September 1, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: EB-2017-0127 - Union Gas Limited – DSM Mid-Term Review – Part One Submission

Enclosed is Union Gas Limited's submission for Part One of the Mid-Term Review of the 2015-2020 Demand Side Management Framework for Natural Gas Distributors.

If you have any questions concerning this submission, please contact me at (519) 436-4558.

Yours truly,

[*Original Signed by*]

Adam Stiers
Manager, Regulatory Initiatives

c.c.: Myriam Seers (Torys)
Valerie Bennett, OEB Case Manager

DSM MID-TERM REVIEW

PART ONE: SUBMISSION OF UNION GAS LIMITED

On June 20, 2017 the Ontario Energy Board ("OEB") issued a letter outlining the consultation process by which it will undertake the Mid-Term Review of the 2015-2020 Demand Side Management ("DSM") Framework for Natural Gas Distributors (the "DSM Framework"). The letter stated that the Mid-Term Review will be separated into two parts. In the first part, the OEB will undertake a review of the OEB-approved 2015-2020 DSM Framework in the context of the Cap-and-Trade program. The second part requires submission of the DSM Mid-Term studies and reports as set out in the OEB's DSM Decision on Union's 2015-2020 DSM Plan.[1] This is Union Gas Limited's ("Union") submission for part one of the Mid-Term Review.

This submission is organized according to the two issues that the OEB invited parties to comment on as follows:

1. Overview
2. Issue 1 – *The Relationship Between the Current Suite of DSM Programs and Actual Cap-and-Trade Activities of Customers with their own Compliance Obligations*
    - 2.1. Background
    - 2.2. Relationship Between DSM and Customer Cap-and-Trade Activities
    - 2.3. Conclusions
3. Issue 2 – *The Attribution of Costs and Savings to Ratepayer-Funded DSM Programs where Natural Gas Utilities Offer Carbon Abatement Programs in the Market*

[1] EB-2015-0029, Decision and Order.

1. OVERVIEW

The introduction of Ontario's Cap-and-Trade program in 2017 has transformed the energy conservation landscape and imposed challenging greenhouse gas ("GHG") emissions reduction targets. Union's submission explores the complimentary nature of Union's current suite of DSM programs and Ontario's Cap-and-Trade program, it outlines the actions that regulators must take to ensure the unique co-existence of these programs and it encourages changes to the existing DSM Framework to facilitate its adaptation to the new energy conservation landscape. Union requests that all recommendations and changes within its submission be made effective for the 2018 DSM program year.

Union's existing DSM programs reduce customers' energy consumption and subsequently customers' energy costs and Cap-and-Trade compliance costs. By reducing energy consumption, DSM programs reduce Cap-and-Trade compliance costs for all customers regardless of who manages their compliance obligation. In order for Ontario's GHG emissions reduction targets to be met, regulators and government must clearly distinguish ratepayer-funded

DSM programs from incremental government-funded Cap-and-Trade programs to ensure that these programs remain complimentary and not cannibalistic.

With regard to the existing DSM Framework, the outdated DSM shareholder incentive mechanism must be enhanced to reflect a new and more complex energy conservation landscape. To accomplish this, the OEB must fairly recognize any reduction in energy consumption and adequately incent the utilities to aggressively pursue further DSM opportunities. Similarly, the OEB should eliminate the increase to utility DSM targets directed in its Decision and Order on the utilities 2015-2020 DSM Plans or else direct a corresponding increase to budgets in order to enable the utilities to fund additional customer participation.[2] Finally, evaluation and audit processes must evolve to reflect the increasingly complex energy conservation landscape. This includes shifting to a standardized net-to-gross adjustment methodology.

2. ISSUE 1 – *THE RELATIONSHIP BETWEEN THE CURRENT SUITE OF DSM PROGRAMS AND ACTUAL CAP-AND-TRADE ACTIVITIES OF CUSTOMERS WITH THEIR OWN COMPLIANCE OBLIGATIONS*

2.1 BACKGROUND

Union is committed to identifying all options that support Ontario's GHG reduction goals, including the design and delivery of energy conservation programs. Union's current DSM portfolio consists of energy conservation programs that help customers (residential, commercial and industrial) reduce their energy consumption and costs. For two decades, Union's DSM

[2] EB-2015-0029, Decision and Order, p. 66.

programs have saved approximately 8.7 billion lifetime m^3 of natural gas, equivalent to 16.3 Mt CO_2e, by providing:

1. Education, to inform customers of potential energy conservation activities within their home or facility;
2. Technical expertise, to help identify and to support the implementation of specific energy conservation projects within the customer's home or facility; and,
3. Financial incentives, to offset the upfront costs associated with implementing energy conservation projects, making it more likely customers will undertake a project.

Similarly, Union's DSM marketing efforts, which include mass-market initiatives (such as bill-inserts and website content) as well as one-on-one relationships via utility account managers, are an integral part of promoting energy conservation activities throughout the province.

2.2 Relationship Between DSM and Customer Cap-and-Trade Activities

With the introduction of Ontario's Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities (the "Cap-and-Trade Framework") in 2016, followed by the implementation of Ontario's Cap-and-Trade program in 2017, the province has established challenging GHG emissions reduction targets. Union's DSM programming, current and future, will be one tool to meet these targets, as the reduction of our customers' natural gas consumption via energy conservation programs directly results in a reduction of their GHG emissions. Furthermore, when a customer implements an energy conservation project via a utility DSM program, the customer avoids not only future energy costs, but also future Cap-and-Trade

compliance costs. In other words, any DSM program that provides an economic benefit by reducing energy consumption will now also provide an economic benefit by reducing the cost of GHG emissions. As the cost of GHG emissions increases over time, the economic benefit of DSM programs will also increase.

The economic benefit of utility DSM programs is applicable to both types of customers as defined by the Cap-and-Trade Framework: customers with their own compliance obligations (large final emitters, capped participants and voluntary participants); and customers whose compliance obligations are managed by Union. At this time, Union does not see any value in differentiating DSM programs based on who is responsible for the customer's Cap-and-Trade compliance obligations. Instead, DSM program design and/or program eligibility should be determined based on customers' operational and behavioural characteristics, consistent with Union's current approach. For example, if Union were to modify the DSM program for large volume customers, rate classes should be used to distinguish customer eligibility for the revised program (as opposed to who manages the customer's Cap-and-Trade compliance obligations), as they more appropriately reflect customer characteristics.

2.3 CONCLUSIONS

In summary:

1. Union has been committed to energy conservation for two decades through its suite of DSM programs. Union's current suite of DSM programs directly supports customer Cap-and-Trade activities by providing education, technical expertise, and financial incentives

to facilitate energy conservation projects. DSM programs reduce customer's energy costs, as well as their GHG emissions and subsequently their Cap-and-Trade compliance costs.

2. By reducing consumption, DSM programs support the reduction of Cap-and-Trade compliance costs for customers that manage their own compliance obligations and for customers whose compliance obligations are managed by Union.
3. Union does not believe that there is any value in differentiating program design based on who manages the compliance obligations. Instead, DSM programs should be designed based on customers' unique operational and behavioural characteristics, consistent with Union's current approach to DSM program design.

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

3.1 BACKGROUND

The DSM Framework provides a tested, transparent, and streamlined process for the utilities to design and deliver ratepayer-funded energy conservation programs using OEB-approved methodologies. Furthermore, the DSM Framework enables collaborative assessment of the utilities' energy conservation program plans and results by the OEB and interested stakeholders. With the implementation of Ontario's Cap-and-Trade program in 2017, a second framework has been created to support the evaluation of utility carbon abatement as a compliance option. The Cap-and-Trade program provides additional options for incremental energy conservation programs.

3.2 Attribution Between DSM and Other Sources of Influence

Savings related to ratepayer-funded DSM programs and other sources of influence (including other energy conservation programs) should be attributed to those influences respectively. With respect to the attribution of costs and savings between DSM and other sources of influence, it is Union's view that there are two concepts to consider, partnership attribution and net-to-gross adjustments.

3.2.1 Partnership Attribution

Union defines partnership attribution as the attribution of costs and savings between a utility DSM program and other partnered sources of funding, outside of the DSM Framework. For example, Union currently administers the enhanced Home Reno Rebate Offering, a program that is funded by ratepayers through the DSM Framework as well as by the provincial government through the Green Investment Fund. In this case, a partnership attribution agreement exists between the utility and the provincial government that sets out how the costs and savings resulting from the program will be attributed to each partner. The partnership attribution agreement was informed by the OEB's Filing Guidelines to the Demand Side Management Framework for Natural Gas Distributors (2015-2020) (the "Guidelines"). Specifically, the Guidelines state: [3]

> *"Attribution of savings between rate-regulated natural gas utilities and other parties (e.g., governments, non-rate-regulated private sector, etc.) should be based primarily on the shares established in a partnership agreement reached prior to the program's launch."*

[3] EB-2014-0134, Guidelines, p.22.

Union also filed a summary of the partnership attribution agreement with the OEB prior to the launch of the program,[4] as per direction from the Guidelines: [5]

> *"The natural gas utilities are also expected to file expected spending for each of the partners participating in the delivery of the program before the program is launched and the actual amount spent by each partner within each program year has taken place."*

Union's view is that the current partnership attribution process set out in the Guidelines is appropriate and should be maintained going forward for all partnerships between ratepayer-funded DSM programs and other partnered sources of funding (including Climate Change Action Plan ("CCAP"), GreenON, and federal programs), for two reasons:

1. It provides the utilities the ability to leverage ratepayer-funded DSM programs using other sources of funding, resulting in enhanced energy conservation for customers; and,
2. It ensures reasonable attribution outcomes are reached, as all involved parties are required to agree to their share of the costs and benefits from the program.

Further, Union submits that the attribution outcome should be accepted by the OEB provided that all involved parties agree to the attribution of costs and benefits from the programs.

[4] EB-2015-0029, Union Letter (July 28, 2016).
[5] EB-2014-0134, Guidelines, p.22.

3.2.2 NET-TO-GROSS ADJUSTMENTS

Net-to-gross adjustments (which include free-ridership and spillover adjustments), attribute savings specifically influenced by an energy conservation program. For example, if the deemed savings for a high-efficiency technology offered by a program is 100 m^3 of natural gas per year, and the net-to-gross adjustment is 0.9, then the program would only claim 90 m^3 of natural gas per year towards its results. It would therefore be assumed that the remaining 10 m^3 is attributed to non-partnered, outside influences and/or customers who would have installed the measure regardless of having received an incentive to do so.

Historically, net-to-gross adjustments have been determined for natural gas utilities in Ontario via self-reported studies where a sample of past program participants are asked whether their participation was attributable to the program. With the launch of Ontario's Cap-and-Trade program in 2017 and the corresponding influx of delivery agents administering energy conservation programs in the province, the energy conservation landscape has become more complex. As a result of this complexity, it is increasingly difficult for participants to identify exactly what influenced their decision to undertake an energy conservation project. Energy conservation influences in Ontario now include:

1. Natural gas DSM programs;
2. Electricity Conservation and Demand Management ("CDM") programs;
3. Government-funded energy conservation programs (including CCAP and GreenON); and,
4. Increasing energy prices due to the Cap-and-Trade program.

Further, energy conservation program experts across North America have identified fundamental concerns with the effectiveness of measuring net-to-gross adjustments using the self-reported methodology. Research Into Action Inc.,[6] with input from expert Dr. Jane Peters, set out these concerns in its August 2017 report to Enbridge Gas Distribution ("Enbridge"), which Union has reviewed. Union expects this report will be filed by Enbridge in its DSM Mid-Term submission due at the same time as this submission. Research Into Action Inc. states that the self-reported methodology can lead to inaccurate net-to-gross adjustments, due to the following:

- Difficulty for participants to accurately attribute energy conservation decisions between themselves and the energy conservation program.
- Difficulty for participants to identify the hypothetical alternative (i.e. what energy conservation decisions would they have made absent the energy conservation program).
- Tendency for participants to rationalize past decisions in ways that are consistent with their current attitude, as opposed to their prior attitude. For example, if a participant has become more energy-conscious due to the energy conservation program's influence, when asked to self-report the programs' influence on previous decisions they are more likely to consider their current attitude towards energy conservation, as oppose to their attitude at the time of the decision.
- Tendency for participants to provide socially desirable responses. For example, if the participant believes it is socially desirable to be energy-conscious, they may respond to a self-reported survey in a way that indicates they would have done the "right" thing

[6] Research Into Action Inc. is a social marketing and evaluation research firm headquartered in Oregon, specializing in evaluation research and market assessment design and analysis services in the fields of energy efficiency, renewable energy and natural resource management.

themselves – even if it was in fact the energy conservation program that influenced their behaviour.

- Difficulty for participants to recognize all elements of the energy conservation program's influence. For example, the participant may not be aware of the utility's marketing efforts towards contractors or equipment vendors, which may have indirectly influenced their behaviour.

Union's recent experience with self-reported net-to-gross studies has shown that their cost is disproportionate to the value they provide, such that they burden ratepayers with unnecessary costs that could be better spent on other more effective evaluation activities. For example, the most recent self-reported net-to-gross study is expected to cost ratepayers approximately $500,000.[7] Furthermore, the nature of the self-reported methodology (requiring surveys to be commissioned after the program year has concluded) delays the utilities' ability to finalize program results, financial reporting, and ultimately to dispose of deferral account balances in a timely manner. This is evident in the case of the utilities outstanding 2015 DSM evaluation and audit results which are delayed in part due to post-program evaluation practices including completion and implementation of the self-reported net-to-gross study noted above.

The 2015 DSM evaluation and audit process is more than a year behind schedule and lacks the efficiency, collaboration, transparency, stability and predictability claimed by the OEB as part of

[7] The 2017 study determined net-to-gross adjustments for Union and Enbridge's custom program offerings in the Commercial/Industrial and Large Volume customer markets.

its justification for assuming control of the process.[8] The OEB still has not released the 2015 Final Evaluation and Audit Report and, as Union understands it today, this report may be subject to amendment in order to incorporate the outstanding spillover results of a net-to-gross study. The OEB informed the utilities on August 29, 2017 that the results of the spillover portion of the net-to-gross study will not be available until January 2018. This regulatory instability and inefficiency negatively impacts Union's ratepayers and discredits the evaluation and audit process. Further, this delay is cause for concern for both Union with regard to financial reporting and for ratepayers who will bear the burden of disposition of 2015 DSM deferral balances in 2018.

Finally, using the self-reported methodology to retroactively adjust the utilities' DSM results creates an unstable environment for the utilities, the OEB, and non-utility stakeholders to assess current and future DSM programming. At a time when energy conservation programs are becoming increasingly important to meeting Ontario's GHG emissions reduction targets, the ambiguity caused by potential retroactive adjustments unnecessarily impedes the utilities' ability to optimize GHG emissions reduction plans.

For these reasons, Union submits that it is no longer reasonable to utilize the self-reported methodology to determine net-to-gross adjustments. Union requests that the OEB modify the net-to-gross adjustment methodology for the current DSM Framework to a standard net-to-gross

[8] EB-2014-0134, Union Submission, p. 38; EB-2014-0134, Report of the Board, Section 7.

adjustment for all programs within the range of 0.7 to 0.8, excluding Union's Low-Income, Market Transformation and Large Volume Direct Access programs which should not be subjected to net-to-gross adjustments due to their unique characteristics. Alternatively, the OEB could direct the development of a negotiated adjustment by customer market via initiation of an Evaluation Advisory Committee ("EAC") led process, applicable for the remainder of the 2015-2020 DSM Framework period and adjust as required for each subsequent DSM Framework period.[9] The requested approach would significantly reduce ratepayer costs (both capital and resource) associated with determining net-to-gross adjustments, it would eliminate the outdated self-reported methodology for natural gas utilities in Ontario and it would avoid continued delay of annual evaluation and audit processes and subsequent disposition of DSM deferral accounts.

3.3 Development of Incremental Energy Conservation Programs

Union supports the development and implementation of incremental energy conservation programs through the Cap-and-Trade program. In fact, the OEB provided the utilities the tools (Marginal Abatement Cost Curve ("MACC") and the Long Term Carbon Price Forecast) necessary for the assessment of the cost-effectiveness of Cap-and-Trade abatement programs.[10] Through thorough analysis using these tools, Union has determined that there are no cost-effective incremental energy conservation programs that would be prudent to pursue at this time.

[9] The EAC consists of representatives from OEB Staff, Union and Enbridge, non-utility stakeholders, independent experts, and the Independent Electricity System Operator, as well as observers from the Environmental Commissioner of Ontario and the Ministry of Energy. The purpose of the EAC is to provide input and advice with respect to DSM evaluation.

[10] The MACC and Long Term Carbon Price Forecast were completed for the OEB by ICF and were released on May 31, 2017 and July 20, 2017 respectively.

As evident by the Minister of Energy's directive to the Independent Electricity System Operator ("IESO") on August 4, 2017, as well as by recent GreenON Requests for Proposals ("RFP"), the provincial government has begun commissioning Cap-and-Trade energy conservation programs that duplicate the utilities' DSM programs. In the August 4, 2017 letter, the Minister of Energy outlined a directive for the IESO to collaborate with the GreenON to: [11]

> *"support, directly or through contracted third parties, the design and delivery of Green Ontario Fund Programs with a focus on reducing greenhouse gas emissions associated with energy usage and energy sources from Ontario residences and businesses, such as:*
>
> - *Residential Direct Install and Energy Review*
> - *Province-wide Smart Thermostat Rebate Program*
> - *Low Carbon Technology Incentives Program for Homes and Multi-Unit Residential Buildings*
> - *Low Carbon Technology Incentives Program for Small and Medium-Sized Commercial Businesses*
> - *Direct Install and Energy Review for Manufacturing Small and Medium-Size Enterprises*
> - *Programs targeted to on-reserve Indigenous customers*
> - *Programs targeted to low-income customers"*

As an example of duplicative programming, the IESO has issued an RFP for the delivery of the Residential Direct Install and Energy Review program listed above, which competes directly

[11] http://www.ieso.ca/corporate-ieso/ministerial-directives

with Enbridge's Home Energy Conservation program and Union's enhanced Home Reno Rebate Offering.[12]

Union submits that in order for Ontario's GHG emissions reduction targets to be met it is crucial that regulators and government clearly distinguish ongoing DSM programs from new Cap-and-Trade programs, by ensuring Cap-and-Trade programs are truly incremental to existing DSM programs. Union's position is supported by Ontario's Environmental Commissioner, who states in an August 2017 report *"Given its climate mitigation potential, funding for gas conservation is also being made available by the Ontario government from cap and trade proceeds. Careful oversight will be needed to ensure that these initiatives do not conflict and that utility programs continue to be delivered effectively"*.[13]

In order to advance the development of incremental energy conservation programs while ensuring that these initiatives do not conflict with the utility's DSM programs, a new approach should be considered. This approach could include utilizing funds from government (i.e. CCAP, GreenON, federal programs) to advance programs that otherwise would not proceed within the DSM Framework. For example, the existing DSM Framework requires energy conservation programs to provide more societal benefit than they cost to implement, measured using a Total Resource Cost Plus ("TRC-Plus") result of greater than 0.7 for Low-Income programs and 1.0

[12] The GreenON Residential Direct Install and Energy Review program offers direct installation of smart thermostats in residential homes, while the utility programs offer a rebate to residential customers for the purchase of a smart thermostat.
[13] Environmental Commissioner of Ontario, August 2017 - Annual Energy Conservation Progress Report 2016/2017 (Volume Two), p. 11.

for all other programs.[14] As noted above, there are no cost-effective incremental energy conservation programs to pursue as part of Ontario's Cap-and-Trade program. However, by eliminating these cost-effectiveness constraints for incremental government-funded energy conservation programs, new opportunities can be explored and implemented through the provincial Cap-and-Trade program without conflicting with the utilities' DSM programs. Furthermore, Union will continue to support the advancement of incremental energy conservation programs, including pursuing a role in the delivery of future programs, in partnership with the government.

3.4 MAINTAINING AGGRESSIVE PURSUANCE OF DSM PROGRAMS

In order for Ontario's GHG reduction goals to be met, it is essential that Union continues to aggressively pursue DSM program development and implementation in addition to supporting the development of incremental energy conservation programs.

In the OEB's DSM Framework, the OEB stated that *"[to] effectively motivate the gas utilities to both actively and efficiently pursue DSM savings and to recognize exemplary performance, the Board considers it appropriate to continue making a shareholder incentive available."*[15] Union submits that an effective shareholder incentive mechanism for natural gas utilities in Ontario is a critical part of aggressively pursuing DSM results.

[14] Market Transformation programs are not subjected to the TRC-Plus test.
[15] EB-2014-0134, Report of the Board, p. 20.

When the current DSM Framework and shareholder incentive mechanism were established in 2014, Ontario's Cap-and-Trade program did not exist. At the time, few if any energy conservation programs competed with utility DSM programs for customer participation. As a result, Union's ability to achieve a reasonable shareholder incentive relied solely on its ability to increase customer participation. As such, the current shareholder incentive mechanism is designed in a manner that awards the majority of the shareholder incentive for above-target achievement, with no shareholder incentive available below 75% scorecard achievement.

With the introduction of the Cap-and-Trade program (and subsequently GreenON) in 2017, achieving customer participation in DSM programs is becoming increasingly difficult due to the influx of competing energy conservation programs. In general, each customer has a limited amount of discretionary funding available to invest in energy conservation projects. Therefore, customers now need to choose which programs to participate in, instead of simply choosing whether or not to participate. This concern is amplified given that GreenON is expected to fund energy conservation programs at budget levels significantly higher than those available for DSM programs. This provides GreenON programs the ability to offer more lucrative customer incentives, attracting customer participation towards projects eligible under those programs, and away from projects eligible under Union's DSM programs. For example, the GreenON Residential Direct Install and Energy Review program has $40 million in funding for just one residential measure over a seven-month term. In comparison, Union's annual 2017 DSM budget

for all measures and programs, across all customer markets, is $58.5 million.[16] To date the approximate total for energy efficiency (or conservation) funding through GreenON is $218 million. Upon release of Ontario's CCAP (June 2016), ICF Canada estimated that $1.8 billion of the Ministry of the Environment and Climate Change's ("MOECC") estimated $8.3 billion in CCAP funds would be used to fund energy efficiency (or conservation) programs.

Unless adjustments are made to the utilities' shareholder incentive mechanism, the changes in the energy conservation landscape discussed above will significantly impede the utilities' ability to successfully deliver DSM programs in the final years of the 2015-2020 DSM Framework. Consistent with the OEB's guidance in the DSM Framework, Union expects that shareholder incentives should "*take into consideration the relative difficulty in achieving other goals the Board expects the gas utilities to achieve (e.g., programs that deliver long-term savings, accessible low-income programs, integration and coordination with electricity conservation programs, conservation first in infrastructure planning, etc.)*".[17] In order to ensure aggressive pursuance of DSM results in light of increasing pressure from competing energy conservation programs, Union requests that the OEB adjust the shareholder incentive mechanism in the following ways:

1. **Remove the minimum 75% scorecard result required for shareholder earnings –** The utilities' initial DSM program results are not recognized until a 75% scorecard result is achieved. However, the energy conservation and corresponding GHG emissions

[16] EB-2015-0029, Decision and Order, Schedule A.
[17] EB-2014-0134, Report of the Board, p. 9.

reductions associated with these results are as valuable as those achieved beyond the 75% threshold. Prior to the implementation of the Cap-and-Trade program and corresponding GreenON programs, stretching the utility's DSM achievements beyond the 75% target in order to earn an incentive could be seen as reasonable. While Union will continue to pursue above-target achievement, new pressures from government-funded programs will make this increasingly difficult. This change ensures that where meaningful DSM results are achieved by a utility, there are adequate corresponding incentives awarded, ensuring continued focus on all available energy savings in Ontario.

2. **Reverse the distribution of shareholder incentive above/below each scorecard target, resulting in 60% of the maximum incentive to be earned at target, and the remaining 40% earned above target –** This change more appropriately rewards at-target achievement in a new and increasingly competitive landscape where above-target achievement is not possible due to pressure from competing programs.

The results of these changes are outlined in Table 1 below.

Table 1
Result of Proposed Shareholder Incentive Mechanism Changes

Scorecard Achievement	Current Maximum Shareholder Incentive Achieved	Proposed Maximum Shareholder Incentive Achieved
0%	0%	0%
25%	0%	15%
50%	0%	30%
75%	0%	45%
100%	40%	60%
125%	70%	80%
150%	100%	100%

Furthermore, in an effort to revise the 2015-2020 DSM Framework given the new energy conservation landscape discussed above, Union requests that the OEB alleviate pressure from the utility's DSM scorecard targets caused by the OEB's direction to increase targets by 10%.[18] This decision was made by the OEB in January 2016, prior to the introduction of Ontario's Cap-and-Trade program, when stretching the utilities' targets could be considered reasonable. It is Union's view, however, that an increase to targets without a corresponding increase to budgets (to accommodate for the additional customer incentives required to achieve the increased targets) is not appropriate. Union requests that the OEB reduce Union's targets by 10%, effective for the 2018 DSM program year. Alternatively, if the OEB prefers to maintain the target increase, the OEB could instead increase Union's DSM budget by 10%, effective for the 2018 DSM program year, providing Union the ability to fund the additional participation (via customer incentives) required to achieve the increased targets.

3.5 CONCLUSIONS

In summary:

1. In order for Ontario's GHG emissions reduction targets to be met it is crucial that regulators and government clearly distinguish ongoing DSM programs from nascent Cap-and-Trade programs. Government funds (i.e. CCAP, GreenON, federal programs) should be used to advance incremental energy conservation programs that otherwise would not proceed within the existing DSM Framework (i.e. programs that do not pass DSM cost-

[18] EB-2015-0029, Decision and Order, p. 66.

effectiveness requirements).

2. For attribution between a utility DSM program and other partnered sources of funding (including CCAP, GreenON, and federal programs), the existing partnership attribution process as outlined in the OEB's Guidelines is appropriate and should be maintained.
3. The existing self-reported net-to-gross adjustment methodology is costly and ineffective. Therefore, the net-to-gross adjustment methodology should be modified to a standard adjustment for all programs within the range of 0.7 to 0.8, excluding Union's Low-Income, Market Transformation and Large Volume Direct Access programs which should not be subjected to net-to-gross adjustments.
4. The existing shareholder incentive should be enhanced to account for the changing landscape in energy conservation programs in Ontario. Specifically, Union is requesting that the OEB remove the 75% minimum scorecard threshold for earnings, and reverse the distribution of shareholder incentive above/below each scorecard target. This results in 60% of the maximum incentive to be earned at target and the remaining 40% of the maximum incentive to be earned above target.
5. The OEB's January 2016 decision to increase Union's targets by 10%, without a corresponding increase to budgets (to accommodate for the additional customer incentives required to achieve the increased targets), is not appropriate. Union requests that the OEB reduce Union's targets by 10%, effective for the 2018 DSM program year. Alternatively, Union requests that the OEB increase Union's DSM budget by 10%, effective for the 2018 DSM program year, providing the utility the ability to fund the additional participation (via customer incentives) required to achieve the increased targets.