

DSM Guidelines for Natural Gas Utilities (EB-2008-0346) Further Comment

Submission of the Low-Income Energy Network April 21, 2011

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 defined as 'providing, per low-income consumer, deep energy savings – large savings/measure and an array of 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 March 29, 2011 letter the Ontario Energy Board ("Board") requested comment on four issues. LIEN's submission provides comment on these four issues by issue.

Issue 1: *How should the low-income DSM budget be set? Should the low-income budget stay at the same level or increase? Should the current low-income budget funding from the residential class be maintained or should the funding be recovered from all rate classes? Is there a different set of programs that are appropriate for low-income consumers e.g. should "deep" measures be promoted for this group of customers to a great extent? What approach should be used to coordinate gas DSM programs with electricity CDM programs for low-income consumers?*

LIEN is of the view that DSM budgets should be set by the natural gas utilities based on extensive consultation with the utility gas DSM Consultative and other stakeholders, as necessary, and that this budget request be reviewed and approved by the OEB in a hearing process, as has been the case for approving DSM budgets. LIEN does not support setting budgets in the DSM Guidelines or in a written consultation process of the Board, or by the Board without a full, open and transparent formal process. Should the Board wish to set the DSM budget for low-income DSM, rather than review and approve a budget set as described herein, then LIEN urges the Board to establish a fuller, more formal process as it did to establish the first 3 –year natural gas DSM framework for low-income and non-low-income DSM.

To obtain the views of stakeholders that the Board considered important to the development of a low-income natural gas DSM framework, the Board established its Conservation Working Group (CWG), comprised of 16 participating members chosen by the Board. The CWG conducted more than 30 hours of extensive consultations, involving the review of in depth and detailed submissions of the members on issues

relevant to the framework, and this work was documented in “*Report of the proposed short-term framework for natural gas low-income DSM: Final report of the Conservation Working Group to the Ontario Energy Board*” (August 13, 2009). While consensus was not reached on all issues, consensus was reached on the following:

- Gas DSM low-income DSM budgets should be significantly increased
- Low-income programs should be based on deep measures – measures that achieve a large energy savings/measure, and that programs must provide an array of these types of measures free of charge and with free installation, and over the long run, taking a holistic approach to energy in the dwelling
- There must be a significant increase in the geographic reach of low-income DSM programs
- There must be a significant increase in the number of low-income consumers served per low-income DSM program

LIEN supported the above consensus as a member of the Conservation Working Group and continues to support this consensus view in this submission. The Board Staff Guidelines released for comment in January 21, 2011 appear to have adopted the above consensus in its discussion paper and draft guidelines. While LIEN did not support all the proposals in those documents, Board Staff’s documents were directionally appropriate based on the CWG consultations and the Minister’s letter to the OEB of July 5, 2010. In that letter the Minister said,

“I urge the Board to consider expanding both low-income and general natural gas efforts relative to previous years. While mindful of the OEB’s responsibility to ensure the balancing of ratepayers’ interests, I would support efforts by the OEB to expand DSM efforts in general, considering the scale of investments being made on electricity CDM and the natural gas experience and funding levels of other jurisdictions.”

There is no evidence to suggest that the consensus position of the CWG as described above should not be adopted or that the Minister would not support an expansion of DSM in general and low-income DSM, in particular, should the Board decide to do so. Therefore, the Board should proceed on the basis of the CWG consensus as described above and expand low-income CDM – budget, number of participants, geographic reach – at least with a total expenditure floor set at the level of total low-income CDM - low-income residential, the component within the OPA’s commercial buildings program, the low-income component of the OPA First Nations programs, and any future related Board-Approved Programs. The Board should also expand non-low income DSM, pursuant to the Minister’s views on DSM expansion.

Regarding whether the current low-income budget funding should continue to come from the residential class or be recovered from all rate classes in distribution rates, LIEN notes that the OEB requires all ratepayers of a distribution utility to pay for the Board’s emergency financial assistance program, LEAP¹, through utility distribution rates. This approach recognizes the benefits that all ratepayers accrue from preventing disconnection of customers in need. Similarly, avoidance of the need for emergency financial assistance through effective DSM programs will accrue broad benefits. LIEN further notes that under the current regime of low-income DSM being paid for by residential customers only, low-income customers pay for both low-income and non-low income DSM as residential customers. Taking all these matters into account, LIEN

¹ OEB. LEAP Program Manual – November 2010. p. 1.

supports the funding of an expanded DSM low-income portfolio funded by all ratepayers through distribution rates. However, LIEN is of the view that a fuller, open, and transparent formal proceeding may be necessary to address this issue.

LIEN believes that all residential customers - homeowners and renters (including all those who reside in all types of rental multi-unit buildings) – should have access to deep measures in communities across Ontario to maximize the amount of cost-effective (appropriately defined) energy savings that can be achieved. Low-income consumers, in particular, must have programs that focus on deep measures to ensure that, to the extent possible, the consumer gets maximum assistance as quickly as possible to manage gas bills over time. This will result in benefits to the consumer, to the gas company and to management of the gas infrastructure over time. Low-income consumers have financial restrictions and other special needs that result in insurmountable market barriers for this consumer to access DSM programs without the program offering free measures and free installation. As the gas company experience has shown, even with these measures the low-income consumer market is difficult to access and other needs such as customer –focused education, awareness and training, extensive work with local social service agencies and other services are necessary to effectively access this customer market segment. LIEN and several LIEN members have provided the Board with information on these matters in numerous proceedings of the Board.² LIEN supported the consensus position on low-income DSM program design characteristics in the CWG report and continues to support this position.³

Effective coordination is essential. Enbridge has already embarked on the development of a coordinated approach with Toronto Hydro regarding the delivery of low-income conservation and this experience provides a good starting point for broader coordination efforts between gas and electricity distributors on low-income conservation. With the impending release of the OPA low-income CDM program for LDCs in May 2011, it is critical that the OEB take steps within the Board's legal purview to ensure that there is a coordinated, 'one-window' approach to CDM and DSM from the customer perspective, timed with the OPA program release, to the extent possible.

LIEN supported and continues to support all of the guiding principles described the CWG report⁴. Of note are the principles related to coordination which include providing: a simple, non- duplicative, integrated and coordinated application, screening and intake process for the low-income conservation program; and an integrated, coordinated delivery, wherever possible, with electric LDCs and natural gas utilities; provincial and municipal agencies and social service agencies.

LIEN notes that the gas companies have more experience with the design and delivery of low-income DSM, their franchise territories cover most of Ontario electricity consumers, and it will be easier for 2 large companies to coordinate with the LDCs in their service territory rather than 70 plus LDCs trying to coordinate with the local gas company. Therefore, LIEN suggests that it may be appropriate for the gas utilities to take the lead in coordinating program delivery in their franchise areas. That said, there was

² For example, through LIEN's previous submissions in both EB-2008-0346 and EB-2008-0150

³ *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 (CWG report)*. August 13, 2009. Section 3.1 Program description. pp. 11-13

⁴ CWG report. pp. 7-9

only limited discussion of this coordination issue at the CWG and since then. As a result, LIEN is of the view that a fuller, open and transparent formal process is necessary to identify the appropriate approach for the Board to adopt.

Issue 2. *Do industrial and commercial DSM programs with significant incentives create competitive advantages for the participants of the programs relative to their competitors? What programs, if any, are appropriate for these sectors? Should there be a focus on monitoring consumption, data analysis or benchmarking energy use in buildings and industrial processes? Should DSM programs in these sectors focus more on energy audits and efficiency training or case studies to highlight best practices and new technologies, rather than financing equipment and installation costs for specific DSM projects?*

LIEN expects that if the DSM programs are to be effective, they will need to provide a competitive advantage for program participants by reducing the participating facility's operating costs, where there is competition in the market among program participants. This will encourage more participation and thereby reduce the level of cross-subsidization between participants and non-participants, and make a contribution to the increased competitiveness of the Ontario economy.

There are many programs appropriate for the sector. Across Canada on both the gas and electricity side there are more than 100 conservation programs being offered by energy utilities for the commercial and industrial sectors. In addition to a closer examination of these, the Board may wish to consider the plethora of OPA commercial and industrial programs now available to these electricity customers in Ontario; collectively, these programs provide, at some level, audits, financial incentives (prescriptive, engineering, custom) for financing equipment and installation, capability building opportunities within the sector and in the facility, direct install opportunities for smaller customers (<50kW), monitoring, data analysis, and benchmarking. Regarding the multi-unit family sector and the low-income component of that within the OPA's commercial program, the OPA offers social and assisted housing a top up financial incentive opportunity above the rest of the private rental market; education for the low-income consumer is part of the program requirement for the entire multi-unit sector. LIEN does not feel that it is appropriate for the Board to make decisions on the above questions it has posed, without a fuller, open, transparent and formal process to evaluate the matters.

Based on LIEN members' experience providing on the ground services to social and assisted housing providers, LIEN is of the view that the existing commercial programs for natural gas DSM do not adequately meet the needs of social and assisted housing. A separate DSM program from the commercial program, designed specifically to meet the needs of providers and residents, is required. Such a program would focus on monitoring, data collection and analysis, and benchmarking and would also provide appropriate financial incentives/tools for equipment and installation, and for energy conservation education and training of providers, building operators, and residents. The program for social and assisted housing should be accessible to all providers and tenants, regardless of whether the tenant pays for natural gas as a utility customer or through rent.

As LIEN indicated in its comments on the Board Staff revised draft gas DSM guidelines (EB- 2008-0346), the gas utilities should provide at least type types of low-income

programs, one to serve low-income homeowners and a two-pronged multi-family buildings program: prong 1 to serve all low-income tenants in social and assisted housing and their providers; and prong 2 to serve all tenants in the private rental market.

Issue 3. *What should the natural gas utilities' role be, if any, in providing natural gas DSM education and training programs funded through distribution rates? Should they focus on targeting contractors, trades and professional associations to ensure DSM messages reach end-users?*

The natural gas companies have an important role to play in providing natural gas DSM education and training programs funded through distribution rates. The companies should not do this alone for the low-income sector, but in partnership with organizations that include, but are not limited to, Social Housing Services Corporation, Ontario Non-Profit Housing Association, Cooperative Housing Federation of Canada – Ontario Region, social service agencies in their franchise areas and specialized delivery agents such as Green Light on a Better Environment (GLOBE), which already offers energy related training to the low-income constituency. Together the gas utilities and their partners can make a major contribution to providing the necessary tools for low-income consumers “to help themselves”, and this should be done as part of an overall effort to increase the uptake of DSM by low-income consumers across Ontario.

Issue 4. *What should the natural gas utilities' role, if any, in undertaking R&D and pilot programs funded through distribution rates? Should utilities work with key industry leaders to encourage further changes in building codes and improve standards of heating equipment?*

The gas companies should have an important role in undertaking R&D and pilot programs funded through distribution rates. The focus of gas DSM has been on the easy (low-hanging fruit) opportunities and now that many of these have been tapped, it is more expensive to achieve a unit of gas savings. This is to be expected in a maturing DSM market. Because of market maturity, it is important to focus more efforts on R&D and testing new programs. This is entirely consistent with the approach that the OPA has taken in its CDM efforts; over time the OPA expects to focus more on market transformation and capability building and less on resource acquisition programs, with the biggest focus over time being market transformation. Such a focus will require R&D and piloting. This transition is described in the first IPSP and initiating the implementation of this transition is evident in the set of 2011-2014 OPA LDC CDM program offerings. Such a transition for gas DSM should be welcomed and supported by the OEB and by gas customers in distribution rates, as it will lead, at minimum, to greater customer benefits through energy bill management and lower operating costs, and delayed need/possible avoidance for certain new gas infrastructure.

The OPA in its IPSP and continued work is identifying opportunities to use the building codes and improve energy efficiency standards. There is a gap in this work on the natural gas side. This gap should be filled in part by the gas utilities, based on extensive consultation through their Consultatives and other stakeholder efforts, as needed.