

October 15, 2014

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

Re: Developing a New Demand side Management Framework for Natural Gas Distributors EB-2014-0134

Dear Ms. Walli:

The Energy Services Association of Canada was pleased to have participated in the July 31st, 2013 roundtable to discuss Ontario's Long Term Energy Plan (LTEP) and submitted our comments on this plan as well as *Conservation First: A Renewed Vision for Energy Conservation in Ontario* (CF) September 16, 2013 (copy attached). We recently reviewed the OEB *Draft DSM Framework for Natural Gas Distributors* (Framework) and *Draft Fling Guidelines to the DSM Framework for Natural Gas Distributors* (Guidelines)..

In our September 16, 2013 submission, ESAC strongly supported the focus of the LTEP on putting conservation first by stating that the vision is "to invest in conservation, before new generation, where cost-effective". This is a huge improvement over the previous version of the LTEP where this was not the case and the discussion on conservation is near the end of the plan. We also complemented the government on including discussion of natural gas and oil, making this a much more comprehensive plan than the earlier version which dealt exclusively with electricity.

Below are our comments on the OEB Framework and Guidelines:

- **Cost Effectiveness Test** – The Total Resource Cost Test (TRC) as commonly applied does not include all the benefits associated with DSM; these exclusions include costs associated with climate change, health and impacts associated with low income energy users. Either the board should include all costs by including estimates for these benefits or use a more effective, comprehensive cost test.
- **DSM Targets** – The use of the TRC test to determine DSM targets results in lower target than those that would result from including all the benefits of DSM in the TRC or other more comprehensive test. The DSM targets should be based on an evaluation that includes all the benefits of DSM.

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- **Sector Targets** – The government’s initial LTEP (*Achieving Balance*, December 2013) included sectoral targets. We would recommend that the gas DSM plans also include sectoral targets. We note that the initial LTEP estimated commercial sector (which we assume also includes institutions) can make the largest contribution to electricity conservation and the 50% estimate from that Plan appears likely.
- **Long Term DSM Targets** – As noted in our submission regarding the LTEP, the section on natural gas did not include a future DSM target. We would thus recommend that the OEB use this process to make recommendations to the government on long term DSM targets for inclusion in subsequent LTEPs.
- **Initiatives to Achieve Conservation Targets** – We believe it would be useful to include an analysis of initiatives that will be necessary to achieve the conservation targets with a target for each initiative. Examples would include the role of codes/standards, other potential policies such as carbon pricing, rate-payer funded incentive programs, information/labelling programs, etc.
- **Opportunities to Help Large Consumers Finance Energy-Efficiency Improvements** – In addition to rate-payer funded DSM programs, we would recommend that the Board include in their assessment the role of Energy Performance Contracts (EPC). EPCs have been successfully used for over 20 years to finance energy-efficiency retrofits. This has proven a very effective way to transfer the technical and financial risks associated with such projects from facility owners/managers to private Energy Service Companies (ESCOs) with the savings guaranteed to payback the capital expenditure over the term of the contract. While most of such projects in the past have been for public-sector buildings in the MUSH sector, there have also been successful projects in both commercial and Multi Unit Residential Buildings (MURBs). Examples of projects that have used this type of contract can be found at www.energyservicesassociation.ca
- **Innovative Programs** – We recommend programs that would encourage institutional, commercial and MURB building owners to use EPCs to finance and guarantee their energy efficiency improvements. In particular, we would recommend consideration be given to developing the following two programs; a Conservation Revolving Fund and a Corporate Leaders Program that puts major corporations in competition for achieving conservation targets. We would further suggest coordinating efforts to reduce challenges of dealing with multiple LDCs across different jurisdictions.

In conclusion, we understand that various organizations and agencies will play important roles in achieving the province’s conservation objectives. We strongly support the major role of Energy Service Companies who provide Energy Performance Contracts that transfer the technical and financial risks associated with energy retrofits to the private sector through Performance Guarantees. We would welcome the opportunity to discuss these suggestions in greater detail.

By way of background, the Energy Services Association of Canada was formed in August 2010 to promote Performance Based Solutions. Its eight founding members are Ainsworth, Ameresco, Airtron/Direct Energy, Honeywell, Johnson Controls, MCW Custom Energy Solutions, Siemens and Trane. Together, these companies represent more than 90% of the \$450 million/year Energy Performance Contracting business in Canada. Further information can be found at www.energyservicesassociation.ca.

Yours truly,

A handwritten signature in black ink, appearing to read "Peter Löve". The signature is fluid and cursive, with the first name "Peter" and last name "Löve" clearly distinguishable.

Peter Löve
President

Cc. The Hon. Bob Chiarelli, Minister of Energy
Gord Miller, Environmental Commissioner of Ontario