff notes that the proposed "Capacity Building" described by the natural gas utilities may not be fully captured by the current generic types of DSM programs, staff is not convinced that it should be within the purview of the rate-regulated natural gas utility DSM portfolio as stand-alone programs. Nonetheless, staff notes 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.

OSEA doesn't accept that if capacity building is a valid function of rate payer supported electric CDM, and it is not for natural gas utilities in its DSM programs. Such an uneven playing field may develop biases among participating organizations toward electric applications.

5. OSEA Comments on Section 3.3.1: Program and Portfolio Design

While a number of participants proposed specific program design elements to be part of the new DSM framework, staff is of the view that they should more aptly be considered by the natural gas utilities through their respective stakeholder engagement processes before filing their multi-year DSM plans with the Board. This would ensure greater flexibility in DSM program and portfolio design, recognizing that the natural gas utilities are ultimately responsible and accountable for their actions.

OSEA supports giving the natural gas utilities flexibility, but suggests that the Board should recognize that the intervenor members of the consultative are a subset of the full stakeholder community that the natural gas utilities need to consult.

Flexibility is a cornerstone of staff's proposal. Using updated input assumptions to calculate the incentive amounts – which in staff's view will provide an incentive for natural gas utilities to continuously react to, adapt to and anticipate market developments – requires a flexible DSM framework with regard to program design and prioritization.

OSEA supports this approach.

Staff is also of the view, however, that some of this flexibility needs to be monitored. Accordingly, 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. The natural gas utilities would also be required to seek approval to re-allocate funds to new programs that are not part of the natural gas utilities' Board-approved DSM plan. In staff's view, these filing requirements will help ensure that an appropriate balance among the four overarching guiding principles is maintained and that the proposal is consistent with the other elements of the new DSM framework.

OSEA disagrees that this level of micro management is required at this stage of natural gas DSM, whereas it may be required at this stage in the CDM Code.

6. OSEA Comments on Section 3.3.2: Low-Income Programs

OSEA concurs with the comments of LIEN with respect to all matters relating to Low Income Programs.

7. OSEA Comments on 3.4: Screening

> *Staff agrees that the estimation and inclusion of a broader range of benefits into the test could result in complexities.*

OSEA concurs.

> *Staff is of the view that a modified TRC test approach can provide an appropriate balance between the desire to reflect certain externalities without unduly increasing the complexity of the screening test. The modified TRC test staff proposes would only add one external benefit to the current TRC test: a value for reduction in greenhouse gases ("GHG") emissions as measured in tonnes (1,000 kg) of carbon dioxide equivalent emissions ("CO_2e"). A discussion on how to determine the value of reduced CO_2e emissions is provided in section 3.5.2.2.*

OSEA concurs and includes a suggestion for this amount in the appropriate section.

8. OSEA Comments on Section 3.4.1 Screening Level

> *Staff is of the view that screening should serve to remove from further consideration programs that are not cost effective, as determined by the screening test. While screening at the portfolio level may allow flexibility in terms of allowing for the inclusion of less cost effective programs, in staff's view this flexibility is not warranted to the extent that it allows programs that are not cost effective to be selected by the natural gas utilities. Accordingly, staff recommends performing screening at the program level.*

OSEA is of the view that the first level of screening should be at the measures level, but that failure to pass the Modified TRC (MTRC) should not rule out either a measure or a program. OSEA is of the view that a properly design shared savings mechanism is the best way to balance this aspect of CDM. Including a measure that does not screen positively may have strategic benefits for a combination of measures for a given program and should not be excluded.

OSEA is also of the view that as long as the whole portfolio of resource acquisition programs is positive, it should be up to the natural gas utilities to manage the components.

> *However, and as discussed below, staff recognizes the need for flexibility in screening certain types of programs, such as low-income customer programs, R&D and pilot programs and market transformation programs which may not be amenable to such a mechanistic screening test.*

OSEA concurs with LIEN's comments on Low Income Programs.

OSEA disagrees with Staff and suggests a framework analogous to the Conservation Fund for pilot programs and the Conservation Technology Fund for R&D with a longer term view toward merging funding and management for these funds.

> *Staff notes that some multi-year programs may involve an initial ramp-up in the first year(s). Accordingly, when screening such a program on an annual basis, the lifetime benefits of the measures installed in the first year of the program may not outweigh the costs associated with that program's first year.*

OSEA suggests that all programs be screened on a multiyear basis.

Staff agrees that for programs that last for more than one year and for which there may be an initial ramp-up in the first year, a multi-year approach to screening is appropriate. Otherwise, such programs, which may result in net benefits over their entire life, but not necessarily so in their first year, would end up being screened out.

OSEA concurs.

9. OSEA Comments on Section 3.4.2: Screening of Low-Income Programs

OSEA concurs with LIEN's comments on Low Income Programs.

10. OSEA Comments on Section 3.4.3: Market Transformation Programs

Four participants commented that market transformation programs should be assessed on their own merits based on the specific objectives of the program. Staff agrees.

OSEA concurs.

11. OSEA Comments on Section 3.4.4: Research & Development ("R&D") and Pilot Programs

In staff's view, funding for R&D and pilots is not amenable to a mechanistic screening approach and should be assessed on its own merits. As the need for these types of projects may change over time, staff is of the view that, instead of a dedicated fund, any funding for R&D and pilots should be part of the total DSM budget. Under this proposal, any spending in a year on R&D and pilots would reduce the amount available for other DSM programs in that year. The natural gas utilities will be expected to identify as part of their multi-year plan application the budgeted amounts for potential R&D and pilots based on their needs for developing and testing new technologies and programs.

OSEA suggests a framework analogous to the Conservation Fund for pilot programs and the Conservation Technology Fund for R&D with a longer term view toward merging funding and management for these funds.

12. OSEA Comments on Section 3.4.5 Prioritization

In staff's view, it is clear that the iterative nature of DSM portfolio design and the various considerations participants highlighted require a more flexible approach to prioritization of DSM programs than using the PAC test alone.

OSEA concurs.

Staff notes that the stakeholder engagement process (see section 3.14) provide an opportunity for stakeholders to guide the overall prioritization process. Moreover, the proposed Revised Draft DSM Guidelines offer an overarching guiding influence over the prioritization process through the metrics, targets, and the incentive structure (see sections 3.8, 3.9 and 3.10).

OSEA supports getting stakeholder engagement is important, but suggests that Board Staff should recognize that the intervenor members of the consultative are a subset of the full stakeholder community that the natural gas utilities need to consult.

Consequently, staff recommends that the natural gas utilities' current prioritization flexibility be maintained, including using the PAC test as an input in that process.

OSEA concurs.

13. OSEA Comments on Section 3.5: Development, Updating and Use of Assumptions

Various assumptions are used at different stages of annual and multi-year DSM plans. Assumptions such as operating characteristics and associated units of resource savings for a list of DSM technologies and measures are referred to as "input assumptions". Assumptions relating to society's benefit of not having to provide an extra unit of supply of natural gas, or other resources (e.g., electricity, heating fuel oil, propane or water), and of avoided CO_2e emissions are referred to as "avoided costs".

OSEA has no comment

14. OSEA Comments on Section 3.5.1: Input Assumptions

Many participants endorsed the approach proposed earlier in this consultation which was utilized to determine the input assumptions for the 2010 and 2011 natural gas DSM plans. This approach consists of the Board overseeing the development of a common initial set of measure assumptions for prescriptive programs using an independent consultant and providing interested participants with an opportunity to comment on those inputs before they are finalized. The Revised Draft DSM Guidelines have retained this approach.

OSEA concurs, provided that natural gas utilities can use updated assumptions with documented rationales.

15. OSEA Comments on 3.5.1.1: Updates to Input Assumptions during the DSM Plan

The input assumptions may change over time based on more accurate and up-to-date information resulting from the annual evaluation and audit process and other research as required. Staff proposes an updating process consistent with the current approach.

OSEA concurs but adds that stakeholders and market participants other than natural gas utilities or intervenor members of the consultative should have a process to suggest new measures or updated assumptions.

16. OSEA Comments on Section 3.5.1.2: Use of Input Assumptions

As is the case under the current DSM framework, natural gas utilities should design, screen and evaluate programs using the best available information known to them at the relevant time.

OSEA concurs.

To this point, staff notes that based on its review of Enbridge and Union's audited DSM results from 2007 to 2009, the audited total natural gas savings used to determine incentive amounts have in all years and for each natural gas utility been larger than the audited total natural gas savings used to determine the LRAM amounts. The difference has been 7% on average, ranging from 1% to 18%. Staff recommends using updated input assumptions based on the best available information to determine both the LRAM and incentive amounts.

OSEA concurs that updated assumptions should form the basis of LRAM, but contends that the shareholder incentive should be based on the assumptions in the approved plan.

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.

OSEA was not part of the earlier consultations, but contends that management should not be penalized for elements of performance which are not within its control. Retroactively changing the basis for incentives is not appropriate.

> *Also, while the current DSM framework does expect natural gas utilities to incorporate new information into program design and implementation as soon as available during the program year, basing the incentive amounts on input assumptions established at the beginning of the program year may provide a conflicting signal. For instance, while new information during the year might suggest that greater savings can be achieved by putting more effort into one program and less into another, the locked-in input assumptions would support the status quo. Using updated input assumptions instead should reward natural gas utilities to maintain a flexible approach and react to current information during the program year; an approach that would support the achievement of greater savings to everyone's benefit.*

OSEA disagrees with staff comments. As long as the shareholder incentive mechanism is based on giving shareholders a share of the savings based on assumptions of the original plan.

> *Staff also recommends that the preference to determine LRAM and incentive amounts should be to use measured actual results, instead of input assumptions, to the extent that it is feasible and economically practical. Staff notes that, consistent with this proposal, Enbridge and Union's approved amendments to their respective 2011 low-income weatherization plans (EB-2010-0175 and EB-2010-0055, respectively) indicate that the measurement of natural gas savings from these programs will be based on the results of the pre- and post-energy audits conducted by certified energy auditors on a custom basis.*

OSEA concurs that using actual measured and monitored results is preferable to using deemed savings from the assumptions provided the measured and monitored results are part of an established framework like Sustainable Schools or Greening Healthcare delivered by Toronto and Region Conservation Authority..

17. OSEA Comments on Section 3.5.2: Avoided Costs

> *As described earlier, assumptions relating to the societal benefit of not having to provide an extra unit of supply of natural gas, or other resources (e.g., electricity, heating fuel oil, propane or water), and of avoided CO_2e emissions are referred to as "avoided costs".*

OSEA suggests that the term societal is not correct in this context.

18. OSEA Comments on Section 3.5.2.1: Updating of Avoided Costs

> *There was broad support among participants to maintain the current approach whereby the natural gas utilities submit avoided costs for approval as part of their multi-year DSM plan, with the commodity costs to be updated annually 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. Staff concurs with this approach.*

OSEA concurs.

19. OSEA Comments on Section 3.5.2.2: Costs of Carbon Dioxide Equivalent ("CO_2e") Emissions

OSEA suggests that the value for avoided CO_2 emissions should be deemed to be $40 per ton which was the pass/fail hurdle rate used by both utilities in their 1997 DSM Plans following an OEB sponsored collaborative process to determine the value of externalities. Please note that range of values was from $0 to $60 per ton. It might also be considered that the Environmental Commissioner of Ontario be consulted with respect to a price for carbon.

If market developments warrant re-examining this value during the term of the plan, the Board could entertain doing so as part of the annual process to update input assumptions.

OSEA concurs.

20. OSEA Comments on Section 3.5.2.3: Discount Rate

Staff notes that there was broad support for a common social discount rate to be used by the natural gas utilities. Staff agrees that a common social discount rate should be used. However, staff asks participants for additional comments on a preferred approach to determine the social discount rate.

OSEA suggests using Ontario Energy Board's Deemed Long-Term Debt Rate: 5.5%

21. OSEA Comments on Section 3.6: Adjustment Factors for Screening and Result Evaluation

OSEA suggests that the cost of more precise data on these factors may not be justified or even necessary particularly if the natural gas utilities move to a more performance based approach to resource acquisition.

22. OSEA Comments on Section 3.6.1: Free Ridership and Spillover

Staff agrees with the view that free ridership and spillover effects should not be assumed to offset each other because their net impact depends on the design of the program and the targeted customer segments. In staff's view, assuming they offset each other, or more generally that the net impact is a fixed percentage, would not provide adequate incentive for the natural gas utilities to design and implement programs that minimize free ridership.

OSEA concurs, but only if spillover estimates are also accepted with accompanying rationale with respect to results and factored into LRAM.

Staff is of the view that all adjustment factors considered, including free ridership and spillover, should be assessed for reasonableness prior to the implementation of the multi-year plan and annually thereafter, as part of each natural gas utility's ongoing program evaluation and audit process.

OSEA disagrees that spillover can be estimated in advance. By definition spillover relates to consumers doing something not expected.

23. OSEA Comments on Section 3.6.2: Attribution

Staff notes that many participants stressed the need for greater coordination of electricity CDM and natural gas DSM activities. Accordingly, staff finds it appropriate to separate the issue into two categories: attribution between rate-regulated natural gas utilities and rate-regulated electricity distributors, and attribution between rate-regulated natural gas utilities and other parties (e.g., non-rate-regulated entities such as agencies and various levels of government, non-rate-regulated private companies, etc.).

OSEA concurs.

Staff proposes that all the natural gas savings be attributed to rate-regulated natural gas utilities for electricity CDM and natural gas DSM programs jointly delivered with rate-regulated electricity distributors and vice versa for electricity savings.

OSEA concurs.

Staff notes that there is relatively little natural gas savings associated with electricity CDM programs and, likewise, there is relatively little electricity savings associated with natural gas DSM programs.

OSEA disagrees. Very few gas applications do not also require electricity and there are significant overlapping effects associated with multiple fuel use. While not a matter of attribution, the Board should be concerned about measures that "fall between the cracks" including water and other fuels and technologies like ground source heat pumps and solar thermal which received special mention in Ministerial directives. This wasn't an issue under EBO 169-III due to its structure. It has been a problem with respect to electric CDM programs since 2005.

> *In staff's view, therefore, each type of utility has little incentive to finance the other type of utility's programs and each is likely to pay for the entirety of the programs associated with its respective energy source. Staff concludes that a finer scale of attribution between the rate-regulated natural gas utilities and electricity distributors is therefore not warranted. Staff sees the continuation of the simplified approach whereby all energy savings are attributed based on the type of commodity delivered by each rate-regulated utility as conducive to partnerships between the two sectors. Staff notes that such partnerships should result in economies of scale and economies of scope to the benefit of all ratepayers.*

OSEA concurs

> *As proposed by the natural gas utilities, staff recommends that attribution of savings between rate-regulated natural gas utilities and other parties (e.g., governments, non-rate-regulated private sector, etc.) be based primarily on the shares established in the partners' agreement.*

OSEA concurs.

> *Staff also recommends that where a natural gas utility's allocated share in the agreement is more than 20% of the share that would have been allocated based on a "percentage of total dollars spent" basis, an explanation for the difference should be provided.*

OSEA has no comment.

> *Staff further recommends that the natural gas utilities would file expected spending for each of the partners before the program is launched and the actual amount spent by each partner within each program year.*

OSEA disagrees. Such an approach would slow the pace of such programs to the speed of the slowest partner.

> *As partnerships do not always evolve as originally planned, this additional information will help the Board and stakeholders to assess the reasonableness of the shares allocated in the agreement reached prior to the program's launch and the actual contribution the natural gas utility made to the program.*

OSEA disagrees and suggests that this level of micro management negates the intent to provide flexibility to the natural gas utilities. If there is any place where flexibility is required, it is in the realm of partnerships.

> *In the absence of an agreement of the partners on the sharing of savings resulting from the program, the attribution will be based on CEA's proposal (i.e. based on the percentage of total dollars spent by the natural gas utility).*

OSEA disagrees with stepping away from the notion of centrality. Doing so will reduce the incentive for the natural gas companies to continue their proactive approach to partnerships.

> *As described in section 3.8, staff recommends moving away from measuring success and providing an incentive based on a TRC-based metric and proposes to use other metrics, one of which is natural gas savings. Hence, for the purpose of determining the incentive and the LRAM amounts, the percentage of attribution will only be used to determine how much of the natural gas savings resulting from the*

jointly-delivered programs will accrue to the natural gas utilities; it will not be used for other resource savings.

OSEA comments further on this in its comments on Section 3.8 as well as points to its comments on Section 3.5

Staff notes that section 7.1 of the Conservation and Demand Management Code for Electricity Distributors ("CDM Code") issued September 16, 2010 outlines the attribution rules under the electricity CDM framework. Staff's understanding is that attribution between rate-regulated natural gas utilities and electricity distributors under the CDM Code is intended to be as proposed by staff in this paper for the Revised Draft DSM Guidelines: all energy savings are to be attributed based on the type of commodity delivered by each rate-regulated utility.

With regard to attribution between rate-regulated electricity distributors and partners other than the rate-regulated natural gas utilities, the CDM Code stipulates that the rate-regulated electricity distributor may claim 100% of the benefits of a CDM program if its role is determined to be central. Centrality is established under the CDM Code if a rate-regulated electricity distributor contributed more than 50% of the program funding or if it initiated the partnership, initiated the program or initiated the implementation of the program. This "centrality approach" is identical to the approach under the current natural gas DSM framework. Staff notes that no participant in this consultation, nor CEA, supported the continuation of the "centrality principle".

OSEA disagrees with staff's note that no participant supported the continuation of the centrality principle and indicates that its comments were disagreements with CEA on this point.

While staff's proposal for attribution between rate-regulated natural gas utilities and partners other than the rate-regulated electricity distributors differs from the corresponding approach under the CDM Code, it is also consistent in many regards. Under staff's proposal for the Revised Draft DSM Guidelines, the natural gas utilities may still claim up to 100% of the savings. The main difference is that in order to claim 100% of the savings, the natural gas utilities must provide evidence that this share is reflective of their role for that program, whereas under the CDM Code a rate-regulated electricity distributor only needs to show that its role amounted to at least 50% of the effort to be entitled to 100% of the benefits. In staff's view, there is a trade-off between having a more granular approach in terms of regulatory burden and a more expedient approach whereby there may be a greater risk that the level of effort is not commensurate with the incentive provided and could be unfair to the ratepayers. Staff believes that the recommended approach for the Revised Draft DSM Guidelines is responsive to the comments received in this consultation.

OSEA suggests that the attribution of gas and electric savings should be on the basis of fuel savings, but that with respect to programs where other partners participate, the notion of centrality should be used as per the current DSM Gas Guidelines.

24. OSEA Comments on section 3.6.3: Persistence

Staff is of the view that there is a need for a more thorough consideration of savings persistence which may be driven, among other things, by how long a DSM measure is kept in place by the customer and technical degradation.

OSEA suggests that the cost of more precise data on persistence may not be justified particularly if the natural gas utilities move to a more performance based approach to resource acquisition.

Staff also notes that another aspect that can be considered as part of the persistence factor is what Joseph Eto refers to as "dynamic free riders."[24] As he explains "free riders have typically been limited to those free riders who would have adopted reasonably contemporaneously with a program offering (i.e., for a

particular program year)." In contrast, dynamic free riders are those who would have implemented the DSM measure on their own in the future (e.g., in two years time), but their implementation date was accelerated by the program offering.

Staff notes that in this case, the savings resulting from the DSM program would only accrue for up to the period by which the adoption was accelerated (e.g., two years), instead of the entire useful life of the measure. More generally, staff notes that an important consideration when assessing the persistence of savings is the fact that some energy efficient equipments have a much longer life than the base case equipment. For example, if an efficient natural gas furnace (model A) with a 25-year useful life is used to replace a homeowner's furnace (model B) with a remaining useful life of 5 years, an assumption must be made with regard to what would have happened under the base case. Would the average homeowner have opted to replace its furnace for a more efficient furnace (model C) on its own in five years from now? If so, staff notes that the estimated savings for the first five years should be based on the savings of model A compared to model B, but the savings over the next 20 years should be calculated by comparing model A to model C. In staff's view, another important consideration in assessing the persistence of savings is potential changes in usage pattern. For example, large custom commercial and industrial DSM projects with expected useful life of 20 years or more may not fully materialize if the business benefiting from the custom measure operates at lower levels or closes down its processes within that time period.

While OSEA recognizes that expert advice from the likes of the authors above are important factors to consider in program design, attempting to ascertain real data on any of the matters, particularly 20 years in the future is not realistic.

Given the natural gas utilities' 15 years of experience delivering natural gas DSM programs in Ontario, staff proposes that the natural gas utilities assess the historical persistence of savings of custom DSM projects and commercial and industrial DSM programs in general and provide the resulting information to and consult with their stakeholders to determine whether any persistence adjustments to the savings of those programs would be warranted going forward.

OSEA suggests that this exercise would be as fruitless as the Pacific Economic Group's top down study.

Staff recognizes that there may be a trade-off between greater accuracy and the cost associated with developing persistence factors. For instance, it may be appropriate to carefully develop persistence factors for programs with significant budgets and savings, while other lower budget programs with measures that would not reasonably be uninstalled prior to the end of their useful life could be assumed to have a persistence factor of 100%. In either case, staff would expect the natural gas utilities to provide a rationale for the persistence factor it is using for each of its programs.

Staff expects the natural gas utilities' stakeholder engagement process will provide an opportunity for stakeholders to guide the natural gas utilities in determining the extent to which persistence factors should be developed for each program.

25. OSEA Comments on Section 3.7: Budgets

This section provides a discussion on the overall natural gas DSM budget for each natural gas utility as well as a discussion on the DSM budget components by generic program type.

26. OSEA Comments on Section 3.7.1.2: Staff Discussion

Staff is of the view that estimating annual natural gas DSM budgets as a percent of distribution revenues provides a useful, albeit imperfect, measure of relative magnitude of natural gas DSM budgets across natural gas utilities. Combined with other information, such as specific circumstances in each jurisdiction and distributor service area, this measure can help guide the starting and end point of the budget path and the resulting escalation factor.

OSEA views this factor as merely an indicator, not a decision element.

> *Staff does not support using this measure as a mechanistic way of adjusting the DSM budget based on the approved distribution revenues of each year of the plan as this would introduce unwarranted uncertainty with no evident benefit.*

OSEA concurs

> *In staff's view, the CEA's recommended range is based on a jurisdictional review of "leading jurisdictions". As noted earlier, while one ratepayer representative expressed concerns with the disproportionate influence of one observation in CEA's U.S. sample, one representative of environmental interests pointed to the vintage of the CEA's data (i.e., 2007 and 2008) as having an opposite influence on the results. Under the circumstances, staff finds CEA's range to be a reasonable reflection of the level of DSM budgets found in those leading jurisdictions.*

OSEA concurs.

27. OSEA Comments on Section 3.7.1.3: Staff Options

> *Staff also notes that throughout this consultation participants expressed diametrically opposed views with regard to the annual DSM budget path.*

OSEA contends that budgets should be developed by the natural gas utilities based on program experience.

> *Staff finds it useful to outline what appears to be the five primary guiding principles that may inform the level and rate of increase of natural gas DSM budgets.*

OSEA concurs that these guiding principles should apply to the entire multi-year plan, but does not view them as having appropriate guidance for the budget.

> *Staff notes that there may be an opportunity for the natural gas utilities to capture some of the momentum that was created by the suite of federal ecoENERGY Retrofit programs, which stopped taking new applications as of April 1, 2010, and the Ontario Home Energy Savings Program, ("HESP") which is expected to stop taking new applications as of April 1, 2011.*

OSEA suggests that delay in moving forward on these guidelines makes capturing any momentum from the Eco Energy programs a moot point.

> *Staff notes the ECO's comment that "About 63 per cent of the energy savings resulting from HESP are related to heating homes with natural gas; HESP thus complements natural gas utilities' demand-side management activities since gas distributors offer limited assistance."*

OSEA suggests that the combination of previous DSM guidelines and improved equipment standards have limited gas utilities participation in HESP type activities.

> *Staff notes that the first Board-approved DSM budgets for Enbridge and Union under the E.B.O. 169-III Report of the Board were for their 1995 rate year. Enbridge and Union's 1995 Board-approved DSM budgets were $6.3 and $4.2 million, respectively. As noted earlier, Enbridge and Union's Board-approved 2011 DSM budgets are $28.1 and $27.4 million, respectively. This implies an average compounded annual increase of about 10% for Enbridge and 12% for Union.*

OSEA suggests that the early DSM Budgets reflect the approach suggested by the Board and the Intervenors that the utilities follow a "learn by doing". If staff check the actual for both companies in 1995 compared to the actuals in 2009, the difference would be even greater, but

those changes reflect maturity in program approaches, increased market awareness and many other factors.

> *While staff recognizes those increasing DSM budgets have meant that a greater number of participants can be reached every year, the cross-subsidization provided by non-participants has also increased beyond those experienced at the time the E.B.O. 169-III Report of the Board was issued. Staff notes that the Board further indicated on page 87 of its E.B.O. 169-III Report of the Board that: "In the interests of fairness and competition, the Board believes that intra-class subsidization should be held to a minimum. In this respect, it is obvious that within each rate class there will be customers that have already undertaken conservation measures on a voluntary basis, and at their own expense.*

OSEA concurs with staff that "those increasing DSM budgets have meant that a greater number of participants can be reached every year". Conversely, reducing DSM budgets would increase the number of non participants.

> *Staff notes that, everything else being the same, increasing the focus on deep measures would imply that fewer participants can be reached and that the cost per participant would be larger on average; a result that would increase intra-class subsidization.*

OSEA suggests that as long as bills are reduced and programs are designed and maintained to be sustained over time, the matter of nonparticipant subsidization of participants is irrelevant.

> *Increasing the focus on deep measures while maintaining or increasing access to DSM programs among and across all rate classes would require budget increases. Depending on the level of emphasis on deep measures considered, the budget increases required may lead to concerns about rate impacts, as expressed under principle D.*

OSEA contends that consumer protection be more concerned with bills than rates.

> *Staff also notes that, if the natural gas utilities do not increase their focus on deep DSM measures in general, it may become increasingly difficult for them to cost effectively spend their DSM budgets at the current levels as there is some evidence that the potential to roll out "shallow" measures has already been partly tapped. For instance, Enbridge noted in its 2011 DSM plan application that: "… many traditional gas utility DSM programs have reached, or are close to reaching maturity (e.g. high efficiency furnaces, programmable thermostats, low-flow showerheads), and the pressure to maximize TRC with a limited budget does not leave room for many new or emerging measures which are typically low in TRC value."*

OSEA suggests that the current guidelines are skewed toward apparently shallow measures. Focusing on performance based results will obviate the need to characterize items as deep or shallow.

> *Staff notes the ECO's comment that "in addition to the government, the primary delivery agents for natural gas conservation in Ontario have been the two large gas utilities, Enbridge Gas Distribution and Union Gas." Accordingly, it may be that any identified need to increase natural gas DSM activities and funding in Ontario via the natural gas utilities or other entities could be through other parties, such as the Ontario government. However, staff is not aware that the Ontario government or other parties intend to significantly increase their contribution towards increased natural gas DSM activities at this time.*

OSEA supports financing gas DSM through gas revenue requirements.

> *In light of the above discussion on cross-subsidization, potential rate impacts, and the lack of indication that alternative sources of DSM budget funding may be forthcoming, staff notes that if the current DSM budget levels are at or near "undue levels" of cross-subsidization it may be that a 0% increase in the DSM budget, or even a decrease in DSM budget is warranted.*

OSEA strongly disagrees.

Staff suggests that an assessment of what may constitute "undue levels" of cross-subsidization and undue rate impacts in the natural gas DSM context may be warranted to ensure that current and future natural gas DSM budgets are in line with these principles. Based on the above discussion, staff wishes to outline a budget option for participants comments.

OSEA strongly disagrees with Board prescribed budgets for gas utilities for DSM under any of the options and will not comment on the options except to point out what it considers to be errors in analysis or fact.

28. OSEA Comments on Budget Option 1: Maintain DSM Budgets at their 2011 Board-approved Levels throughout the Three-year Term

Staff supports in principle the rational coordination and integration of natural gas DSM programs with electricity CDM programs, as reflected in objective C).

OSEA concurs, but the leadership and experience of the natural gas utilities means that their approach should not be limited by such coordination.

Staff notes that, given the scale of the planned electricity CDM budgets to December 31, 2014, coordination and integration of certain natural gas DSM programs with the electricity CDM programs could require large natural gas DSM budget increases.

OSEA suggests that a stronger reliance on performance based conservation could deliver greater real savings at lower costs.

Staff estimates, for example, that if the low-income natural gas DSM and electricity CDM programs were integrated, whereby each low-income customer who owns a natural-gas-heated house and participates in an electricity CDM program would be offered all natural gas DSM measures that pass the screening test, Enbridge and Union's low-income DSM budgets may have to increase to about $15 and $8 million in 2012, respectively, and increase at 20% per year thereafter.

OSEA concurs with the idea, but has not done the analysis to support the estimates.

Staff anticipates that the budget increase required to support the full integration of all electricity CDM and natural gas DSM programs over the proposed plan term would result in the natural gas DSM budgets representing a share of distribution revenues above and beyond the CEA recommended range.

OSEA suggests that if gas and electric programs were based on performance based conservation, costs would be reduced and savings increased with greater persistence.

Staff notes that an intermediate approach could be the integration of low-income programs only. Staff notes that the OPA has already consulted and undertaken work to support the coordination and integration of low-income electricity CDM programs with natural gas DSM programs.

OSEA concurs.

As noted in section 3.3.1, staff recommends that one of the guiding principles for the DSM portfolio should be the pursuit of deep energy savings. As illustrated earlier, staff notes that to support an increased focus on deep measures, while maintaining to the extent reasonable an equitable access to DSM programs among and across all rate classes, would require increasing the natural gas DSM budget levels.

OSEA disagrees and suggests performance based programs can be more cost effective and assure greater savings based on measured data rather than engineering estimates or deemed savings provided that the performance based measurement and monitoring be done within an organized program.

29. OSEA Comments on Budget Option 2: Set DSM Budgets to Support Increased Focus on Deep Measures & Low-Income Program Integration with Electricity CDM

Staff notes that while this approach would result in the natural gas utilities' DSM budgets representing about 6% of their respective distribution revenues in 2014, it would also result in DSM budgets that diverge in absolute magnitude.

OSEA points out that there is no rationale for the DSM budgets of Enbridge Gas and Union Gas be the same now or in the future; their customer bases are different, their geography is different and the number of electric utilities that each will have to coordinate with will be different.

On that point, staff notes that the Partial Settlement in the 2006 generic DSM proceeding (EB-2006-0021) indicated "the desire by some parties that the difference between the level of spending by EGD and Union be narrowed." Staff invites participants to comment on the continued desirability of having similar budget amounts for Enbridge and Union, particularly as the difference in their customer base has widened, as opposed to similar percent of distribution revenues allocated to DSM activities.

OSEA sees no reason for similar budget amounts.

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

OSEA has no comments on this option.

31. OSEA Comments on Section 3.7.1.4 Staff Recommendation

In staff's view, the sum of those comments provide support for increasing the natural gas DSM budget levels and staff therefore does not recommend Budget Option 1.

OSEA concurs, but continues to hold to the idea that the guidelines should not prescribe budgets.

Staff notes, however, that the Board may wish to consider the current level of cross-subsidization provided through DSM funding and determine whether any further increase would be appropriate at this time.

OSEA points to its comments above with respect to cross subsidization.

Alternatively, other sources of funding, such as the Ontario government, could come forth and satisfy the staff's recommended DSM budget increase to support a greater focus on deep measures and greater coordination of natural gas DSM and electricity CDM programs, or even the integration of some of those programs. Both of these considerations, cross-subsidization level and other sources of funding, could call for Budget Option 1 over the other budget options outlined.

OSEA's view is that gas and electricity conservation should be funded through rate regulated utilities on the basis of a least cost approach to energy services. Just as the governments, except in special circumstances do not fund supply side investments for such utilities, demand side investments should be held within the utility.

Staff recommends Budget Option 3. In staff's view, this option will allow the natural gas utilities to rationally increase their focus on deep measures while maintaining or increasing the number of participants reached. The DSM budget increases under this option should also provide some support to increase the level of coordination between natural gas DSM and electricity CDM programs. Integration of the low-income natural gas DSM with low-income electricity CDM programs under this option could still

occur if additional sources of funding are provided and/or if there is a budget reallocation (i.e., increasing the low-income DSM budget while reducing other DSM budget components by a similar amount).

OSEA concurs in principle, but holds to its position that the guidelines should not prescribe budgets or targets.

Staff expects that the natural gas utilities would aim to remain on their DSM budget paths and that any annual spending beyond that would be accommodated through the DSM variance account ("DSMVA") option. Under the current DSM framework, the DSMVA "over-spend" option provide the natural gas utilities with the opportunity to spend and recover up to an additional 15% of their approved annual DSM budget, with all additional funding to be utilized on incremental program expenses only. As noted by the Board in its Phase I Decision in the generic proceeding (EB-2006-0021), this option "allow[s] utilities to aggressively pursue programs which prove to be very successful." Staff recommends maintaining the 15% DSMVA "over-spend" option as it is under the current DSM framework in order to maintain the natural gas utilities' flexibility to aggressively pursue programs which prove to be very successful. Staff notes that budget flexibility will also be provided by the proposed funds re-allocation provisions described in section 3.3.1.

OSEA objects to characterizing the use of the DSMVA as an "over spend". It is to avoid unnecessary stops in the market place. OSEA concurs with keeping the DSMVA, but it might be better to have it cleared at a target level rather than as a percentage of spending.

OSEA does not agree that the guidelines should prescribe what share of the budget should be allocated to which program type, except to require a minimum share for low income until such time as a province wide low income program is entrenched.

OSEA has not repeated its comments on matters commented upon earlier that staff have used to support their positions in this section. For example the confusion over market transformation and lost opportunities remains problematic. As indicated in OSEA's comments on the Guidelines, market transformation is a long term approach to changing the market, while avoiding lost opportunities means targeting short term, time limited savings.

32. OSEA Comments on Section 3.7.5: Budget for Evaluation, Monitoring, and Verification

CEA recommended and participants agreed that the Board should consider more extensive review of those programs that account for the majority of expenditures and savings. Staff also finds this proposal reasonable.

OSEA concurs, and also suggests that not all programs need to be evaluated every year.

In staff's view, there is no evidence that the current or expected EM&V spending by the Ontario natural gas utilities may be excessive.

OSEA concurs.

Staff notes that EM&V needs will change from year to year depending on the nature of the DSM programs undertaken and that "flexibility" is a recurring theme for the proposed framework. Accordingly, staff considers that it would not be in the public interest to set a cap on the EM&V budget. Staff proposes that the natural gas utilities, as informed through their stakeholder engagement process, remain responsible for determining the appropriate EM&V requirements and the ensuing budget.

OSEA concurs.

33. OSEA Comments on Section 3.8: Metrics

Metrics refer to standard of measurements used to assess the results of DSM programs. For example, cubic meters (m3) of natural gas saved could be used as a metric to determine the impact of a DSM program.

OSEA continues to suggest that definitions should reside in a definitions list.

34. OSEA Comments on Section 3.8.1: Resource Acquisition Programs

Staff notes that there was little support among participants to maintain TRC savings as the primary metric.

OSEA disagrees and notes that its objections were to using Concentric's Best Available Technology Approach. If screening and evaluation is based on TRC savings then targets should be harmonized with that metric.

Staff also notes that CEA expressed the view that "TRC net savings is difficult to measure and verify, and may have contributed to the development of shallow DSM programs in Ontario (that is, programs with modest energy savings or a short-term focus)."

OSEA suggests that one year analysis as well as the measure X participant X engineering estimates approach to DSM has resulted in shallow DSM program. Furthermore, OSEA suggests that the limits on custom projects and their evaluations have also led to shallow DSM.

Staff notes that there was also little support among participants to use BAT instead.

OSEA concurs.

With respect to using NAUC metric, staff is concerned with the difficulty and controversy that may surround this measure in light of the findings in the PEG report.

OSEA concurs.

Staff agrees with CEA's view that, to the extent possible, DSM metrics should be straightforward and verifiable.

OSEA concurs, but notes that net TRC is the main rationale for DSM and should remain a metric.

Staff is of the view that the experience gained from the current DSM framework highlights the risk of using a single metric to drive multiple objectives (e.g., the focus on "shallow" DSM programs such as deployment of energy efficient showerheads and faucet aerators).

Staff proposes to use a scorecard approach for resource acquisition programs that would include:

Cubic meters (m3) of natural gas saved;

$ spent per m3 of natural gas saved; and

Number of participants that receive at least one deep measure.

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

OSEA suggests that $ spent per m3 saved has already resulted in shallow DSM and removing net TRC as a metric would reinforce that tendancy.

However, staff does not recommend the inclusion of a TRC or societal net savings metric; staff recommends using a metric based on m3 of natural gas saved instead.

OSEA disagrees.

> *Staff considers that m3 savings of natural gas is intuitively better aligned with the nature of natural gas utilities' business and it is consistent with the metrics in the electricity CDM code (i.e., electricity and peak electricity demand savings).*

OSEA disagrees and notes that on the electric side the TRC ought to play a major role in the development of the IPSP; such planning is not done on the gas side and as such there are significant differences between the framework for electricity and that for gas.

> *Staff does not recommend adding a metric based on reduction of GHG emissions, but notes that this metric would strongly, if not perfectly, correlate with m3 savings of natural gas.*

OSEA notes that Enbridge and Union already translate natural gas savings into GHG emission reductions.

> *Staff notes that, under a budget constraint, rewarding the highest level of natural gas savings and going beyond a target deployment of deep measures will drive cost efficiency.*

OSEA is unaware of any evidence to support this statement.

> *However, Staff is of the view that having an explicit cost-efficiency measure, such as the proposed $ spent per m3 of natural gas saved, will provide greater transparency to all interested participants and the Board. Board staff also expects that setting explicit cost efficiency targets will allow the Board and interested participants, including the natural gas utilities, to better guide the development of the multi-year DSM plan and to optimize value for money from the first to the last DSM dollar spent.*

It is OSEA's view that while such a metric is useful for comparing utilities, this metric is only a euphemism for cream skimming when applied to comparing programs within a utility.

> *Staff notes that, to maintain equitable access to DSM programs among and across all rate classes to the extent reasonable, some programs within the portfolio of resource acquisition programs may have to be "shallower" in nature. "Shallower" programs, such as thermostat replacements, are less costly than deep measures, such as improving wall insulation, and can therefore be offered to a larger number of participants for a given budget amount.*

OSEA disagrees and suggests that this is counter the many of the staff's recommendations above that OSEA concurs with.

35. OSEA Comments on Section 3.8.2: Low-Income Programs

OSEA concurs will the comments provided by LIEN.

36. OSEA comments on Section 3.8.3: Market Transformation Programs

> *Staff proposes that, to the extent possible and practical, scorecard(s) include m3 savings of natural gas, along with a $ spent per m3 of natural gas saved. Depending on the type of market transformation programs, other outcome based metrics should be proposed for inclusion on the scorecard(s) by the natural gas utilities, taking into account inputs gathered through their stakeholder engagement process. As an example, metrics should include some quantitative and qualitative outcome-based results such as the extent to which lost opportunities are captured, increase in market penetration of specific measures, increase in education and awareness, and equitable access to programs to the extent reasonable.*

OSEA concurs, but some MT programs will require additional metrics.

37. OSEA Comments on Section 3.9: Targets

OSEA is of the view that targets should not be prescribed in the Guidelines for any type of program.

38. OSEA Comments of Section 3.10: Incentive Payments

Staff considers that an appropriate amount should be available to provide an incentive to the natural gas utilities to achieve or surpass the targets.

OSEA disagrees and suggests that the concept of a shared savings mechanism be retained without a cap or a pivot point.

39. OSEA Comments on Section 3.11: Lost Revenue Adjustment Mechanism ("LRAM")

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.

OSEA concurs.

40. OSEA Comments on Section 3.12: Program Evaluation and Audit

Under staff's proposal, the natural gas utilities would remain responsible for the evaluation of program results. The stakeholder engagement process would be the formal channel for stakeholders to engage in the development of an evaluation plan and budget, and to review the evaluation results as they become available over the term of the plan. The stakeholder engagement process could build upon the current framework whereby all interested stakeholders can participate in meetings to be held at least twice a year (the "Consultative" meetings, as per the current DSM framework's terminology) with a sub-committee to represent members of the full "Consultative" to provide ongoing advice to the natural gas utility on various aspects of its DSM plan (e.g., an Evaluation and Audit Committee ("EAC")).

Staff recommends that, at a minimum, the stakeholder engagement process include two meetings every year where all participants in the Board's consultation on the development of the gas DSM guidelines (EB-2008-0346) would be invited to participate. The stakeholder engagement process should be proposed by the natural gas utilities, in consultation with its stakeholders, as part of their multi-year DSM plan application.

OSEA concurs that the natural gas utilities are ultimately responsible and accountable for their DSM activities and, accordingly, consultative activities should be undertaken at the discretion of the natural gas utilities.

OSEA suggests that there is a significant difference between the "stakeholders" for natural gas DSM and the makeup of the intervenor based consultative process and that this should be recognized by the Board and the intervenors. OSEA acknowledges that the intervenor members of the consultative may be a subset of stakeholders in general, but suggests that the Board should recognize the legitimacy of the natural gas utilities working with the broader universe of stakeholders.

OSEA concurs that natural gas utilities may find, at their discretion, that broader stakeholder and expert engagement is appropriate. The natural gas utilities should determine, as part of

their planning process, the appropriate amount to include in its overall DSM budget for stakeholder engagement, separate from the consultative and based on anticipated needs.

> *Staff proposes that all program evaluations would need to be conducted by a third-party evaluator.*

OSEA concurs.

> *The natural gas utilities' third-party evaluator(s) should, to the extent possible, be selected from the OPA's third-party vendor of record list. Staff also proposes that the natural gas utilities' third-party evaluators should seek to follow the OPA's evaluation, measurement and verification protocols, where applicable and relevant to the natural gas sector.*

OSEA disagrees that the natural gas utilities' third-party evaluator(s) should be selected from the OPA's third-party vendor of record list until they are assured that includes vendors with sufficient expertise on gas related evaluations. OSEA would rather see a common evaluation, measurement and verification protocol developed which differentiated as appropriate for use with gas or electric matters.

> *With regard to the audit of third-party evaluated program results, staff proposes to maintain the current approach whereby the natural gas utilities have the oversight of the audit process and the stakeholder engagement process provides an advisory role. Building on the current audit approach, staff proposes that one member of Board staff be invited to attend the stakeholder engagement meetings, including any subcommittee meetings, as an observer to gain a better understanding of the issues as they arise, such as with the selection of the auditor. Staff notes that, under the current DSM framework, Board staff already attends as an observer meetings of the Consultatives, but has not attended EAC meetings.*

OSEA suggests that there is a significant difference between the "stakeholders" for natural gas DSM and the makeup of the intervenor based consultative process and that this should be recognized by the Board and the intervenors.

OSEA acknowledges that the intervenor members of the consultative may be a subset of stakeholders in general, but suggests that the Board should recognize the legitimacy of the natural gas utilities working with the broader universe of stakeholders.

OSEA suggests that the Guidelines should clarify whether it is the broader community of stakeholders that is expected to perform this function or the subset consisting of intervenor members of the consultative. OSEA also suggests that the Guidelines should indicate whether stakeholders other than intervenors approved for costs can recover costs associated with either being on the Consultative or participating on the Audit Committee.

41. OSEA Comments on Section 3.13: Filing and Reporting Requirements

> *Staff supports the views expressed by some stakeholders that there are sufficient reporting channels in place to gather an appropriate level of information; a new and separate "Annual Report" is not required.*
>
> *Staff however sees merit in clarifying some of the required information to be contained in the Evaluation Report, such as the inclusion of the verification studies, and has provided this guidance in the Revised Draft DSM Guidelines.*
>
> *In respect of Enbridge's proposal to file mid-term updates as required during the plan term, staff is of the view that it is consistent with and supports the flexibility envisaged for the new DSM framework.*
>
> *Indeed, as discussed earlier, staff proposes that the natural gas utilities be required to apply for Board approval when cumulative fund transfers among Board-approved programs exceed 30% of the approved annual budget for an individual natural gas DSM program.*

Under staff's proposal, natural gas utilities would also be required to seek approval to re-allocate funds to new programs that are not part of the natural gas utilities' Board-approved DSM plan.

Staff proposes to rename the account associated with the incentive payments[61] the "DSM Incentive Deferral Account" to better reflect the nature of this account under the proposed new DSM framework. Otherwise, accounting treatment and reporting of DSM costs remain consistent with the existing Reporting and Record Keeping Requirements for natural gas utilities.

OSEA has no comment.

42. OSEA Comments on Section 3.14: Stakeholder Input and Consultation Process

As noted before, staff agrees with the view that the natural gas utilities are ultimately responsible and accountable for their DSM activities. The proposed natural gas DSM framework is intended to provide greater clarity in respect of the natural gas utilities' responsibilities, accountability measures and available incentive amounts.

So, while consultative activities should be undertaken at the discretion of natural gas utilities, it is expected that this discretion will be guided by the overall DSM framework. In addition to the guidance embedded in the overall DSM framework, staff recommends continuing the minimum twice a year "Consultative" meetings where all participants in the Board's consultation on the development of the gas DSM guidelines (EB-2008-0346) would be invited to participate.

Staff notes that the comments received provided support for the development of new terms of reference ("ToR") for the current DSM framework's Consultative and EAC. In particular, the natural gas utilities, which are of the view that the current consultation process is appropriate, supported the development of new ToR for their Consultative and EAC.

Staff agrees that new ToR for the stakeholder engagement process should be developed by the natural gas utilities in cooperation with their stakeholders and submitted to the Board as part of their respective multi-year DSM plan application. These ToR should build upon experience to date and should reflect, to the extent possible, consensus views of the natural gas utility and its stakeholders. Also, as indicated in section 3.12, the ToR could clarify that Board staff may attend, as an observer, stakeholder engagement meetings, including any subcommittee meetings.

OSEA does not see the need for these guidelines.

43. OSEA Comments on Section 3.15: Coordination and Integration of Natural Gas and Electricity Conservation Programs

Staff agrees with the view 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.

Staff notes that in his July 5, 2010 letter, the Minister indicated his support for the for "co-ordinated efforts" for low-income natural gas DSM and electricity CDM programs.

While staff supports greater coordination or integration of natural gas DSM and electricity CDM programs, staff believes this should be encouraged, as opposed to mandated as suggested by one environmental interest representative.

Staff is of the view that the proposed natural gas DSM framework outlined in the Revised Draft DSM Guidelines provides adequate flexibility and incentives to drive a rational coordination or integration of natural gas and electricity conservation programs. In that regard, staff expects the natural gas utilities in consultation with stakeholders to design a proposed multi-year natural gas DSM plan that will reflect this objective.