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October 15, 2014

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

Attention: Kristen Walli, Board Secretary

Dear Ms. Walli:

Re: Comments on Behalf of the Ontario Sustainable Energy Association (OSEA)
Board File No. EB-2014-0134

Please find enclosed OSEA's comments regarding the Natural Gas DSM Guideline and Framework for the above noted matter.

Yours truly,

Joanna Vince

Encl.

cc. Kristopher Stevens, Executive Director, OSEA

Document #: 778413

INTRODUCTION

The Ontario Sustainable Energy Association ("OSEA") was pleased to be invited to provide its input as a member of the working group.

This document provides OSEA's comments on the Board's proposed policy direction on all elements of the gas utilities' DSM activities for the period of January 2015 to December 2020. OSEA's comments on its companion document, the draft Filing Guidelines to the DSM Framework (the "draft DSM Guidelines") follow. Where the same comments apply, they have not been repeated.

OSEA is also pleased that the Ontario Energy Board (the "Board") is developing a new natural gas Demand Side Management ("DSM") Framework for the gas utilities to use as they prepare applications for approval of new DSM plans for 2015 to 2020. OSEA suggests that the proposed midterm review include the development of a transition plan for the continuation of DSM plans and programs beyond the year 2020.

Although OSEA is pleased that the Board recognizes that the draft DSM Framework is intended to provide guidance to the gas utilities and that the gas utilities can propose alternatives in their DSM Plans, it would be useful to identify the types of alternatives possible such as:

- solar thermal including ground source energy,
- renewable gas from biomass and sustainable energy such as waste heat recovery and
- distributed energy.

OSEA recommends that the OEB publish a complete report card in 2015 on the evolution of gas DSM and results since the implementation of E.B.O. 169-III.

BACKGROUND

OSEA promotes the vision of sustainable energy. OSEA promotes the view that all Ontarians can be conservers and generators of sustainable energy within their own homes, businesses, institutions and backyards. OSEA promotes the use of a combination of conservation and local generation with the goal of creating a sustainable energy future for Ontario.

To OSEA, sustainable energy is the effective and efficient production and use of energy from various distributed sources matched in scale and quality to the end use. Proponents of sustainable energy recognize that energy is a means to an end, not an end itself. Sustainable energy is about producing and using energy in a way that meets our needs and improves the quality of our lives while also ensuring that the ecological system that sustains us, our economy and society is healthy and capable of supporting future generations at a similar level long into the future.

Sustainable energy includes among other things, conservation, energy efficiency, demand management, smart buildings, thermal and electrical storage, smart-grids, district energy networks, combined heat and power, waste energy capture and renewable heat and electricity from biomass, wind, water geothermal and solar energy.

1. OSEA Comments on Demand Side Management Framework for Natural Gas Distributors

Scope of OSEA's Comments

OSEA agrees that the four central elements of the DSM Framework (i.e., targets, budgets, shareholder incentives and program types) are all interrelated. It is necessary to consider what effects a decision related to one element will have on the others.

For this reason, OSEA sees no value in the Board's proposals to increase the Board's oversight of the general DSM landscape for the next six-years and thereafter. The Board should limit its role to establishing guidelines and exercising regulatory oversight as has been the experience for the last 20 years. There is no precedent in the natural gas sector for the type of micromanagement inherent in these proposals. The proposals represent a drastic change from the current effective framework.

It is OSEA's view that having the Board taking on a larger role at both the front-end (target development through achievable potential studies) and the back-end (evaluation of program results) of the new DSM Framework would be intrusive, awkward, time consuming and costly. They may be a role in enabling coordination of province wide initiatives, but that would be to ensure a level playing field between natural gas and electricity guidelines which are currently not on the same plane.

OSEA does endorse the Board's proposal to continue to allow the gas utilities to use their expertise to design and implement programs to help achieve greater gas efficiencies in the marketplace, reduce overall natural gas consumption levels, provide opportunities for consumers to better manage their energy usage and develop DSM programs with the goal of avoiding or deferring future capital investments. This permission should be broadened to clearly permit a utility to revise its plans and programs, within the approved budgets in order to achieve those results. When the utilities can propose expanded budgets that result in achieving cost effective results beyond those included in original plan, they ought to have the explicit permission to apply to the Board for additional funds.

Purpose of DSM

OSEA agrees with the Board's belief that rate payer funded DSM programs should focus on the following goals:

- Promote energy conservation and energy efficiency to create a culture of conservation.
- Avoid costs related to future natural gas infrastructure investment including improving the load factor of natural gas systems.
- Assist consumers in managing their energy bills through the reduction of natural gas consumption.

However, OSEA believes that the most important element in the Minister's March 31st Directive was the pursuit of cost effective conservation. This should be highlighted in the goals without the qualifier that in the Minister's Directive applies to alignment of DSM with CDM, not cost effectiveness.

The second most important element of the of Minister's directive appears in the preamble:

> *WHEREAS it is desirable to achieve reductions in electricity consumption and natural gas consumption to assist consumers in managing their energy bills, mitigating upward pressure on energy rates and reducing air pollutants, including greenhouse gas emissions, and to establish an updated electricity conservation policy framework ("Conservation First Framework") and a natural gas conservation policy framework.*

OSEA is shocked that draft report and the draft guidelines do not addressed the elements of the Minister's Directive related to "reducing air pollutants, including greenhouse gas emissions". These externalities must be addressed by using the Total Societal Cost Test which includes an estimate of the price of carbon, not for monetizing, but for analysis of costs and benefits of various options.

OSEA also wishes to point out that the Board has a statutory objective to promote energy conservation and energy efficiency, while having regard to the "**consumer's economic circumstances**". This objective does not apply to the rate impact of DSM but to the special requirements of low income consumers. As a founding member of the Green Energy Act Alliance, OSEA had paid particular attention to the paucity of low income conservation programs. Focusing on the rate impacts of conservation fails to account for the positive bill impacts that result for all consumers including low income consumers.

In addition, OSEA respectfully submits that the Board's draft guidelines continue to use a narrow definition of DSM. The Board has not fully responded to the Minister's directive and the broader concept of conservation. As outlined in the government's Conservation First policy, conservation and demand management savings can be achieved in a range of ways:

1. **Energy efficiency**: Using more energy efficient technology that consumes less
2. **Behavioural changes**: Increasing awareness and encouraging different behaviour to reduce energy use, for example through social benchmarking
3. **Demand management**: Reducing or shifting consumption away from peak times, using time-of-use pricing with smart meters
4. **Load displacement**: Reducing load on the grid by enabling consumers to improve the efficiency of their energy systems by recovering waste heat or generating electricity required to meet their own needs.

OSEA recognizes that the draft guidelines address item #1 and have put increasing attention on item #2 but is very concerned that items #3 and #4 have been overlooked. To fully address the role of conservation in Ontario's energy future, the full range of tools must be available to the utilities.

With respect to #3, the need for addressing peak consumption of natural gas has been cited in the Board's decision in EB-2012-0451, but as yet the utilities have few tools to measure and manage peak use. The guidelines should include direction to utilities to expand their use of such tools.

With respect to #4, the Board should consider the full ramifications of the "energy grid", and not interpret grid as being electrical only. Pipes themselves are a grid and pipes can be used to move renewable (solar thermal including ground source energy and renewable gas from biomass) and sustainable energy (such as heat recovery and distributed energy). Further OSEA asserts that this broader interpretation will more fully enable and exploit the value of smart **energy** grids with concomitant benefits for consumers, the economy and the environment. Interestingly, the Board is the only agency of the government with mandates related to electricity, natural gas and district energy aside from the Environmental Commissioner's conservation reporting functions.

DSM Framework Components

OSEA will address each Framework item in turn, but suggests it is not just the four items referenced earlier that are interrelated; all of these elements are as well:

1. Term
2. Guiding Principles
3. DSM Targets
4. Budgets
5. Shareholder Incentive
6. Program Types
7. Program Evaluation
8. Deferral and Variance Accounts – Recovery and Disposition of DSM Amounts
9. Integration and Coordination of DSM and CDM Programs
10. Future Infrastructure Planning Activities
11. Stakeholder Consultation

TERM

OSEA supports the long-term access to natural gas energy efficiency and conservation programs for consumers. OSEA also supports a planning framework that will allow for the gas utilities to properly adapt and change with the market, ensure that programs remain in place so that consumers will have the opportunity to participate and provide continuity and flexibility to manage DSM programs appropriately.

A longer time frame will also work better with consumers who require a longer lead time to implement conservation. OSEA supports the six-year term of the DSM Framework commencing on January 1, 2015 and ending December 31, 2020, with a mid-term review completed by June 1, 2018 but does not consider it to be long term and suggests that the guidelines should be clear that **DSM will go on beyond December 2020 so that the start/stop/start/stop/start approach, which is highly detrimental to consumers, is not inherited from the electricity sector.**

MID-TERM REVIEW

OSEA supports a mid-term review but it should be completed by the end of 2017 rather than by June 1, 2018 just to coincide with the mid-term review of the electricity framework.

OSEA supports the notion that the mid-term review will provide the Board with an opportunity to review the gas utilities' progress in implementing their plans to address the key goals of the DSM Framework (e.g., integration with CDM, new and innovative program offerings, low-income program delivery, DSM as a part of infrastructure planning, etc.).

OSEA believes that the mid-term review should focus on an assessment of budget levels and annual metrics to determine their reasonableness in enabling the gas utilities to achieve all cost effective DSM as per the Minister's Directive.

GUIDING PRINCIPLES

OSEA generally supports the guiding principles to be considered in the development, assessment and approval of DSM Plans except for #2 and #8. OSEA has already noted its problems with #2. The issue with #8 - Programs should pursue DSM options with long lives that produce long-term energy savings, such as thermal envelope improvements (e.g., wall and attic insulation). As written and based on the examples, this guideline may be too limiting. The Guideline may have the effect of restricting DSM options to those that are only based on more efficient technologies. While this principle is appropriate for specific technologies, the guideline should also explicitly include operational measures to achieve deeper savings and appropriate accountability frameworks to ensure that behavioral savings are also long lived. This is a key differentiator for utility representatives who can use using their understanding of performance benchmarking to diagnose operational improvements which in turn are maintained within a framework of ongoing benchmarking and measurement of actual metered savings. In addition, for options based on specific technologies, engineering estimates or "deemed" savings for measures should be replaced with the measurement of real savings in situations combined with operational savings.

DSM TARGETS

The Board is considering two options for how to appropriately develop the long-term natural gas savings targets to be met by 2020:

- **Option 1** – the gas utilities develop and propose provisional long-term natural gas savings targets based on most recent potential studies.
- **Option 2** – 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.

OSEA prefers Option 1. Currently, annual DSM targets are proposed by the gas utilities for each program type based on the amount of natural gas savings available within the budget parameters established by the Board. OSEA is of the opinion that this same approach should be continued in the new framework.

OSEA also suggests that **Ontario wide** potential studies be done collaboratively with the utilities and Board staff as well as the OPA and the electric utilities. Ontario Regulation 397/11 requires mandatory public sector energy reporting. This database could be used to establish initial building profile information.

As the draft report points out, the gas utilities have effectively managed their DSM efforts to regularly meet and at times exceed their annual DSM targets. Given that positive results have been experienced in the past, the only change that is required is that the utilities should establish targets for the full planning period with the mid-term review offering the opportunity for adjustments to the targets (and resources) based on results to-date.

It is OSEA's view that the development of long-term natural gas savings targets for 2020 **by the gas utilities** will ensure that their annual efforts are focused on achieving a long-term goal that will get the most value from DSM expenditures, increase the overall efficiency of the natural gas system and provide consumers with tangible ways to better manage their energy bills. OSEA suggests that there is no magic to a six year time frame, and the long term should be considered in terms of long term sustainable savings.

OSEA agrees that for the annual targets and metrics, gas utilities should incorporate multiple performance metrics using a weighted scorecard approach (e.g., cubic meters (m^3) of annual and cumulative natural gas saved, number of participants that receive at least one long-life energy efficiency technology, etc.) into their DSM Plans and that shareholder incentives be based on the achievement of the annual scorecard.

OSEA's Response to Request for Comment on 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)?

OSEA Response: No. Targets should be based on estimates of potential as discussed above and below in response to Question 3.

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

OSEA Response: Option 1 given a collaborative approach (utilities and Board Staff) to completing (Ontario wide and all fuel) potential studies using the approach discussed in response to Question 3.

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

OSEA Response: OSEA asserts that the Board's plan to undertake an achievable potential study for natural gas efficiency in Ontario by June 1, 2016 or anytime should not be limited to the traditional approach to potential studies based primarily on item #1 in the discussion of the elements of conservation (energy efficiency - using more energy efficient technology that consumes less) to inform the mid-term review, consistent with the Conservation Directive, nor should it be limited to natural gas only.

OSEA suggests that the Board use a broader and much more cost effective approach such as the one used by Environmental Defense's expert witness, EnerLife Consulting in EB-2012-0451, filed as Exhibit L EGD.ED.1. This approach can also be used to determine the integrated potential for all on-site energy uses as well as water. It addresses a primary barrier to taking action in that consumers and utility companies do not know the full extent of the conservation opportunity within their consumers' buildings, and are therefore unable to efficiently allocate resources to deliver and sustain maximum energy savings or realize the full conservation opportunity.

The core premise of this approach is that knowledge of the conservation opportunity within individual buildings, which can now be reliably and consistently provided through performance-based conservation, helps engage and motivate consumers to take action. The performance-based conservation process identifies buildings with large opportunities for savings so that resources can be focused on those buildings. The approach also identifies the measures and in particular operational improvements necessary to achieve deeper savings than would be achieved through the traditional "DSM measurers" approach. It also builds upon the diagnostic benchmarking and target setting methodologies developed through related projects described in Section D. It takes advantage of the new, mandatory public sector energy reporting under Ontario Regulation 397/11 to establish initial building profile information for participants.

By integrating electricity, natural gas and water, this approach goes far beyond traditional paper studies of conservation potential, builds on implementation of the performance-based conservation approach to drive deeper energy savings in the commercial and institutional building sectors more efficiently than traditional conservation demand management program implementation strategies. By demonstrating the value of understanding energy opportunities comprehensively (looking at electricity, gas and water as a whole), it:

- identifies high potential buildings
- produces rational and consistent energy targets and conservation potential
- uses benchmarking diagnostics to help consumers and utility companies identify and implement measures to convert conservation potential into real, deep energy savings measurable at the meter

The fundamental indicators of a building's performance are not the technologies, but how it employs the following:

- **Benchmarking position**: How a building's overall and component energy and water use compares to other similar buildings will establish the nature and extent of the savings opportunity.
- **Energy and water conservation targets**: With basic information about the building and benchmark metrics of good practice, target energy and water intensities are established. Current energy component intensity and water intensity will be compared against the targets and the potential savings for the building will be identified and quantified. For the building, an established building target provides an end point of achievement which can engage all team members in achieving high performance. The target also allows potential savings to be calculated, which helps establish the business case and paybacks for developing measures.
- **Seasonal operational anomalies**: Weather normalized energy and water data compared with previous years reveals operating patterns that indicate opportunities to improve building operations.
- **Daily operational anomalies**: If available, analysis of the meter load profile will determine opportunities to improve operational practice.

The nature, type and extent of a building's savings potential derived from component targeting, indicate the capital and non-capital measures. Opportunities for low/no cost operations and maintenance improvements for the building are identified from such indicators as high load factor; low power factor; large savings potential in natural gas, cooling electricity and water use; significant seasonal thermal energy variances; correlation between interval meter profiles and outdoor temperature or operating hours; and high electricity demand when compared with other similar buildings.

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?

OSEA Response: See response to Question 3.

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

OSEA Response: See response to Question 3.

BUDGETS

The Board expects and OSEA agrees that the gas utilities' DSM budgets should enable the delivery of results in the following key areas:

- The delivery of broader low-income offerings across the province ensuring that **all** low-income consumers have access to natural gas energy efficiency programs. (OSEA respectfully and strongly disagrees with the retrograde in the guidelines that restrict eligibility for low income programs so severely.);
- Increased collaboration and integration of natural gas DSM programs and electricity CDM programs to provide greater value to consumers and ensure a more efficient use of rate payer funding;
- The implementation of DSM programs that are evidence-based and rely on detailed consumers data in order to clear show a consumers has lowered consumption levels over the course of different billing periods (i.e., performance - based programs);
- Development of new and innovative programs, including social benchmarking, on-bill financing and performance-based programs;
- Development of program(s) amenable to a pay-for-performance funding recovery model where gas utilities would recover program costs and earn a shareholder incentive amount through one $\$/m^3$ rate based on verified natural gas savings; and
- Implementing DSM programs that address infrastructure planning processes at the regional and local levels with the ultimate goal of reducing and/or deferring future capital investments.

OSEA agrees that the long-term DSM budgets should take into account the gas utility's long-term DSM targets, overall size of gas utility, geographic characteristics and consumers base served. The budget should be based on the nature of the suite of proposed programs, acknowledging that some efforts are more costly for a variety of reasons (e.g. maturity of program, cost of energy efficiency technologies with long-lives, low-income programs, etc.).

The Board has included two different options for how annual DSM budgets can be developed.

- **Option 1** – the gas utilities develop and propose DSM budgets which are a product of the analysis conducted relative to the amount of funding required to meet the long-term natural gas savings target.
- **Option 2** – the Board establishes a guideline for maximum DSM budget levels which considers rate impacts to consumers but will allow the gas utilities to pursue significant natural gas savings between 2015 and 2020.

OSEA supports Option 1 with the inclusion of rate impact information also developed by the utilities.

OSEA's Response to Request for Comment on Budgets

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

OSEA Response: No

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

OSEA Response: No

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

OSEA Response: The utilities' 20 years of experience.

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

OSEA Response: Should the alternative approach to determining potential and setting targets as described above be used, a less mechanistic methodology for establishing budgets would result.

SHAREHOLDER INCENTIVES

OSEA agrees that to effectively motivate the gas utilities to both actively and efficiently pursue DSM savings and to recognize exemplary performance, it is appropriate to make a shareholder incentive available.

The Board has included two options for how annual shareholder incentives can be determined.

- **Option 1** – the shareholder incentive is determined as a percentage of the gas utility's annual DSM budget.
- **Option 2** – the utilities propose a pay-for-performance funding and incentive recovery model, with applicable programs, which provides both funding recovery and incentive payments through a single rate ($/m^3) to the utility, but only for verified natural gas savings.

OSEA Response: OSEA supports Option 2, but recommends changing "verified" to "measured".

COST EFFICIENCY INCENTIVE

OSEA agrees that a component of the shareholder incentive should be a cost-efficiency incentive; however, a portion of the unused funds carried forward should enable the achievement of **additional results as long as they are cost effective** in the following year.

OSEA agrees that a cost efficiency incentive must work in tandem with the performance incentive, as opposed to conflicting with the performance incentive. The main goal of administering and delivering energy efficiency programs is to achieve energy efficiency gains and energy savings in the market place. While it is important to achieve results by using the least amount of rate payer dollars, the incentive should be structured to enable the utilities to achieve **more** results as long as they are cost effective.

OSEA's Response to Request for Comment re Cost Efficiency 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?

OSEA Response: It is premature to comment until the options for setting targets and budgets are selected.

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

OSEA Response: It is premature to comment until the options for setting targets and budgets are selected.

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.

OSEA Response: If the alternative approach to establishing potential were used, an incentive mechanism based on the success the utilities have in moving consumers up to a specified quartile of performance as well as moving the benchmarks up as per Figure 3 Apartment and Commercial Sectors Savings Potential (reference: EB-2012-0451, filed as Exhibit L EGD.ED.1).

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.

OSEA Response: OSEA agrees.

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

OSEA Response: Water savings and greenhouse gas emission reductions.

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

OSEA Response: It is premature to comment without seeing the utilities' responses.

PROGRAM TYPES

OSEA is concerned about the Board's assumption implied by its suggestion that the gas utilities should strive to build on experience of other leading jurisdictions. OSEA did not find the report authored by Concentric Energy Advisors, Inc. ("Concentric") particularly helpful.

While an understanding of what is happening in other jurisdictions is always of value, both the Board and intervenors should not restrict their expectations of Ontario's natural gas utilities to those learnings. Rather, the innovation and creativity that the companies have demonstrated in the almost 20 years of success should be strongly and explicitly encouraged by the new guidelines.

OSEA's Response to Request for Comment regarding 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.

OSEA's Response: OSEA recommends the following program options:

- Fuel Switching
- Solar Thermal Water Heating
- District Energy based on ground source heat pumps for heating and cooling
- District Energy based on high efficiency cogeneration using natural gas and biomass
- Renewable Natural Gas

With the phase out of coal fired central generation in Ontario, the further reduction of greenhouse gas emissions in the non-transportation use of energy will require less and less natural gas to be used in traditional end use applications. More efficient end use technologies can only go so far in reducing greenhouse gas emissions. Regulatory tradition has made it acceptable for natural gas utilities to transport fossil fuels and earn a rate of return on the capital invested in the pipes. Despite the Ontario's change in the undertakings of the natural gas utilities in concert with the *Green Energy and Green Economy Act*, that same tradition does not allow the natural gas utilities to earn a rate of return on pipes and related equipment which harvest and transport renewable energy. This must be changed.

The draft paper differentiates between the avoided cost impacts associated with electricity generated in Ontario and natural gas imported from outside of Ontario. OSEA suggests this is a false dichotomy. With natural gas representing an increasing fuel for generation of electricity, OSEA asserts that making more use of Ontario based renewable energy is a valid gas DSM option.

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

OSEA believes that funding for low income programs should be sufficient to address the entire low income consumer base. The current approach of using a 0.7 cost benefit ratio however is not appropriate. OSEA suggests that using the Total Societal Cost Test would be a better approach and maintain the integrity of the role of cost benefit analysis. The value of carbon could be established by Ontario's Environmental Commissioner.

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

OSEA strongly believes that DSM programs are appropriate for large volume consumers and should not be voluntary. Research continues to show that investment in energy efficiency ranks low on these consumers' priorities, far behind investments to expand capacity or address other legislative and regulatory requirements.

However, investments in energy efficiency have demonstrated cost savings. OSEA cites the experience of 360 Energy, Ontario's leading provider of energy management services to industry and its Certificate of Excellence Program. The Certificate of Excellence Program has been developed to help create leaders in energy management and demonstrates that an organization is taking a proactive approach (shown through verifiable results) and that they strive for continuous improvement in energy management.[1] It's been proven that organizations progressing through this process will save a minimum of 3% on their annual energy bills. In Ontario, these customers represent large users such as a cement plant and a Regional government including its water and waste water treatment plants. Four levels of certification can be achieved: bronze, silver, gold and platinum.

[1] http://www.360energy.net/services/certification-in-energy-excellence/

The program includes four items of focus:

1. **Management commitment to energy:** A mandate from senior management must be identified outlining the organization's energy management practices for the next three years.
2. **Energy procurement practices:** Often overlooked, management of the commodity takes centre stage.
3. **Investment in energy efficiency:** By not leaving audits on the shelf, the organization will illustrate their successful implementation of processes, programs, and projects.
4. **Demonstrated energy performance improvements:** Verifiable energy improvements demonstrate the organizations leadership in their industry and community

PROGRAM EVALUATION

OSEA is concerned that the evaluation process for DSM programs (to be managed by the gas utilities, with input from key stakeholders included throughout the process) has been hijacked. The intervenors and the utilities agreed to a process whereby three intervenor representatives would be elected to each committee. Since then, virtually the same individuals, many of whom are also members of the Technical Evaluation Committee, have made up the audit committees. Broader representation would be of great value.

In addition, one intervenor member seems to ignore the results of the audit committees and challenge the results leading to the longer adjudicative processes to determine the results applicable to the disposition of incentive and lost revenue amounts for both gas utilities.

OSEA believes that if the agreed upon stakeholder processes was allowed to work as planned, the transparency, objectivity and efficiency in final program evaluation results would not be an issue. Furthermore, if the Board requires the utilities to use performance based conservation using real measured and metered results, the veracity of the results could not be challenged. OSEA believes it is premature for the Board take over the evaluation process throughout the DSM Framework period (i.e., 2015 to 2020).

OSEA rejects the idea of multi-year impact assessments of selective gas utility DSM programs as described by the draft report: analyze program data which span multiple program years and investigate the success and actual effects of the programs in the marketplace, looking at areas such as whether energy efficiency measures were actually installed, stayed installed and if they have had the intended effect of reducing overall consumption levels. These assessments would be duplicative, costly and would be error prone given the time lag. These assessments would duplicate the statutory responsibilities of the Environmental Commissioner.

INPUT ASSUMPTIONS

With a switch to performance based conservation with measured and metered results, input assumptions will no longer be required.

SCREENING

OSEA respectfully disagrees that the Total Resource Cost ("TRC") test be the screening test used for "cost effectiveness". Consistent with EBO-169-III, all of the tests should be employed, with the TSC being the only pass/fail test.

The draft report acknowledged that the implementation of DSM programs has been shown to result in environmental and other non-energy benefits to the utility, the program participant the economy and society. These benefits include: reduction in air pollution including greenhouse gas emissions, utility benefits such as reduction in collection costs and bad debt expenses and program participant benefits such as employment, improved comfort, increased building durability, quieter equipment operation, improved aesthetics, reduced waste and improved business productivity.

Given these non-energy benefits and the Minister's Directive citing environment benefits as a key reason for DSM, OSEA believes that that TSCT not the TRC be used in the new framework.

AVOIDED SUPPLY COSTS

OSEA believes that consistent with EBO-169-III, all avoided costs should be included.

DEFERRAL AND VARIANCE ACCOUNTS

OSEA supports the continuation of an LRAM Variance Account for this purpose.

INTEGRATION AND COORDINATION OF DSM AND CDM

OSEA believes that the guidelines should not specify how or when such coordination takes place. There should be some fundamental principles, such as electricity savings are counted and paid for by electric agencies/utilities and gas savings are counted and paid for by gas utilities regardless of which organization causes them to happen.

Beyond that, the Board should avoid micromanaging this matter given the different and uneven regulatory structure between gas and electricity. Ontario's natural gas utilities have delivered DSM with a minimum of bureaucracy. The same cannot be said of recent electricity programs. The Board should not run the risk of overburdening DSM with costly administration. Ontario needs a consistent "playbook" and common regulatory frameworks to achieve integration of DSM and CDM. The burden should not be on either the gas utilities or the electric utilities. It is up to government to address this matter and harmonize regulation.

FUTURE INFRASTRUCTURE PLANNING ACTIVITIES

OSEA agrees that for the gas utilities to fully assess future distribution and transmission system needs and to serve their consumers in the most reliable and cost-effective manner, DSM should be considered when developing both regional and local infrastructure plans for whole service territories.

OSEA also agrees that the gas utilities should each conduct a study, completed before the mid-term review of the DSM Framework and based on a consistent methodology, to determine the appropriate role that DSM may be able to serve in future system planning efforts and propose an appropriate transition plan to implement DSM as part of its future infrastructure planning efforts.

OSEA agrees that at a minimum, the gas utilities should provide evidence of how DSM has been considered as part of all leave to construct applications t o the Board.

STAKEHOLDER CONSULTATION

OSEA supports the continuation of the existing framework and the decision of the Board to not mandate the nature of this consultation, but will expect details to be provided in any application for approval of DSM Plans. Such stakeholder consultation should not be limited to the intervenors eligible for costs in hearings.

2. OSEA Comments on Draft Filing Guidelines

OSEA has provided comments with respect to the guidelines and where the same comments apply to the guidelines, they will not be repeated.

In general terms, the guidelines do not fully reflect the changes that will be required by the new elements of the framework. To this end, the current guidelines should remain in place until guidelines more appropriate to the new elements are in place, particularly with respect to performance based conservation and benchmarking, and with recognition that guidelines for the new elements will be better articulated as experience with those elements evolves. As written the draft guidelines do not fully encompass the new elements and thus they will create confusion and uncertainty.

PROGRAMS FOR LARGE VOLUME CONSUMERS

OSEA believes programs designed for large volume consumers should be mandatory. OSEA also agrees that the program(s) should provide value-added, technical expertise to consumers, including studies on how consumers can more efficiently use their current energy systems and identify areas of efficiency improvements.

LOW-INCOME PROGRAMS

OSEA strongly rejects the proposed guidelines which excludes the majority of low income consumers in the province. While the principles enable serving private sector multi-family rentals, the criteria for eligibility will essentially exclude those who live in private sector rentals and as a result, the buildings in which they live. As written there is a disconnection between the principles and the eligibility criteria. It appears that the principles have been updated, but the criteria are a straight lift from the 2012 guidelines. Of the four eligibility criteria for low-income natural gas DSM programs are: 1) income eligibility; 2) utility bill payment responsibility; 3) building eligibility; and 4) landlord consent (where applicable). Only landlord consent makes sense. OSEA understands that the Low Income Advisory Committee that works with both utilities and includes LIEN, VECC, FRPO and BOMA Toronto has worked over the past two years to find a better, more streamlined and more meaningful way to reach this market. The ideal solution is to have the guidelines include wording allowing the utilities, in consultation with the low income stakeholders, to jointly develop eligibility criteria for private low income multi-residential buildings guided by the principles laid out through the guidelines. This would allow the programs to be more responsive and flexible to the needs of the market.

Further, while the list of government programs appear to be an exhaustive list of income tested government programs, the utilities have updated the list of qualifying programs including Ontario Smiles which is income tested. The utilities and their delivery agents are on the lookout for additional similar programs because they help widen the net for potential participants. Enbridge has made great strides in this aspect and the Board should work with the OPA/electric utilities to revamp their narrow criteria.

MARKET TRANSFORMATION PROGRAMS

OSEA is disappointed that the draft guidelines continue to confuse market transformation with lost opportunities. This should be corrected.

PROGRAM AND PORTFOLIO DESIGN

The gas utilities should inform the Board of changes to the plan, but only need approval if additional funding is required to work toward the objective of achieving more savings that are cost effective.

INPUT ASSUMPTIONS, SCREENING AND AVOIDED COSTS

Under performance based conservation, these will no longer be required. The best way to achieve coordination would be to expand the Technical Evaluation Committee to include the OPA and electric utilities representation.

In addition to the comments above with respect to assumptions, the use of the same input assumptions is inappropriate in a province as large as Ontario where access to products and services, their pricing and the impacts of weather are so different.

OSEA agrees that the preference to determine LRAM and shareholder incentive amounts should be to use measured actual results, instead of input assumptions. For example, it may be feasible and economically practical as well as more meaningful to measure the natural gas savings of weatherization programs based on the results of the pre- and post-energy audits conducted by certified energy auditors on a custom basis, as opposed to input assumptions associated with the individual measures installed.

SCREENING TESTS

OSEA has already suggested that all the tests cited in EBO-169-III should be used.

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