Low-Income Energy Network

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Sent by courier and through the Board's web portal

Ms. Kirstin Walli
Board Secretary
P.O. Box 2319
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Re: Demand Side Management ("DSM") Guidelines for Natural Gas Distributors (EB-2008-0346)

Dear Ms. Walli:

Enclosed are LIEN's comments on the staff discussion paper and revised draft DSM guidelines for natural gas distributors (EB-2008-0346).

Thank you for the opportunity to make this submission to the Board.

Sincerely,

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EB-2008-0346 – Revised Draft Demand Side Management Guidelines for Natural Gas Utilities

Submission of the Low Income Energy Network (LIEN)

The Low-Income Energy Network (LIEN) represents more than 80 member groups across Ontario. As a network representing the intersection of interests related to low-income consumers and energy and sustainability, LIEN's focus is on reducing the energy bills of all low-income consumers, ensuring that all low-income consumers across Ontario can access and have the resources and capability to participate in conservation programs, technologies and services as well as conservation education, and are able to realize the environmental, energy and economic benefits associated with the more efficient use of energy.

To achieve these objectives, low-income energy consumers require a comprehensive array of assistance that includes: aggressive conservation and demand management (DSM/CDM) defined as providing, per low-income consumer, deep energy savings - large savings/measure and an array of these measures installed in a low-income residence resulting from taking a holistic approach to energy in each residence to reduce energy bills - and broad low-income consumer participation across the province, low-income consumer protection policies and education, bill assistance, and emergency financial assistance.

In its January 21, 2011 letter the Ontario Energy Board ("Board") requested comments on a staff discussion paper and revised draft DSM guidelines (the "Guidelines"). This submission represents LIEN's comments on these two documents, and is organized by providing comments on the Guidelines, which also incorporate related comments on the staff discussion paper, and focus on matters of most concern.

Revised Draft Demand Side Management Guidelines for Natural Gas Utilities

1.2 *Overview of the Revised Draft DSM Guidelines*

LIEN supports having the DSM Guidelines be consistent with elements of the Ontario electricity CDM framework, where such consistency results in a more streamlined regulatory approach and leads to the achievement of a more integrated approach to energy savings in a low-income consumer's residence and deep savings per residence. LIEN defines deep savings as: large energy savings/measure and an array of these measures installed in a low-income residence resulting from taking a holistic approach to energy in each residence to reduce energy bills.

LIEN concurs with the Board Staff view that it is appropriate that the natural gas utilities continue to undertake DSM activities as part of their regulated business. LIEN is of the view that the revised regulatory framework for gas DSM should build on and enhance the effectiveness of the current framework and the experience gained in the design and delivery of DSM in Ontario. LIEN concurs with Board Staff that consideration of a fundamentally different framework is not warranted at this time. LIEN also concurs with Board Staff that the top-down approach espoused in the PEG report should not be incorporated into the Guidelines.

2 Term of the Plan

LIEN is concerned that a three-year framework is too short a time frame to enable the Board to consider and update the framework in time for the start of the new three-year plan at the beginning of the fourth year. This time period has not been sufficient to enable the Board to consider and update the 2006 framework and as a result gas DSM has experienced two consecutive interim years, while the natural gas DSM framework is discussed and revised. The continuation of this situation is not acceptable to LIEN as this situation has not allowed adequate expansion of the pursuit of low-income gas DSM during the interim periods. LIEN applauds both Union and Enbridge for their efforts in the 2011 low-income DSM plans, however, the existing regulatory framework for DSM has constrained their low-income DSM efforts.

To ensure that the Board has sufficient time to review and update the gas DSM framework during the plan term and that there is continued, aggressive growth in low-income DSM so that more low-income consumers are participating in gas DSM across the Province and receiving a broad range of deep measures, LIEN recommends that the gas utilities prepare five-year plans.

3 Program and Portfolio Design

LIEN concurs that there should be adequate flexibility in the DSM framework. This flexibility should foster the aggressive growth of low-income DSM, which leads to increasing provincial coverage, the number of participants and the range of deep savings measures that the low-income consumers receive, in the financial interest of the gas utilities.

LIEN supports flexibility in the Guidelines, where appropriate. LIEN does not agree with Board Staff that it is necessary to add a general “30% rule”, to the gas DSM portfolio. This was not a necessary requirement out of EBO 169-III, or the 2006 gas DSM framework. Unlike the electric utilities which are relatively new to CDM, gas DSM in Ontario is mature. LIEN is not aware of any evidence to suggest that this fund transfer requirement is now needed. Therefore, gas utilities should not be required to seek Board approval when cumulative fund transfers among Board-approved DSM programs exceeds 30%. This is an unnecessary regulatory burden on the utilities and on the Board (e.g. hearing process).

However, gas utilities should not be permitted to make any fund transfer between approved programs that by so doing the gas utility will violate the requirement to provide DSM programs that provide equitable access to all customer classes, and equitable access to low-income consumers. Board approval should be required to move any monies away from any type of low-income program to a non-low - income program.

LIEN concurs with the continued requirement for the gas utilities to seek approval to re-allocate funds to new programs that are not part of the utility's Board-approved DSM plan.

LIEN does not agree with the definition of deep energy savings postulated by Board Staff in footnote 7 on page 10 of their report and in footnote 6 on page 4 of the Guidelines, which states: "deep savings refer to measures that result in long-term savings, such as thermal envelope improvements (e.g. wall and attic insulation). While LIEN agrees that thermal envelope improvements such as wall and attic (and basement) insulation are deep measures, they are not deep for the reason cited by Board Staff. LIEN is of the view that Board Staff's definition is not consistent with that adopted by the CWG Working Group or by Union and Enbridge in their 2011low-income DSM plans, and that the Board should adopt LIEN's definition provided in this submission.

LIEN defines deep savings as: large energy savings/measure and an array of these measures installed in a low-income residence resulting from taking a holistic approach to energy in each residence to reduce energy bills. In LIEN's view this definition is consistent with that of both the CWG Working Group and the gas utilities' use of the term in their 2011 low-income DSM plans.

4 Program Types

LIEN does not agree with Board Staff 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 natural gas utilities to undertake. LIEN is concerned that limiting the DSM program types to R&D, pilot programs, resource acquisition, market transformation and low-income programs is too restrictive.

Capability building should be an additional program type included in gas DSM for both low-income and non-low-income DSM portfolios. The Ontario Power Authority has long recognized capability building as an important program type since OPA's first IPSP, and OPA expects to continue to place increasing emphasis on this program type as opportunities for resource acquisition wane. While certain capability building measures can be integrated into the other types of programs, there is also a need for more broadly based capability building to adequately service natural gas DSM. This is particularly true for low-income DSM programs as low-income consumers are difficult to reach and are divided into several market segments, each with their own needs (e.g. seniors, families, the infirm, homeowners, renters in the private market, social and assisted housing tenants etc). For example, there is a dearth of contractors who have the skills and experience to serve the low-income consumer market across Ontario. Similarly, social service agencies on the ground need general education and awareness regarding low-income gas DSM programs in order to facilitate their consideration of becoming channel partners for natural gas DSM. Similar education and awareness is needed for social housing and assisted housing providers. There is also a major need for general education and awareness for low-income consumers on how they can help themselves by direct action (e.g. no-cost actions) and through participation in DSM programs. The gas utilities as part of DSM require adequate resources to partner with the OPA in addressing these general capability needs through DSM funding. Without this type of capability building by the gas utilities as part of gas DSM, LIEN does not believe that we will be able to achieve the Minister's goal of establishing a robust and integrated natural gas and electricity low-income energy strategy.

LIEN supports the inclusion of an additional program type, development programs. These programs appear to be beyond R&D, but not quite pilots, and are necessary to bridge the gap between the two so that new technologies, services, partnerships, and marketing and promotion strategies can be developed and then implemented as pilots and programs. Development programs take on more importance in a mature DSM market, and Ontario is such a market. In order to address market saturation and high levels of free ridership, such development programs are essential. For low-income DSM, development programs are particularly important because of the difficulties in identifying low-income consumers, in designing and implementing appropriate outreach strategies for the various low-income market segments and the cost of deep measures.

LIEN does not believe that the Guidelines should prohibit the possibility of the introduction of a segregated fund for DSM R&D. Gaz Metro has had a successful fund, the Energy Efficiency Fund, since 2000. Should a gas utility wish to entertain the possibility of a R&D fund, it should be discussed with stakeholders and brought forward to the Board for approval.

4.1 Resource Acquisition Programs

LIEN expects, that unlike other more mature sectors where DSM has been delivered for a longer period of time, there should be considerable focus in the low-income market on resource acquisition programs to provide a range of deep measures to an increasingly large number of low-income consumers in the various low-income market segments (i.e. homeowners, renters in social and assisted housing, tenants in the private rental market that pay for natural gas either through a bill or rent). Because this has been an underserviced DSM market, and unfortunately this is a growing sector which is hard to reach, these resource acquisition programs will be costly relative to other residential programs. There is also greater potential savings because the homes and multi-unit buildings tend to be leaky and with old equipment. Therefore, consideration should also be given to using market transformation programs as well as resource acquisition programs, particularly in the social housing and private rental market, where additional resources can be brought to bear by social housing providers and private landlords.

4.2 Low-Income Programs

As discussed in Section 4, LIEN supports the addition of capability building and development programs to the low-income DSM portfolio. The low-income DSM portfolio could therefore include: market acquisition, market transformation, capability building, development programs, pilots, and R&D.

Guiding Principles

LIEN supports the adoption of all of the guiding principles, principles 1 through 9 inclusive, listed in *Section 2.1 The guiding principles* on pages 7 through 9 of the Report on the proposed short-term (2010) framework for natural gas low-income DSM Final report of the Conservation Working Group to the Ontario Energy Board (August 13, 2009).

Board Staff recommends deleting wording in principle 3 so that only residents who are responsible for paying their energy bills would be eligible for low-income DSM programs. This issue was debated extensively at the CWG table and 100% consensus was reached on principle 3 as written in the CWG report. Also of note is principle 1, for which there was also unanimous support from CWG members, which states that " Low-income natural gas DSM should be accessible to low-income natural gas consumers", and in footnote 7 on page 7 of the CWG report referred to above, defines consumers as "persons living in residences and pay their energy costs or with energy costs included in their rent."

LIEN does not agree with removing the wording from principle 3, as Board Staff suggests and which has been done in the Guidelines, Board Staff rationale being for consistency with the OPA. This exclusion is inconsistent with the Low-Income Directive to the OPA of July 5, 2010, which states that " To ensure enhanced energy efficiency for low-income customers in multi-family buildings, while leveraging existing efforts in this area, the OPA shall ensure that a component of the OPA-Contracted Province-Wide CDM Program targeting commercial and institutional consumers, pursuant to the OPA CDM direction, target multi-family buildings, including assisted and social housing." There is no exclusion of the private rental market in this Directive. In addition, removal of the wording violates the 100% consensus of the CWG working group. Therefore, LIEN recommends that principle 3 be restored to its original language as found in the CWG report.

Consistent with above Directive to the OPA, there should be a requirement in the Guidelines for the gas utilities to provide at least two types of low-income programs, one to serve low-income homeowners and a two-pronged multi-family building program (prong 1) to serve all low-income tenants in social and assisted housing (and their housing providers), and (prong 2) to serve all tenants in the private rental market. Good and effectively executed program design will be crucial to ensure that while tenants in private buildings receive directly installed free measures, whether they pay their natural gas bill directly or in their rent, landlord consent and appropriate payment for these measures by the landlord are required, such that low-income private tenants receive a net benefit from the landlord investment in DSM.

<u>Definition of Social & Assisted Housing</u>

LIEN finds the proposed definition in the Guidelines acceptable, with the proviso that the modifier of residential on social housing could be dropped. LIEN notes for the Board consideration that there is a more detailed definition in the Residential Tenancies Act (RTA) in s. 7(1), but if used, there would also need inclusion of the housing referred to in s. 5 (c) and (f) of the RTA.

<u>Low-Income Program Eligibility Criteria</u>

LIEN concurs with Board Staff that eligibility criteria for low-income DSM should be broader than criteria for emergency assistance to allow for broader participation in DSM.

1. Income Eligibility Criterion

LIEN agrees that low-income natural gas DSM program income eligibility requires meeting at least one of the first three criteria - criterion 1a), 1b) or 1c) - listed on page 8 of the Guidelines. LIEN does not agree with the fourth criterion, 1d), which states that " Any household that resides in a community that is targeted for the neighbourhood blitz treatment (for example neighbourhoods in which great than or equal to 40% of households qualify…" LIEN is opposed to the neighbourhood blitz treatment which provides programs that serve an entire neighbourhood rather than an individual customer. LIEN believes that this neighbourhood approach to soliciting participation in low-income DSM programs is no longer appropriate.

Low-income DSM programs for homeowners and for tenants, both programs with shallow and deeper measures, in social and assisted housing should be designed with an objective to achieve 0% free-ridership, and this can be accomplished through proper screening. This design objective cannot be achieved with a neighbourhood blitz approach.

For tenants in the private rental market 0% free ridership may not be practical, but much lower free ridership numbers than the neighbourhood blitz approach can be achieved in partnership with the landlord. Landlords tend to know the number and percentage of rent-geared to income (RGI) residents that reside in their buildings. Private rental buildings with the highest percentage of RGI tenants, for example, 80% or greater RGI residents, should be targeted first.

2. Utility Bill Payment Responsibility Criterion

As discussed earlier, LIEN does not support this criterion. Renters who pay gas bills in rent must be eligible to receive low-income measures in their suites. LIEN concurs that all low-income residents in social and assisted housing, whether they pay their gas bill directly or in rent, should be eligible for low-income programs in their suites that cater to their specific market segment.

3. Building Eligibility Criterion

LIEN does not concur with this criterion. Residents in all multi-family buildings, whether low-rise or high-rise, private or social and assisted housing that pay for gas in their utility bill or in their rent should be eligible for and have access to a low-income DSM program that caters to their specific market segment.

Building envelope measures such as weatherstripping and caulking around doors and windows and other inexpensive draft proofing measures would improve the comfort of the suite. LIEN recommends that all low-income tenants be eligible to receive these inexpensive draft proofing measures.

4. Landlord Consent Criterion

LIEN is concerned with the restrictive wording in 2. of the landlord consent criterion, requiring that providers of social and assisted housing be the first point of contact. Social Housing Services Corporation has a mandate for energy efficiency in social and assisted housing and may be of assistance in approaching providers. Enbridge and Union are experienced in working with SHSC and in this sector. Therefore, LIEN suggests that the wording of 2. in the landlord consent criterion for social and assisted housing residents be simplified to: “Gas utilities will develop a strategy for reaching tenants in social and assisted housing in consultation with the housing providers and SHSC, as appropriate.”

4.3 Market Transformation Programs

LIEN agrees that market transformation programs should be assessed based on their own merits based on the specific objectives of the program. Increased emphasis should be placed on market transformation programs for low-income consumers, because there is greater potential savings because the homes and multi-unit buildings tend to be leaky and with old equipment. In particular, emphasis should be placed on market transformation programs in the social housing and private rental market, where there may be bulk purchasing opportunities and there is the opportunity to leverage additional resources from social housing providers and private landlords, in particular.

LIEN does not agree that market transformation programs are more applicable to lost opportunity markets and should focus on these. However, there is merit in a market transformation program for new construction of multi-unit rental buildings as more than 60% of low-income people are renters, and a market transformation program for new construction of social and assisted housing. These programs would help to avoid lost opportunities for energy efficient new construction in these sectors.

4.4 Research and Development and Pilot Programs

LIEN agrees that R&D and pilot programs should be reviewed on a case by case basis. LIEN does not agree that the budgets for these programs should come from one of the 3 types of gas DSM programs – resource acquisition, low-income, and market transformation. As discussed in Section 4, LIEN supports the addition of capability building and development programs, and pilots and R&D could, but need not, relate to these.

Also as discussed in Section 4, a segregated R&D budget has merit. R&D may have general value that could lead to new program measures or service approaches across different program types, and therefore should not be restricted to a particular program type, other than being R&D.

5 Screening and Prioritization

LIEN supports a scorecard approach for screening low-income DSM and a Societal Cost Test for screening non-low income DSM. Should the Board adopt a TRC Test instead, LIEN has made recommendations below regarding the appropriate use of a TRC Test.

5.1 Screening Test

LIEN does not agree that the TRC screening should be applied on a program basis for all non-low income programs. While the TRC for each of these programs should be calculated and reported on by the gas utilities for all resource acquisition programs, the non-low-income DSM portfolio of resource acquisition programs must be cost-effective. Should the Board allow for the inclusion of capability programs and development programs into the non-low income DSM portfolio, then LIEN would be in support of a program approach to the TRC screen for non-low income resource acquisition programs. Capability building, market transformation and development programs are not amenable to a TRC test and are more appropriately screened and incentivized by a scorecard approach.

For programs that are subject to a TRC screen, LIEN agrees with Board Staff 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.

Screening of Low-Income Programs

LIEN supports the majority view of the CWG Working Group that TRC is not a suitable screen for low-income DSM programs, and concurs with the consensus view of the CWG that a smart protocol screen – a scorecard approach - should be used instead. Using a TRC or modified TRC is inconsistent with the CDM Code, which applies to all electric LDC Board-Approved Programs, and which does not require low-income programs to be cost-effective.

5.1.1 Net Equipment Costs

LIEN's view is that adjustment factors should be considered and assessed for reasonableness prior to implementation of the multi-year plan and annually thereafter as part of the utility's ongoing program evaluation and audit process. LIEN concurs with the requirement to provide information on free ridership for all applicable programs.

As discussed in Section 4, low-income DSM programs for homeowners and for tenants in social and assisted housing should be designed with an objective to achieve 0% free-ridership, and this can be accomplished through proper screening.

For tenants in the private rental market 0% free ridership may not be practical, but much lower free ridership numbers than the neighbourhood blitz approach can be achieved in partnership with the landlord. Landlords tend to know the number and percentage of rent-geared to income (RGI) residents that reside in their buildings. Private rental buildings with the highest percentage of RGI tenants, for example, 80% or greater RGI residents, should be targeted first.

5.1.3 Modified TRC Test Calculation

LIEN agreed with the use of a .7 TRC for the 2011 gas low-income DSM plans as an interim approach based on the 2006 gas DSM framework. LIEN does not agree with a .7 TRC screen for the next round of gas DSM multi-year plans. Should the Board adopt a modified TRC screen, then LIEN recommends that the modified TRC be at .6, which is at the low end of the CEA proposed range, and even at .6, the value may be too high.

5.4 Prioritization

LIEN agrees that the gas utilities will have to determine their set of DSM programs and they may have more programs that pass the cost-effectiveness tests than they are able to deliver for budgetary or other reasons. This determination of the DSM portfolio should be made by the gas utilities in consultation with stakeholders and in full compliance with the guidelines.

6.1 Input Assumptions

LIEN concurs with the approach used to determine the input assumptions for the 2010 and 2011 natural gas DSM plans for use in the next round of multi-year plans.

LIEN supports the continuation of the current Board approach to updating the input assumptions.

LIEN concurs with continuing the current approach of calculating LRAM amounts based on best available information from the updated assumptions resulting from the evaluation and audit process of the same year.

LIEN supports the continuation of the existing methodology for calculating financial incentives (EB-2006-0021), in which the input assumptions for the calculation of the incentive are locked in and not modified retroactively. This will help to ensure planning certainty for the utilities such that they will be able to capture economies of scale in tendering for suppliers, contractors and others for the period of the plan, and therefore will be able to focus the budgets, in the case of low-income DSM, on installation of deep measures in a large number of dwellings.

6.2.2 Cost of Carbon Dioxide Equivalent Emissions

LIEN concurs with the inclusion of a value for carbon dioxide equivalent emissions in the TRC. LIEN also concurs with setting a value for those equivalent emissions for the multi-year plan and locking in the value for the plan term. LIEN is of the view that the value chosen should be the same or higher than the highest value used in Canada which LIEN believes is $20/tonne (BC); even these values underestimate the value of carbon dioxide equivalent emissions. LIEN notes that in the 1990's the Ontario gas utilities were using $40/tonne in calculations of the SCT. Including a value for carbon in the TRC, by moving closer to a SCT and taking into account the environmental benefit of reduced greenhouse gas emissions, will provide the opportunity for more low-income participants to receive a more comprehensive array of deep measures.

6.2.3 Discount Rate

LIEN concurs with the use of a social discount rate and one that is common to the gas utilities. The continued use of the gas utility after-tax weighted average cost of capital as the discount rate for DSM would continue to undervalue significantly the conservation benefits. In the absence of additional information, LIEN would support using the 5.5% discount rate of the Board's deemed long-term debt rate (Table 1 –

Social Discount Rate Options), however, LIEN is of the view that 5.5% may be too high.

LIEN concurs with locking in the chosen discount rate for the duration of the plan term. The Board should reconsider the discount rate before the end of the plan term and update it before the term end, based on further research and consultation, as required.

7.2 Attribution

LIEN does not agree with Board Staff that no participant in the consultation supported the continuation of centrality. LIEN on page 5 of its submission on the CEA report stated, " Credit for centrality and leverage should be added to the equation. Credit for centrality and leverage should be added to encourage the gas utilities to leverage other existing programs and not to design, develop and deliver programs in isolation or that may be duplicative. LIEN believes that the gas and electric utilities in Ontario should strongly be {sic} encouraged to cooperate on the delivery of DSM programs wherever possible and supports Concentric's recommendation regarding coordination between the gas and electric LDCs. This encouragement should be done through their incentive mechanisms and the attribution rules related to program savings and other metrics to reward the gas utilities for their cooperation and leveraging of existing programs/relationships."

LIEN supports the attribution rules proposed by Board Staff, but not the Staff recommendation to exclude centrality and therefore, LIEN also recommends that the existing centrality attribution rule be preserved.

7.3 Persistence

LIEN supports the continued use of persistence as an adjustment factor. It should be determined based on the technical input assumptions and the utility evaluation reports. LIEN is skeptical about the introduction of measuring dynamic free riders as a common adjustment factor practice for gas DSM. In LIEN's view it is unclear what the real value would be to ask someone what the individual or company intends to do in one year, two years or longer and to rely on that forecast in determining future DSM savings. With changing economic and political and social circumstances individual and corporate decisions change, making the forecast highly uncertain. Such evaluation dollars would be better spent on increasing the number of low-income homes and deep measures/home installed.

LIEN is of the view that there is a trade-off between greater accuracy and cost with developing persistence factors. LIEN believes that persistence factors should continue to be discussed and determined by the gas utilities through consultation with stakeholders and evaluation.

8 Budgets

LIEN does not support setting the DSM budget in the Guidelines, but would support setting a budget floor, with setting in the Guidelines the expectation that the utilities would develop a larger budget based on consultation with stakeholders.

LIEN is of the view that DSM budgets should increase and, in particular, the budgets for low-income consumers should increase. The natural gas low-income DSM plans for 2011 with stretch targets of 400 and 600 homes/year for the Home Weatherization program (deep measures direct installed) are unacceptable for a multi-year plan, where those numbers should be increased per year by at least an order of magnitude, 4000 to 6000 homes per year. To achieve these target levels, a dramatic increase in the budgets for low-income deep measure programs is essential.

LIEN agrees that estimating annual natural gas DSM budgets as a percent of distribution revenues is a useful, but imperfect measure and other factors/measures should also be taken into consideration when setting DSM budgets. LIEN notes that the Minister's letter to the Board of July 5, 2010 urges the Board to consider expanding both low-income and general natural gas DSM efforts. Board Staff have recommended that the budget continue increasing to 6% of distribution revenues by the end of 2014. While this is an improvement over the current budget framework, it will not be sufficient to meet the needs of low-income consumers. A doubling to 12% of revenues is within the range of the more leading utilities, is more in line with the Minister's letter to the OEB on low-income, and should be used as the Guideline budget floor.

LIEN believes that the budget options proposed by Board Staff are too low. LIEN does not support Board Staff's Budget Option 1, which involves maintaining the DSM budgets at their 2011 Board-Approved levels for the plan term. As discussed, these budgets are totally inadequate for a multi-year plan, and therefore, Budget Option one is totally unacceptable to LIEN.

If the Board wishes to select from among the options presented by Board Staff, then of the three, LIEN supports Budget Option 2, which sets DSM budgets to support increased focus on deep measures and low-income program integration with electricity CDM. This budget results in an Enbridge DSM budget of $28M in 2011 to a $76M in 2014, and a budget for Union of $27M and $62M, respectively. Of the three budget options put forward by Board Staff, Budget Option 2 is best suited to achieving the Minister's objectives expressed in his letter to the Board of July 5, 2011. The Minister is seeking expanded low-income CDM on the scale of OPA low-income CDM (both homeowner and multi-residential – refer to OPA Directive) which is province-wide, coordinated with the OPA, with an emphasis on free direct installed deep measures such as thermal envelope and appliance replacement, without the need to pass a standard TRC, and the use of consistent eligibility criteria, such that a robust and integrated natural gas and electricity low-income strategy is established. Of the three options presented by Board Staff, Option 2 has the greatest chance of meeting the needs of low-income consumers. A total rate impact of less than one percent is not undue, given the benefits that will be achieved that go well beyond energy savings (home comfort, reduced illness and absenteeism, improved utility arrears management etc).

LIEN does not support Budget Option 3, which will result in an Enbridge budget of $28M in 2011 and a $62M in 2014, and a Union Gas budget of $2M and $42M, respectively. The low-income population is rising in Ontario and while this option is significantly better than Option I, it does not go far enough. Most low-income people live in rental accommodations and their energy bills are included in rent. These are among the most difficult low-income customers to reach and it will take time, resources, innovation and money to address adequately the multi-family low-income sector.

LIEN supports Board Staff's recommendation to continue the use of the current 15% DSMVA in order to maintain the natural gas utilities' flexibility to aggressively pursue programs which prove to be very successful.

In summary, LIEN recommends that the Guidelines mandate a DSM budget floor of 12% of distribution revenues (rather than 6%) as a starting point for developing the new multi-year plan budgets. While LIEN does not support any of Board Staff's budget options, if the Board wishes to choose one, then LIEN prefers Option 2.

8.2 Budget for Low-Income Programs

The current share of the residential budget for low-income programs of 14% is inadequate. At least 16% of residential households are low-income and this number is growing. As discussed in Section 4.2, LIEN is of the view that the Guidelines must require the gas utilities to provide at least two types of low-income programs, one for homeowners and one for (2 pronged – social and assisted housing, and private rental) tenants in multi-unit residential buildings.

If the DSM budget for low-income is to be set proportional to their contribution to the utility revenue, then revenues from customers who pay directly to the utility and those who pay the utility through their rent must be included in determining the appropriate share. Therefore, the share would be determined by identifying the share of residential revenue and adding it to the share of commercial/institutional revenue by segregating the multi-family sector to determine the total revenue contribution of the low-income consumers.

9 Metrics

LIEN concurs with the Board Staff definition of metrics. A scorecard approach should be used for development programs, capability building programs, and market transformation programs.

9.2 Low-Income Programs

LIEN supports using a scorecard approach for evaluation of each program. The metrics of the scorecard and their relative weights should be determined by the gas utility, informed by consultation with stakeholders, and in particular, low-income stakeholders.

10 Targets

LIEN supports having 3 levels of achievement on the scorecard, one at 50%, 100% and 150%. LIEN does not object to linear interpolation between the levels. LIEN supports these levels for low-income, market transformation, resource acquisition, development programs and capability building programs.

11 Incentive Payments

LIEN is of the view that the incentive should be in line with the level of effort required by the gas utilities to achieve and exceed the targets. In the case of low-income programs, the level of effort is greater and the incentive should reflect this situation or the gas utilities will be incentivized to underperform on their low-income DSM portfolio.

LIEN does not agree that low-income incentives to the gas utilities should be based solely on the low-income budget share for the residential sector (see Section 8.2 for LIEN's approach to calculating low-income budget share). The incentive should also take into account the total potential savings available for capture and the difficulty in accessing and serving the participant.

There should be incentives available for resource acquisition, market transformation, capability building and development programs.

LIEN does not support having an incentive cap, s there is value to the customers affected, as well as to society in having additional savings beyond what the incentive cap would support. It should be in the financial self-interest of the gas utilities to maximize savings. The $9.5M cap for both Enbridge and Union seems somewhat arbitrary. Further it rises by inflation (perhaps 2% per year), while the Enbridge budget rises by 30% per year, and the Union budget by 15% per year. This approach encourages early action, but discourages action in future year, and is therefore, inappropriate.

Board Staff points out that the CDM Code incentive was harmonized to the current DSM framework (2006) and then argues that the new gas framework should be harmonized to the CDM Code. This circular approach is flawed and locks the incentive for gas utilities to the past, instead of taking account the new market conditions and the increased importance of providing deep measures to a significant number of low-income consumers across Ontario,

LIEN does not agree with having the target at 100% worth 40% of the incentive. For low-income programs, LIEN expects that the gas utilities will continue to adopt stretch targets at 100% of the target as they did in 2011, and therefore, LIEN does not want to put a system in place that would provide a lower reward than 50% of the incentive at 100% of a stretch target, as this might discourage the gas utilities from achieving their 100% target. LIEN would like to encourage the gas utilities to work equally hard to achieve all the targets, and to exceed the 150% target.

LIEN does not support the imposition of penalties for failing to meet a certain level of performance. A penalty will encourage the utilities to strive for lower targets, and add additional uncertainty to DSM planning. Instead, EM&V should identify the causes of and the remedy for any failures in performance as quickly as possible during the plan period.

13.2 Demand-Side Variance Account

LIEN supports Board Staff's recommendation to continue the use of the current 15% DSMVA in order to maintain the natural gas utilities' flexibility to aggressively pursue programs which prove to be very successful.

15 Program Evaluation

LIEN supports the natural gas utilities remaining responsible for the evaluation of program results and the stakeholder engagement process being the formal channel for stakeholders to provide input into the evaluation plan and budget, and to review the evaluation results over the term of the plan. LIEN supports the continued use of the Consultative and the EAC as well as other subcommittees that may be struck to deal with particular issues, such as the subcommittee that worked on the development of the low-income DSM programs for 2011. LIEN recommends that the natural gas utilities should propose the stakeholder engagement process, as part of the multi-year plan application, in consultation with stakeholders.

LIEN agrees that third party evaluators should perform all the program evaluations. For less complex or contentious evaluations, the third party can be internal to the utility.

LIEN does not agree that the gas utilities should draw on third party evaluators from the OPA third party vendor of record list, to the extent possible. The gas utilities have developed their own lists over more than 10 years, in consultation with their stakeholders, and should continue to have independence in the identification of their lists for third party evaluators, in consultation with stakeholders.

LIEN supports the continued approach to the audit of evaluation results whereby the natural gas utilities have oversight of the audit process and the stakeholder engagement process provides an advisory role.

In general, LIEN supports having one member of Board Staff attend stakeholder engagement meetings as an observer. However, Board Staff should not be in attendance where stakeholders, either as a full committee or subcommittee, are negotiating agreements among themselves without the utility present on issues to be taken to either the full Committee and /or utility for endorsement.

16. 1 Stakeholder Engagement Process

LIEN supports the following objectives for stakeholder engagement:

- This consultation should be meaningful and ongoing during each year of the program period.
- This consultation should take place on particular matters such as, but not limited to: budgets, targets, programs, scorecard metrics, evaluation plan and particular evaluations, audit of evaluations, and evaluation report, while there is still sufficient flexibility for stakeholders to influence these matters. This includes consultation with the Consultative, its EAC and any other subcommittees, as well as other stakeholders such as channel partners, suppliers, manufacturers and others.
- The utility stakeholder engagement plan should be flexible enough to respond to changing conditions and issues.

LIEN supports the gas utilities developing the terms of reference for the stakeholder engagement process to meet the above objectives, in consultation with stakeholders. As discussed in Section 15, LIEN supports Board Staff attending as an observer to stakeholder meetings, but should not be present at negotiations among stakeholders when they are negotiating among themselves.

17 Coordination and Integration of Natural Gas and Electricity Conservation Programs

LIEN agrees that greater coordination and integration of certain electricity and natural gas conservation programs could result in efficiency gains. This is particularly true for low-income programs where the measures offered by the gas and electricity low-income programs might have significant overlap (e.g. insulation, draft proofing, programmable thermostats, low flow showerheads and aerators, efficient appliances), and the pooling of resources from the local gas and electric utility would greatly enhance the opportunity to offer and install more deep measures in a larger number of dwellings across Ontario.

LIEN concurs that the coordination and integration between gas and electric utilities should be encouraged and not mandated. Since the gas utilities have, in general, greater experience with low-income conservation programming and delivery than the electric utilities and the OPA, and there are fewer gas utilities than electric utilities, a 'one window' approach from the customer point of view with Union and Enbridge taking the lead may be a more cost-effective and efficient way to deliver low-income energy conservation programs.