



April 20, 2011

Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Attn: Ms. Kirsten Walli
Board Secretary

Via mail and email

Dear Ms Walli:

RE: EB-2008-0346 DSM Guidelines for Natural Gas Utilities – TRCA Comments

Please find attached the Toronto and Region Conservation Authority's response to the OEB letter dated March 29, 2011, Demand Side Management ("DSM") Guidelines for Natural Gas Utilities (EB-2008-0346).

Sincerely

A handwritten signature in black ink, appearing to read "D.B. McIntyre". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

D.B. McIntyre
Manager Community Transformation

TRCA's Comments Re: Demand Side Management ("DSM") Guidelines for Natural Gas Utilities (EB-2008-0346) Issues for Further Comment

April 19, 2011

TRCA (Toronto and Region Conservation Authority) is pleased to provide the following comments on the Board's letter identifying issues for further comment with respect to DSM Guidelines for Natural Gas Utilities.

Given the new considerations described in the Board's March 29 letter, TRCA believes it is appropriate to bring forward key insights it has gained through its variety of programs and initiatives previously described in prior commentary through this process. These insights have additional relevance in the new light of the Board's letter.

Following these comments are the specific responses to the four Board issues requesting comment.

Actual energy (natural gas and electricity) savings

We have found through over 4 years of engaging public and private sectors in taking conservation action and monitoring actual consumption that:

- the savings that are being achieved are not as deep as could be achieved. A careful process of identifying actual operational and equipment inefficiencies in a building, taking corrective action and monitoring the resulting consumption through utility bills, is the path to deep energy savings.
- the cost of correcting operational and equipment inefficiencies is much less than the more typical installation of newer technology.
- without ongoing attention to monitoring consumption, savings can evaporate from one year to the next, including when the action taken was replacement of equipment, the typical solution incorporated by industry. This has everything to do with poor operational practices.

Industry/Market

There is a market for conservation activities because the utility company's DSM programs have raised awareness over the years and the incentives have been an important message in this engagement. Almost all of the market providing conservation is focused on capital projects and equipment replacement with little consideration of follow up operational efficiency and verification of the equipment. How well or poorly the changes have actually reduced consumption is rarely understood. Any incentives need to be strongly biased to the end result, actual reductions rather than initial calculated savings.

The activities in which TRCA has been involved have necessitated closing the loop to measure actual results. This has uncovered the primary importance of best available operational practices and processes rather than just best available technologies and we believe this is the answer to deeper and sustainable reductions. But in order for the market to adopt this approach, it must be educated and instructed on how, through the DSM programs from the utility companies (natural gas and electric). When these incentives are aligned with CDM incentives from LDCs, building owners and managers will be better served with deeper, integrated processes which will encourage greater uptake, even with existing budgets.

This approach brings the additional benefit of the development of an internal process of ongoing improvement within an organization as monthly and yearly consumption is monitored and attention to performance grows. This supports a multi-year DSM program that can ultimately be withdrawn from the market as the culture of continuous improvement, backed by real performance results, gains traction.

Issues for Further Comment

Having determined that the budgets for ratepayer funded natural gas DSM activities should not be expanded; the Board seeks further stakeholder comments on the following issues:

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 greater extent? What approach should be used to coordinate gas DSM programs with electricity CDM programs for low-income consumers?

TRCA supports the position of the Low Income Energy Network (LIEN) with respect to low-income programs.

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?

TRCA’s experience with programs that have at their foundation benchmarking, data analysis, and monitoring consumption are critical in obtaining deeper and less costly reductions while encouraging organizations to develop the internal processes to continuously improve. As described above, the programs are based on ongoing performance monitoring which creates the necessary feedback loop for learning, recognition and motivation to keep going in a more integrated way. As a result, DSM programs should be focused on funding actual m3 natural gas savings that are a result of operational or retrofit activities which can be verified and sustained.

3. What should be the natural gas utilities’ role, 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?

TRCA believes that education and training should be either provided by the gas utilities or they should be able to strongly support others to provide it. This support is necessary as there is limited incentive for others to do it and it is identified as a critical shortcoming in obtaining sustainable and deep reductions.

4. What should be 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 in heating equipment?

TRCA encourages the gas utilities to undertake this role in R&D and pilot programs, particularly in testing and verification of actual equipment performance and efficiencies as well as related processes on their effectiveness in delivering sustainable reductions.