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15 October 2014

Ontario Energy Board
2300 Yonge St., 27th Floor
Toronto, ON
M4P 1E4

Attn: Ms Kirsten Walli
Board Secretary

By electronic filing and e-mail

Dear Ms Walli:

Re: EB-2014-0134 – GEC Comments on the Draft DSM Framework

Attached please find our comments in response to the Board's questions contained in its draft framework document.

Sincerely,

David Poch

Cc: all parties

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EB-2014-0134

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sch.B, as amended;

AND IN THE MATTER OF a consultation by the Ontario Energy Board on the draft DSM Framework and Guidelines for gas utilities for 2015-2020

GEC Comments on the OEB Draft DSM Framework

Contents

Introduction - collaborative efforts informing these comments

GEC has had the benefit of discussions with both companies and most of the intervenor groups that are active on DSM issues. While time did not allow us to develop a common written submission, the Board will see from the various submissions that there is a significant degree of consensus on several issues. We trust this will assist the Board in its deliberations.

Targets

1) Is a total reduction equal to 5% of average annual gas sales from 2011 to 2013, attributable to DSM programs, a reasonable amount for the gas utilities to be expected to achieve in 2020 (consisting of savings in 2020 and savings from 2015 to 2019 persisting in 2020)?

In addressing this question GEC starts from the premise that the Minister's Directive calls for ***all cost effective conservation.*** The 5% value for savings persisting in 2020 that is suggested is simply not in conformity with this clear mandate from the Minister. The Board appears to have based this value on a six year 0.8% per year target which simply reflects past achievements in Ontario, not achievable potential. Frankly, we cannot comprehend how an average level of savings no greater than that already being achieved can be seen as serving the Directive of achieving all cost-effective DSM.

In the TAF paper entitled *Are Gas Energy Efficiency Programs Worth the Money?*, the value of gas DSM is succinctly illustrated:

> The simplest way to look at the cost of utility-run efficiency programs is to compare how much the utility spent per unit of energy saved, over the life of the savings (recognizing that many efficiency measures, such as insulating a home, will save gas for many years). The Ontario results for 2012 are as follows:
>
> - Enbridge Gas' energy efficiency programs cost an average of just $0.06 per m3 of gas saved.
> - Union Gas' programs cost even less – an average of just $0.03 per m3 of gas saved – mainly because it has more large industrial customers for which efficiency savings are usually less expensive.
> - The average customer currently pays on the order of $0.30 to $0.35 per m3 consumed, even after one excludes the fixed monthly charge.

DSM	Gas
3¢ - 6¢ per m^3	30¢ - 35¢ per m^3

To forego such dramatic benefit without fully understanding the trade-offs is not good public policy. Accordingly, we view the 5% target (even if simply a placeholder) as problematic for several reasons:

- Past achievements were prior to the enhanced mandate contained in the Minister's Directive to target all cost-effective conservation and are thus no indication of what is achievable going forward.
- The Board has acknowledged we do not yet know what the conservation potential is. While old or even currently underway conservation potential studies provide some guidance, they were done with inadequate valuation of efficiency (see below under screening), no 'conservation first' mandate, and even so found significantly greater potential than the Board's potential target. See TAF Paper #1.
- The Board has relied upon the Concentric review to inform its starting point and this has led to three critical methodological failings. First, it mixes utilities that have a mandate to achieve 'all cost-effective' with those that don't. Second, it fails to consider projections of where these leading utilities expect to be over the next 6 years -- which is the task before the Board in Ontario. Third, Concentric did not limit comparisons to jurisdictions with comparably cold weather. As discussed below, utilities in leading jurisdictions that share Ontario's weather patterns and that have a similar 'all cost-effective conservation' mandate are targeting much higher levels of savings in 2015 let alone six years hence.
- Because the budget will be informed by the targets, a poorly informed target will become a self-fulfilling prophesy as budgets will constrain results.

- The 0.8% does not adjust for the differing customer composition between the comparator utilities in other jurisdictions and Ontario's LDCs (nor as between Enbridge and Union).
- Because of the different customer makeup of Enbridge and Union, a single indicative value is not appropriate.

As discussed by Mr. Neme in the TAF issue paper: S*avings Goal and Budget Setting,* presently there are only two other "cold climate jurisdictions" in North America that have a mandate to pursue all cost-effective gas DSM: Massachusetts and Rhode Island. Both of those jurisdictions are proposing to capture savings equal to about 1.1% of total (all sector) sales in their current plans for 2015. Though not operating under an "all cost-effective" mandate, gas utilities in Vermont (1.1% in 2013) and Minnesota (1.3% in 2015 plans) have comparable savings levels (again, in aggregate across all sectors).

In both Massachusetts and Rhode Island, approximately 50% of gas sales are to residential customers; only about 20% is to industrial customers. Gas sales in Ontario are more heavily weighted towards the industrial sector. Thus, one would expect savings potential in Ontario to be higher than in Massachusetts and Rhode Island, at least in the short and medium term.

In summary, there is simply no basis to assume that 5% is indicative of achievable potential six years from today. The 2015 targeted levels of leading cold climate jurisdictions with a comparable mandate would suggest a target exceeding 6.6%. (Massachusetts, Vermont and Minnesota all have similarly cold climates and have all been doing DSM for a long time at least as aggressively as Ontario and are reasonable comparators). Adjusting that to reflect the higher industrial proportion of Ontario customers would raise the appropriate value further. Ramping up the value over 6 years to reflect the ever expanding range of conservation technologies and experience as well as new approaches such as performance-based conservation programs for large buildings would add more still.

Further a ramp up to 'all cost-effective' can be expected to take much of the initial three year period, further complicating the analysis of a suitable 2020 level.

Given that there is no up to date data available at this time to set targets that reflect a rigorous analysis of achievable potential or of acceptable rate impacts, (see discussion below) if the Board believes that a placeholder target is needed for 2020, it should be subject to adjustment once updated potential studies are available in three years as required by the Directive.

2) Which option is the most appropriate for developing fair and objective, yet challenging, long-term natural gas savings targets?

GEC strongly supports the first option (the gas utilities develop and propose provisional long-term natural gas savings targets based on most recent potential studies), which would allow for an evidence-based target development that enables the participation of informed intervenors.

GEC does not believe that the second option (the Board develops provisional long-term natural gas savings targets based on an assessment and analysis of achievable potential by the Board, making use of studies that are available) is practical or optimal.

As discussed above, the information available from Concentric and from past experience in Ontario is insufficient to inform target setting at this time. Accordingly, a utility led exercise that allows for further data gathering and analysis and for input from the informed intervenor community will undoubtedly lead to a more robust conclusion.

3) What information, other than what is listed above, should the utilities/Board consider when developing the long-term targets?

Duration of savings for various measures is required to properly value longer-term savings in the target. Measuring the target by reference to savings persisting in 2020 will not recognize the added value of longer-lived savings. Achievement should be measured based on the lifetime net savings of measures in place. Failure to count lifetime savings in the target and to incent these savings efforts by the companies will lead to suboptimal programs, higher average costs per unit of savings and significant lost opportunities. Setting targets based on lifetime savings will lead to a higher appropriate target value. The draft proposal treats equally measures with a six year lifespan with those having a 25 year lifespan, defeating the Board's goal of pursuing long term savings.

Information about savings attained in different customer classes in leading jurisdictions will be particularly important for devising targets that recognize the different customer profiles of Union and Enbridge.

Six year savings projections from leading jurisdictions and an indication of the maturity of their programs would allow for more meaningful comparisons.

A detailed understanding of rate impacts must be developed to determine whether cost-effective DSM efforts should be constrained. No current information on rate impacts is available. We note that Enbridge did provide first year and lifetime rate impacts for its fiscal 2005 through 2008 plans[1]. Those analyses indicated modest first year impacts of less than half a percent and lifetime rate impacts that were negative (i.e. that *lowered rates*). Accordingly, assuming a simple relationship between DSM spending and rate impacts is entirely unsupportable. (See discussion below under budget)

4) Is the proposal for developing provisional long-term targets to guide the gas utilities in building their DSM Plans, with the final long-term targets determined through the hearing process, an effective manner to develop and approve realistic targets?

GEC has serious concerns about provisional targets that are set based on inadequate data. Provisional targets tend to set expectations and inform utility resourcing, creating a barrier to optimal target setting in future. While GEC appreciates that some guidance can be helpful to the utilities and to ensure that rate impacts are not undue we cannot see any basis for such guidance at this time in the absence of studies that evaluate the costs and benefits and the distribution of costs and benefits among customers and society (see discussion of rate impacts below).

5) Is there a different method in which long-term targets could be developed that the Board should consider?

At this time the Board should provide the analytical framework but not the targets or budgets. The companies should be instructed to continue their existing programs while developing a proposal with the input of stakeholders for presentation within 6 months. The framework should specify that all cost effective DSM be targeted subject to no undue rate impact. Part of the task of the utilities should be to provide research and proposals for a test of undue rate impact.

In summary, the level of proposed targets should be based on several key principles/criteria:

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[1] EB-2003-0203 Ex. I/11/3 and EB-2005-0001 Ex. I/9/3

- Consistency with Minister's directive to acquire all cost-effective efficiency
- A reasonable ramp-up period of up to 3 years (to ensure it is well-managed) to get to the point of acquiring all cost-effective efficiency (consistent with what other jurisdictions have shown to be possible)
- Selection of targets to be informed by relevant market data and analysis, adjusted as necessary to best inform what is truly cost-effectively achievable:
- Targets to be informed by potential studies (recognizing that they are often inherently conservative because of limitations such as an inability to assess emerging technologies and program concepts, limits on the range of measures and measure permutations analyzed and other factors)
- Targets should also be informed by:
    - experience – ***by sector*** (residential savings, small commercial savings, large C&I savings and perhaps even by market type) – of leading jurisdictions, recognizing that it is inappropriate to compare total savings as % of sales between, for example, one utility whose sales are dominated by large industrial customers from whom savings are often easier to acquire and to acquire quickly and another utility whose sales are dominated by residential customers. Put another way, benchmarking will need to be done by sector. Also, since the objective is to acquire all cost-effective savings, the benchmarking should focus on jurisdictions that have similar mandates and substantial winter heating loads.
    - Past utility experience – adjusted for constraints on levels of effort, available budget, changing market saturations of key technologies, etc.
    - Other relevant experience (e.g. from the EcoEnergy home retrofit program)
- The 2020 target should be expressed as the cumulative, lifetime savings achieved over the 2015-2020 period.
- Annual and long-term (i.e. 6-year) performance targets should be established along the lines of the current scorecard structures. Any long-term target should be a placeholder subject to review at mid-term.
- Different scorecards should be developed for resource acquisition, low income, market transformation and (for Union) large volume program portfolios.[2]

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[2] GEC suggests that the one key difference from current scorecard structures is that there would be a cap on how much over-achievement of any one scorecard metric can be used to offset under-performance on others (e.g. a metric with a 5% weight cannot ultimately account for more than 7.5% of the credit towards the total scorecard

Budgets

1) Should the Board provide a budget guideline that sets out the expected maximum DSM budgets?

GEC does not support the issuance of a budget guideline at this time because such a guideline will conflict with the Minister's Directive and because there is a lack of adequate data and analysis available.

Given the Directive to acquire all cost-effective DSM it is necessary to determine what is cost-effectively achievable prior to setting a budget. Failure to do so will mean an arbitrary budget that risks constraining achievement of the mandate.

It is particularly notable that the Minister's Directive does not include reference to a need to constrain rate impacts. While the Board will of course have regard to rate impacts in accord with its statutory objectives and as a reasonable consideration, GEC submits that any compromising of the direction to achieve all cost-effective DSM due to a concern about rate impact must be based on an analysis of what rate impact would be undue given the bill reducing benefits and societal benefits of DSM. The Board should require such an analysis be conducted prior to setting a budget.[3]

2) If the Board decides to establish a budget guideline, is 6% of 2013 distribution revenue appropriate (plus applicable shareholder incentives)?

The Board cites the Concentric analysis of budgets in other jurisdictions in support of this suggestion. However, that analysis and its application suffers from two problems. First, it fails

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score). However, this change may best be considered as part of the development of the initial plan by the LDC's in cooperation with intervenors.

[3] For examples of the data and considerations appropriate see:

http://aceee.org/files/pdf/conferences/eer/2013/5C-Woolf.pdf

https://www4.eere.energy.gov/seeaction/system/files/documents/ratepayer_efficiency_billimpacts.pdf to project budgets forward for 6 years to adjust for inflation and for the growth in programs that the comparator jurisdictions are experiencing. Second, it inappropriately focusses on DSM spending per dollar of distribution revenue rather than DSM spending per cubic metre of gas sales. DSM is first and foremost about reducing gas consumption and costs. Leading small jurisdictions like Vermont will necessarily have relatively higher distribution costs per cubic meter of gas delivered. They will therefore require a lower ratio of DSM budget to distribution costs. The proper comparison is DSM spending/m3 of gas sales. As can be seen in the TAF paper, comparable jurisdictions are spending 4 to 12 times as much per unit of gas sales as Ontario currently does.

As discussed above, budget should flow from an analysis of achievable potential and required program effort. And as discussed below, any curtailment of the optimal budget to reflect concern about rate impacts must be based on a more rigorous analysis of the level and cause of the rate impacts versus the breadth and depth of the savings and the pattern in which they are enjoyed amongst the customers.

3) What information, other than what is listed above, should the utilities/Board consider when developing the long-term budgets?

As discussed above, DSM spending/m3 gas sales of leading jurisdictions is a more suitable comparator.

Efficient ramp up capability and concern about rate impacts are the key potential constraining factors that can reduce the appropriate level of budget below that required to achieve all cost-effective conservation and both should be analysed before a cap is determined.

As to rate impacts, typically it is not the budget that causes them. As Mr. Neme discussed in the TAF paper on this topic, there are a two aspects of DSM that cause upward pressure on rates - DSM spending and lost revenues. On the other hand, there are several aspects that cause downward pressure on rates - reduced utility T&D/capital investments, commodity price suppression effects of lower demand, and reduced utility credit and collection costs, none of which have been analyzed or counted in Ontario decision-making to date. In other words, rate impacts cannot be associated with a particular budget. Indeed, two different DSM portfolios with the same budget can have very different rate impacts depending on what the DSM produces in terms of both downward pressure on rates and lost revenues. In addition, the magnitude of rate impacts that would be acceptable should depend on the magnitude of average bill reductions for DSM participants and the percentage of customers who can be expected to participate over time. For example, a 5% rate impact might not be very appealing if average bill reduction for participants was only 8% and only 10% of customers would realize those benefits over a 10 year period. In contrast, a 6% rate impact might be very acceptable if the average bill reduction for participants was 12% and 90% of customers would be expected to participate over a 10 year period. In short, concerns about rate impacts, while legitimate, are much more complicated to address than by just setting budget caps.

Indeed, as noted above, the only examples of rate impact analysis in Ontario that we have seen suggest that the assumption that rates rise from DSM may be entirely misplaced. Enbridge did provide first year and lifetime rate impacts for its fiscal 2005 through 2008 plans[4]. Those analyses indicated modest first year impacts of less than half a percent and lifetime rate impacts that were negative (i.e. that *lowered rates*).

Further, lost revenues are an inevitable result of the more efficient use of gas whether caused by DSM programs or customer initiated efficiency improvements. Would anyone suggest we constrain improvements in the average efficiency level of the market because they will lead to lost revenues that will require higher rates to be set to maintain allowed rates of return? Surely not. Would anyone suggest that these lost revenue impacts are a cross-subsidy? Again, surely not. Increased energy efficiency in the market would be celebrated by all right-minded observers. Why then should the rate impact from lost revenues due to DSM be perceived as a reason to constrain DSM efforts?

Ramp up capability is another factor to be considered in setting budgets. An unduly hastened ramp up can lead to inefficient program design or delivery. However a delayed ramp up will miss market opportunities where end uses have long lifetimes and strand these opportunities. This suggests that a long term budget is best set in light of a program plan, or at the very least a preliminary program plan (recognizing that the programs will evolve as further experience and changing market conditions dictate).

GEC also suggests that the framework specify that the companies should develop evaluation budgets as part of portfolio design. The Board should indicate that such budgets should be in the 3-5% of DSM budget range as is the case in leading jurisdictions, to ensure that evaluation is adequate to avoid disputed results.

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[4] EB-2003-0203 Ex. I/11/3 and EB-2005-0001 Ex. I/9/3

4) Is there a different method to establish budgets that the Board should consider?

GEC submits that the utilities should be instructed to develop budgets after analysing the conservation potential and after preliminary design of programs to achieve such a goal. As discussed above, to determine whether the budget should be constrained below that required to fulfil the Minister's mandate the utilities should propose a test for undue rate impact that considers the various mechanisms of rate impact and the distribution of savings over time.

Shareholder Incentives

1) Is the proposed shareholder incentive (total of 15% of budget – 10% for achieving 100% of target with an additional 5% for achieving 150%) sufficient to fully engage the gas utilities to deliver significant DSM results from 2015 to 2020?

GEC agrees with the structure of the incentive proposed but submits that the current level of available incentives (indexed for inflation) should be maintained. As noted by the Board, the TAF study found the current incentive level in keeping with other jurisdictions normalized for sales. A reduced incentive would discourage management enthusiasm. However, in the event of a significant ramp up this level may prove inadequate to maintain shareholder and management support. Therefore GEC suggests that the incentive be capped at the current maximum level or 15% of the budget, whichever is higher.

Enbridge's net pre-tax utility earnings in 2012 were $185.7 million (EB-2012-0046, B-1-2). Its maximum DSM incentive for that year was $10,450,000, which represents 5.63% of net pre-tax earnings in that year. Enbridge ultimately cleared the incentive account at $8,160,306 which was 4.39% of net pre-tax earnings (based on EBIT -- it would be lower using EBITDA). If the incentive were 10% of budget at target ($3,200,000) that would have represented only 1.7% of net pre-tax earnings which we submit would not be enough to sustain management dedication.

We agree with the Board's proposal that "activities which are more difficult than others, or are delivering on key objectives, warrant a greater share of the incentive. As an example, delivering programs with long-life savings and coordinating and integrating programs with electricity distributors should be allocated a greater share of the total incentive amount available. Other areas which the Board would view as important and deserving of larger incentive dollars include programs that target conservation first in infrastructure planning at the local and regional levels and low-income programs." These priorities and other objectives can be addressed in the scorecard structure which should be developed in light of the particular portfolio put forward by the utilities.

2) Is it appropriate to tie the maximum incentive amount to the DSM budget?

The guiding principle should be that the shareholder incentive is large enough to attract management attention and enthusiasm such that the Minister's directive will be honoured.

Incentives should reflect the difficulty of the task and the disincentives that the companies have due to reduced opportunity for rate base expansion. DSM budget-tied incentives are a simple and practical proxy (assuming they remain tied to a scorecard that allocates incentives among activities). However, DSM budget does not necessarily fully reflect the rate base reduction impacts. This suggests that a further targeted incentive should be available for specific local IRP DSM initiatives that will displace specific supply side investments. (See comments below in the discussion of IRP)

3) If you do not agree the incentive amount should be tied to the DSM budget, please provide details for how the maximum incentive amount should be calculated.

See above.

4) If you do not agree that the Board should administer a cost-efficiency incentive, provide the rationale for this position and what issues the Board should consider.

GEC supports the Board's proposal for a cost-effectiveness incentive of the type proposed where achieving an annual target under budget allows unspent funds to be carried forward to the next year. Alternative approaches that simply reward less spending work at cross-purposes with the goals of DSM. The Board's proposal appears to avoid that pitfall.

5) What other aspects should the Board consider when developing the shareholder incentive? Why?

No additional comments.

6) Is a pay-for-performance funding/incentive model appropriate?

GEC does not support the pay-for-performance concept for several reasons:

First, it is an incentive to cream-skim if the utility receives the same price for all savings produced – contradicting the Board's objective of pursuing "long-term savings" and the government policy to pursue all cost-effective savings.

Second, it would create the unintended consequence of windfall profits to the utilities as a result. This is the problem with "single market clearing price" approaches to acquiring efficiency (see Neme et al.: Energy efficiency feed-in-tariffs: key policy and design considerations, ECEEE Summer Study 2013). Because many efficiency resources are much cheaper than supply, if the price set is close to the price of supply – which is necessary to get almost all cost-effective efficiency – we will wildly overpay (relative to the current system of expensing actual costs of acquiring savings) for most of the savings. If the price set per m3 is lowered to adjust for that, we end up paying for less savings than desirable (or are cost-effective). Moreover, there will still be lots of over-paying for the most inexpensive savings. The only other alternative is to get very prescriptive about what price is paid for what kinds of efficiency – paying more for the "harder stuff" and less for the "easier stuff". Needless to say, that is very difficult to do well and would add considerable complexity. The bottom line is that a pay-for-performance approach will almost certainly pay substantially more per unit of savings than the current regime.

Program Types

1) Should the Board consider other program options in addition to those listed in the draft DSM Framework and draft DSM Guidelines? If yes, please outline which programs are appropriate and why.

GEC submits that the utilities should have responsibility for developing program designs to achieve goals, consistent with the following principles/caveats:

- The portfolio must be designed to be broad enough so that all customer classes and key sub-groups have a reasonable opportunity to participate over the six-year time horizon.

- The portfolio must include an aggressive low income program (including the continued development of a private low income multi-family program).
- The portfolio must include programs that are specifically designed to address other hard-to-reach groups such as small business customers.
- The portfolio must include programs specifically targeted to customers who are already very invested in efficiency and/or have an interest in more complex, challenging, longer-term, longer-payback efficiency investments. It is envisioned that this offering would enable the utility to develop case studies and models for the next generation of efficiency and future programs.
- The portfolio will include market transformation programs. MT programs have the greatest potential to achieve the Board's goal of long term savings since a transformed market from which the utility program withdraws keeps producing savings indefinitely with no further ratepayer cost, such as a higher efficiency level in the Building Code or other standard. If the Board is concerned that MT efforts will detract from resource acquisition the budget for such programs could capped (e.g. at 10% of the total DSM budget)
- It would be appropriate for a modest proportion of the budget to be dedicated to research and pilot projects (e.g. 3% as in other jurisdictions).

2) What level of funding is appropriate for low-income programs relative to the overall DSM budget?

GEC submits that this is a determination best left to the utilities in consultation with intervenors as the portfolio is designed. The Board can then consider the matter in light of the overall budget and portfolio design.

3) Are DSM programs for large volume customers appropriate and should both gas utilities be permitted to offer these programs?

For the reasons articulated in the recent Union Gas hearing where the Board rejected a request for an opt-out provision, GEC strongly supports the continued ability of the companies to offer industrial programs. If a provision allowing opt-out of DSM payment and participation is available, it must require the industrial customer to demonstrate (through an independent audit overseen by either the utility or the Board) that they are already achieving all cost-effective efficiency. The Government's direction to pursue all cost effective efficiency clearly requires programs to be available for all customer groups.

Program Evaluation

The Role of Board Staff

DSM monitoring, evaluation and verification/audit is not a straightforward accounting or science exercise. Because these exercises require a forecasting of what would happen absent the program intervention, they inevitably require a good deal of market knowledge, estimation and often compromise between competing views. The joint intervenor/LDC committee processes for audit oversight and technical evaluation are well designed to fulfill that need. Even the scope of review or advice of auditors and evaluators has often been adjusted following input from knowledgeable intervenors and utility staff. On only a few occasions has the current process not led to common recommended outcomes. If Board Staff are the sole entity conducting these investigations, or hiring experts to do so, and then recommending clearance values, we are concerned that the contribution available due to the broader experience and expertise of the intervenors and companies will be lost or diminished. Intervenor participation is valuable to identify suitable compromises between competing customer and societal values held by the public. There is also a concern about the appearance of the Board's impartiality if the Board makes its decisions based largely on the report of its own staff. Accordingly, while greater involvement of Board Staff in committee discussions may be a reasonable proposal, in our submission, their role should not supplant the current collaborative mechanisms, rather Board Staff should be integrated into the existing committees. While GEC could support Board staff taking on the administration of these processes (Staff chairing of these committees would avoid any concerns about conflict of interest when the LDCs are leading these functions), the loss of the committees would lead to a poorer result in this work and more contested hearings.

Proposed changes to the current process:

GEC suggests the following changes to the current structure, all of which should improve the quality of evaluation and reduce the likelihood that disputes will require Board adjudication.

- The responsibility for all evaluation activities, including the annual custom project savings verification work, should be managed by one of the committees rather than by the utilities.
- All programs should have an impact evaluation at least once every three years, based in part upon metered savings from the field.

- The largest programs accounting for up to 70% of annual savings should have an impact evaluation, as well as (or including) a net-to-gross evaluation. This will ensure confidence in savings estimation.

Inputs

Please see our comments on the appropriate role of Board Staff and the intervenor committees, above. GEC submits that the TEC is well positioned to retain and instruct experts in regard to measure input studies.

Screening

GEC favours a Societal Cost Test (SCT) in keeping with the public policies driving DSM. In the alternative, if the TRC test is to be utilized, GEC is concerned that the test is current being narrowly applied in Ontario, recognizing all costs but only some benefits. We submit that the framework should call upon the utilities to develop placeholder values and conduct further analysis on a range of screening parameters. In particular:

- As the Board has noted the utilities must consider the avoidable costs of distribution and transmission pipelines. Placeholder values could be considered for use until studies provide a more detailed analysis.
- Ontario has a policy to reduce GHGs by 15% by 2020. The Minister's Directive indicates part of the rationale for Conservation First is to support Ontario's GHG goals. In the foreseeable future carbon tax or cap and trade costs will likely emerge. Accordingly, given the long term nature of avoided costs, a carbon adder should be included in avoided costs. Carbon values from a survey of 22 utility integrated resource plans found that most range from $20 to $40/tonne. See TAF Paper #4.
- The commodity price-reducing effect of DSM demand reduction should be included. The Board should indicate this in its framework policy and refer it to Board Staff and the TEC to complete a study within a year to add to avoided costs. Again, a placeholder value could be considered based on the work done in other jurisdictions pending study results.

- DSM insulates Ontario ratepayers against the risk of fluctuating gas prices. The Board should authorize the use of a 10% adder, as is the case in Vermont to recognize the risk mitigation benefits of efficiency.
- Non-energy benefits to participants should be included. The TRC should capture the impacts to the utility system plus the impacts on participants. Right now, it only captures the cost impacts to participants and ignores all non-energy benefits to participants. A proxy adder can be used until more study can be conducted. Consistent with the recent decision in Vermont, we would recommend an interim value of 15% pending further study.

Deferral Accounts

No specific concerns.

Integration with CDM

No specific concerns.

Future Infrastructure Planning Activities

The Minister's Directive includes a requirement that by Jan 1, 2015 steps be taken to implement the conservation first policy in gas distributor regional and local planning processes. However the Board's draft requires only that the utilities study the question of how to carry out IRP over the next 3 years and then make proposals. Instead the Board should require that:

- The average avoided costs of supply side infrastructure should be incorporated into avoided costs for 2015;
- The utilities should annually develop/update a 10 year forecast of capital investment requirements; identifying all that are at least in part a function of load growth;
- Effective immediately, all facilities approval proposals of more than $5 million from the LDCs should include an analysis of cost-effective DSM options as an alternative to supply

side options. This would be consistent with the practice in other jurisdictions doing LIRP. (See US Experience with Efficiency As a Transmission and Distribution System Resource, Neme et al.) The analysis should include the additional avoidable costs in the region to be served by pipeline expansions and targeted DSM programs should be proposed and implemented which use both system-wide and local avoided costs and employ more intensive marketing.

- In addition, GEC supports offering the LDCs specific shareholder incentives for successful DSM efforts that reduce or eliminate supply side investments. These should be designed at the time of facility cases and be proportionate to the savings produced.

Stakeholder Consultation

Broad consultation with stakeholders is of course to be encouraged, however, it is not a substitute for the transparency, independent oversight, enhanced input and broad experience that the committee processes can offer. Nor does stakeholder consultation significantly reduce the need for contested proceedings in the way that meaningful, empowered committee processes can.

Comments on this process

GEC is concerned that the consultation process that the Board is employing to develop the DSM framework is not adequate for the task at hand. As we have noted above, the key issues are best considered in light of suitable data and analyses that are not presently available nor tested. The lack of a mechanism for parties to test each other's evidence and positions diminishes the value of the input that is available to the Board. The limitation on the cost award available has limited the resources that intervenors can bring to the exercise. While we have endeavoured to mitigate these limitations by way of our discussions with the companies and other intervenors, we remain concerned that should the Board proceed to issue specific guidance on targets and budgets based on the proceedings thus far it will be doing so without a proper evidentiary basis. We submit that these procedural and information shortcomings can best be cured by selecting options that require the companies to develop key parameters in consultation with the intervenors in the coming months for subsequent formal review by the Board.

All of which is respectfully submitted this 15th day of October, 2014

David Poch
Counsel to GEC