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September 1, 2017

Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, ON M4P 1E4

Attention: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Submissions for Low-Income Energy Network
Board File Nos. EB-2017-0127 and EB-2017-0128

Please find enclosed Low Income Energy Network's submission regarding Part 1 of the DSM Mid-Term Review.

Yours truly,

Matt F. Gardner

Matt Gardner

Encl.

Document #: 1249733

EB-2017-0127
EB-2017-0128

ONTARIO ENERGY BOARD

DSM MID-TERM REVIEW

SUBMISSION OF THE LOW INCOME ENERGY NETWORK

September 1, 2017

I. INTRODUCTION

1 The Low Income Energy Network ("LIEN") sets out below LIEN's comments in response to the two issues raised by the Board in Part 1 of this proceeding relating to Enbridge Gas Distribution Inc. and Union Gas Limited's (the "Utilities") DSM plans and the Cap & Trade ("C&T") program.

II. ISSUE 1: CONSIDERATION OF THE RELATIONSHIP BETWEEN THE CURRENT SUITE OF DSM PROGRAMS AND ACTUAL C&T ACTIVITIES OF CUSTOMERS WITH THEIR OWN COMPLIANCE OBLIGATIONS

2 LIEN represents the interests of low-income energy consumers in Ontario. Low-income natural gas consumers do not have compliance obligations under the C&T regime and LIEN will not therefore comment directly on this specific issue.

3 However, LIEN takes this opportunity to highlight the important role that the Utilities' DSM programs and the C&T program play together. GHG abatement activities under the C&T program, like DSM and all conservation measures, are of particular

importance to low-income customers, as such measures serve to not only decrease energy use but also mitigate bill impacts.

4 The Utilities are required under the Board's Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities dated September 26, 2016 (the "Framework") to propose GHG abatement activities that are incremental to the Utilities' DSM programs.

5 The Utilities proposed in the 2017 Cap and Trade Compliance Plans proceeding that the DSM Mid-Term Review is the appropriate venue to discuss the Utilities' plans for GHG abatement activities.

6 LIEN is concerned that if the DSM Mid-Term Review does not include a discussion about the Utilities' proposals for GHG abatement activities, GHG abatement activities may not form part of the Utilities' C&T compliance plans for years to come.

7 LIEN respectfully submits that the Board should include a review of the Utilities' proposed next steps and timing regarding GHG abatement activities as part of the DSM Mid-Term Review proceeding.

III. ISSUE 2: CONSIDERATION OF THE ATTRIBUTION OF COSTS AND SAVINGS TO RATEPAYER-FUNDED DSM PROGRAMS WHERE NATURAL GAS UTILITIES OFFER CARBON ABATEMENT PROGRAMS IN THE MARKET

8 In 2016-2017, Enbridge and Union offer carbon abatement programs for the residential sector that overlap with their ratepayer-funded residential DSM programs.

9 Union receives Green Investment Fund ("GIF") funding for its Home Reno Rebate and Enbridge receives GIF funding for both its Home Energy Conservation Program and its Smart Thermostat Program. The GIF funds are used to augment these

residential DSM offerings, while DSM funds are used for the baseline natural gas DSM program.

10 In the future, there could be additional funding from C&T revenues for these programs through the Green Ontario Fund ("GreenOn"). As stated in the most recent Environmental Commissioner's report[1], LIEN agrees that "careful oversight will be needed to ensure that these initiatives [refers to gas conservation funded through cap and trade proceeds] do not conflict and that Utility programs continue to be delivered effectively."

11 The first "line of defence" for dealing with the attribution of costs and savings to the Utilities' DSM programs where the Utilities also offer carbon abatement programs should be avoidance of attribution.

12 For example, avoidance can be accomplished by funneling carbon abatement dollars into energy efficiency measures that are not covered by ratepayer-funded DSM programs. This strategy is employed in Quebec and in New York, among other jurisdictions.

13 In Quebec, the Renoclimat program, funded through cap and trade dollars, funds measures not covered by ratepayer DSM such as electric heating systems, insulation, and waterproofing.

14 In New York, the New York State Energy Research and Development Authority ("NYSERDA") distributes carbon abatement funds from the Regional Greenhouse Gas Initiative ("RGGI") to programs that are also funded by ratepayer DSM such as

[1] Every Joule Counts, August 2017 at p. 11 (see http://docs.assets.eco.on.ca/reports/energy/2016-2017/Every-Joule-Counts.pdf).

NYSERDA's multi-family programs, its home performance programs and its low-income programs, by providing RGGI funds to these programs, which are to be used only for measures not funded by ratepayer DSM.

15 LIEN urges the Board to work with GreenOn, in collaboration with the gas utilities and stakeholders, to try to achieve avoidance of funding overlap, wherever possible, as a first step in dealing with attribution issues.

16 Where avoidance is achieved (in that there is no duplication of funding for a particular measure(s)), the Utilities should be attributed 100% of the costs each incurs and the savings that are achieved by that measure in the Utilities' DSM.

A. ATTRIBUTION APPROACH IN NATURAL GAS GUIDELINES

17 Where attribution cannot be avoided, LIEN recommends that the Board include an administratively simple attribution approach in the Board's natural gas guidelines as as a second "line of defence".

18 The Board's natural gas guidelines provide guidance on attribution where a third party provides funds to DSM programs, such as in the case of GIF for Union and Enbridge's residential programs, as described above. The attribution is to be based on a shares agreement between the third party and the Utility, leaving it up to the Utility to negotiate with the third party.

19 LIEN suggests that instead of requiring a negotiation in each case, it would be administratively simpler if the Board were to include a simple attribution approach in the natural gas guidelines based on the level of the financial incentive provided by the Utility and the third party.

20 For example, for a particular measure, if the Utility provided a $50 incentive and the third party a $100 incentive, then the Utility would be attributed 50/150 of the total savings achieved by the measure. Should a Utility wish to be attributed a higher level of savings than the default provision, then it would be up to the Utility to provide a rationale to the Board for a different level of attribution.

B. INCENTIVES AND DISINCENTIVES

21 A more complex problem for attribution presents where the carbon abatement funds flow to the ratepayer-funded DSM program at the program level and these funds cannot be ring-fenced. Carbon abatement funds may not be ring-fenced where this is, for example:

(a) exclusive funding to a measure

(b) explicit stacking of the incentive level for a particular measure

(c) only funding a particular type of customer not funded by existing DSM, or

(d) funding a customer who is located outside of that covered by ratepayer DSM, such that there is more general funding overlap that may be difficult or impossible to track.

22 Attribution of savings by total dollar contribution to the total program budget may be a starting point for attribution where ring-fencing of carbon abatement funds is very difficult or impossible. However, it is unlikely to be a sufficient approach, as this does not address the disincentives that would exist for the Utilities due to the absence of an LRAM or shareholder incentive for the savings that the Utilities would achieve from the carbon abatement funds.

23 Without these incentives, it is possible that the Utilities would implement an approach that credits them with all the savings up to the point of achieving the DSM target with the DSM budget (up to the full value of the scorecard), and then use the additional budget provided through carbon abatement to achieve savings beyond.

24 With an LRAM and shareholder incentive applied to savings achieved from carbon abatement funds within the same DSM program, the Utility disincentives would be removed and program implementation could become more cost-effective and achieve more savings because of the economies of scale afforded by a larger program budget implemented as a whole instead of piecemealed. Since the overall goal is to achieve cubic meter reductions, a framework which aligns Utility interests with those goals is the most effective way of achieving government, environmental, and energy conservation goals.

C. OVERLAP BETWEEN PROGRAMS

25 There are also attribution issues where non-Utility carbon abatement programs overlap with ratepayer-funded DSM.

26 An example of this is the Social Housing Apartment Retrofit Program (SHARP), funded by GIF. SHARP provides $82M for boiler upgrades, wall insulation, windows, lighting and other measures in social housing. This program overlaps with the ratepayer-funded low-income multi-residential programs of the Utilities.

27 An explicit attribution approach is needed for this type of overlap, which recognizes that the gas utilities have been in market with DSM since 1995, and with a low-income social housing program since at least the previous DSM framework. As a result, there have been extensive and ongoing efforts by the Utilities in working with

these social housing providers to achieve savings (e.g. audits, business case development, and extensive consultation).

28 In attributing savings, this relationship should be recognized and taken into account. LIEN urges the Board to consult with stakeholders and GreenOn on this type of attribution. The need for explicit guidance for this type of attribution is likely to grow over time as more carbon abatement dollars are used to also achieve energy efficiency objectives.

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