

OSEA INTERROGATORY 1

1.0 OSEA 1

INTERROGATORY

Preamble: The Minister of Energy, Northern Development and Mines issued a Ministerial Directive (Order in Council No. 1003/2018 dated July 5, 2018), which states “[t]he IESO's system planning analysis indicates that the adequacy and reliability of supply can be maintained while winding down certain FIT and LRP contracts and that it would be in the best economic interests of Ontario's electricity ratepayers, in respect of the FIT program, to wind down contracts where the IESO has not issued Notice to Proceed and, in respect of the LRP program, to wind down contracts where the IESO has not notified the contract counterparty that all Key Development Milestones have been met.”

On July 13, 2018, the Minister of Energy, Northern Development and Mines issued a news release indicating that 758 renewable energy contracts will be cancelled.

- a) Please describe what impact will the cancellation of the renewable energy contracts have on the IESO's revenue requirement, operating costs and capital spending.
- b) Please advise what steps IESO is taking to cancel the renewable energy contracts.
- c) Please advise what additional costs, if any, will result from the cancellation of these contracts.
- d) Please advise if IESO has budgeted for potential litigation that may arise from the cancellation of the renewable energy contracts, including legal fees and damages.

RESPONSE

- a) and c) At this time, it is not known whether there will be any costs to the IESO in 2018 resulting from the directive.
- b) The IESO issued a termination notice to the supplier under each of the referenced Feed-in Tariff (“FIT”) and Large Renewable Procurement (“LRP”) contracts under the notification requirements of the respective contracts. The FIT contract notices were effective immediately and the LRP contract notices are effective following a 180 day notice period specified in the contracts.
- d) For 2018, the IESO did not specifically budget for potential litigation costs (legal fees and damages) that may arise from the termination of these renewable energy contracts.

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OSEA INTERROGATORY 2

1.0 OSEA 2

INTERROGATORY

Reference: Exhibit A, Tab 2, Schedule 2, Page 21 of 28

Preamble: "The mid-term review (MTR) of the Conservation First Framework and Industrial Accelerator Program is completed no later than June 1, 2018, with the IESO implementing any outcomes of the MTR starting in Q3."

- a) Please provide the report(s) prepared for the mid-term review of the Conservation First Framework and Industrial Accelerator Program.
- b) Please describe the recommendations from the mid-term review and what steps IESO will be implementing in 2018 resulting from those recommendations.

RESPONSE

- a) Please see Attachment 1 to this exhibit for the mid-term review of the Conservation First Framework ("CFF") and Industrial Accelerator Program ("IAP").
- b) The IESO conducted a mid-term review of the six-year CFF and the IAP, as required under the 2014 directive issued by the Minister of Energy. Beginning in late 2016, this review involved an assessment of the energy savings targets, budgets, lessons learned on cost recovery and performance incentives as well as the contribution of conservation and demand management to regional planning at the halfway mark of the framework.

Navigant Consulting was engaged to assist in the mid-term review. The IESO received significant feedback from a variety of sector stakeholders that informed and shaped Navigant's final report on opportunities both for the second half of the framework, as well as any future framework. Feedback from stakeholders indicated general satisfaction with the availability of programs within the framework and highlighted the value of consistency, flexibility and continuity within these programs as they work towards the targets set for 2020. Themes also emerged on opportunities to improve the design, administration and delivery of the Framework to clarify and enhance customer experience. Feedback on all themes can be found in the Navigant report, provided as Attachment 1 to this exhibit.

The following actions are underway based on Navigant's findings:

- a new program management governance model has been put in place with the IESO and LDCs with the establishment of the Joint Program Operations Committee; and
- a strategy to refine budget and savings forecasting is being developed with LDCs.

Filed: August 31, 2018
EB-2018-0143
Exhibit I
Tab 1.0
Schedule 7.02 OSEA 2
Plus Attachment(s)
Page 2 of 2

- 1 The IESO provided its set of recommendations to the Ministry of Energy, as required, on June 1,
- 2 2018 and is awaiting further direction.

CONSERVATION FRAMEWORK MID-TERM REVIEW

FINAL REPORT

MARCH 16, 2018

NAVIGANT

DISCLAIMER

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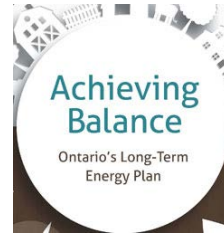
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SECTION 1: EXECUTIVE SUMMARY

ELECTRICITY CONSERVATION PROGRAMS IN ONTARIO UNDER THE CURRENT POLICY FRAMEWORK ARE AVAILABLE FROM 2015 TO 2020

GOVERNMENT POLICY



MINISTERIAL DIRECTION TO IESO

CONSERVATION FRAMEWORK 2015 to 2020

INDUSTRIAL ACCELERATOR PROGRAM



**Transmission
connected
customers**

CONSERVATION FIRST FRAMEWORK



LDCs



**Distribution
connected
customers**

THE MID-TERM REVIEW UNCOVERED FEEDBACK FROM MULTIPLE STAKEHOLDERS

Navigant was engaged by the Independent Electricity System Operator (IESO) to conduct a Mid-term Review of the Conservation First Framework (CFF) and Industrial Accelerator Program (IAP).

Throughout this engagement, stakeholders were invited to provide input through three avenues:

1. Formal stakeholder engagement through a Mid-Term Review Advisory Group (monthly meetings);
2. Formal stakeholder engagement through public webinars inviting written comments; and,
3. Market research including one-on-one interviews and workshops.

What we heard...

- Customers are generally happy with available programs in both Frameworks.
 - Potential improvements focused on increasing flexibility of programs and increasing simplicity of administrative processes.
- Customer views on the CFF differ by customer segment.
 - Multi-site customers expressed interest in more consistent program experience.
 - Commercial customers expressed interest in more sector-based approaches.
- Third parties expressed frustration with the lack of consistency in interpretation of program rules and procedures across Local Distribution Company (LDC) service territories.
- All stakeholders value consistency and continuity of the Frameworks and would like to avoid “start and stop” or uncertainty in funding as we approach the end of 2020.

THE MID-TERM REVIEW UNCOVERED FEEDBACK FROM MULTIPLE STAKEHOLDERS

What we heard...

- LDCs are proud of the framework's successful achievements to date and would like to see minimal changes in the second half of the CFF.
 - Potential improvements focused on improving transparency of decision-making and clarity in roles and responsibilities.
 - Strong desire for LDC-led target exchange and little support for any modifications to LDC targets and budgets or formal third party involvement in target exchange.
 - Concern that budgets are insufficient to continue to deliver conservation until the end of 2020.
- Funding constraints for central services budget noted by IESO due to increased central program delivery responsibilities (e.g., Energy Performance Program, Home Assistance Program, etc.) and higher LDC performance incentives than originally forecast.
- Customers would like to see greater oversight of any target exchange mechanism to ensure equitable customer coverage, IESO emphasized ratepayer value as an important principle.
- All stakeholders indicated an interest in integration across fuels to align with climate change policy.
- Stakeholder views differed on the following issues:
 - Entity/entities responsible for design, administration, and delivery of programs;
 - How/whether to increase collaboration between LDCs and between LDCs and gas utilities;
 - Methodology and processes to modify LDC allocated targets and budgets; and,
 - Modifications to structures and processes supporting program changes (i.e., working groups).

BROADER POLICY AND SPECIFIC OBJECTIVES WITH GOVERNMENT DIRECTION INFORM THE CONTRACTUAL REQUIREMENTS FOR IESO AND LDCS (CFF)



Sets broad objectives and longer-term goals

Generally, **softer policy**/broadly defined goals, for example:

- Continuing to provide access to conservation programs; and,
- Ensuring LDCs have support in CDM plan submission and flexibility in program administration.

Specific objectives to agencies

Generally, fall into two categories:

(1) Complete/not, for example:

- Allowing LDCs to make changes to their CDM plans at least once per year.

(2) Targets, for example:

- Develop a methodology to allocate the 7 TWh consumption reduction target among LDCs.

Implementation of policy goals and Directions (CFF only)

Generally, set forth specific accountabilities, for example:

- The LDC will prepare and deliver a CDM Plan to the IESO in accordance with the CDM Plan Submission and Review Criteria Rules.
- The IESO will create and post a province-wide Save on Energy website.

CHANGES TO THE FRAMEWORK WERE GUIDED BY THE FOLLOWING PRIORITIZED POLICIES AND PRINCIPLES

The Framework itself has guiding principles within policy and the Energy Conservation Agreement (CFF only), the principles below are intended to guide Framework changes as part of the Mid-term Review.

PRIMARY GUIDING POLICY

Customer coverage: CDM continues to be delivered to all customer segments

Cap on budget of \$2.7 Billion to deliver 8.7 TWh (CFF and IAP)

GUIDING PRINCIPLES

DISCUSSED DURING ADVISORY GROUP MEETINGS

Principle	Description	Changes to the Framework...
COST EFFICIENCY	CDM continues to be a cost efficient and cost competitive resource.	<i>Continuously drive towards improvements in acquisition costs and cost effectiveness.</i>
CUSTOMER EXPERIENCE	Customer interactions with the framework will continue to be improved.	<i>Focus on improving the customer experience.</i>

IDENTIFIED DURING WORKSHOPS

Principle	Description	Changes to the Framework...
ALIGNMENT	CDM begins to align with broader climate policy.	<i>Increase understanding, integration, and ability to quantify GHG impacts.</i>
FLEXIBILITY	CDM processes allow for adjustments as technologies and markets evolve.	<i>Increase the ability to make changes to programs and technologies within programs.</i>

CONSERVATION FIRST FRAMEWORK – MIDTERM REVIEW FINDINGS AND SHORT TERM (2018-2020) OPPORTUNITY MODULES

NAVIGANT HAS IDENTIFIED FIVE KEY CURRENT STATE FINDINGS RELATED TO THE CONSERVATION FIRST FRAMEWORK (CFF)



Framework is performing

- On track to achieve the 7 TWh target below budget
- Lower acquisition costs and greater cost effectiveness than prior frameworks
- Province-wide programs are available to all customers in all areas of the province



Minor adjustments necessary to enable shifts in allocated budgets and targets

- LDC performance and needs vary across the LDC community
- IESO and customers would both like to see more oversight on target exchange
- Choice was seen as positive by most stakeholders



Barriers to continuous program/framework improvement

- Structures and processes that exist to continuously improve programs are slow or ineffective
- Strong cost management within the cost envelope, little consideration to manage overall costs, primarily due to LDC performance incentive design
- Lack of detailed visibility into framework performance



IESO and LDCs' relationship adds costs and limits effectiveness of framework

- Further discussions required to identify the most efficient way to transfer information between IESO and LDCs (administrative burden)
- Discussions on responsibilities (e.g., most effective entity for program design, delivery, etc.)



Landscape has shifted from when the framework was implemented

- Climate change policy was implemented within the current framework with relatively few adjustments made to reflect its impact
- Customers are interested in an integrated approach to energy management (electricity, gas, water, climate)

MINISTERIAL DIRECTION TO IESO INCLUDED A REQUIREMENT FOR A MID-TERM REVIEW OF THE CONSERVATION FRAMEWORK

The March 2014 ministerial direction to the IESO for the Conservation First Framework included the requirement to complete a mid-term review that meets the following objectives:

CFF Mid-term Review Objectives	Mid-term Review Finding
The 7 TWh and overall budget for achieving that target	The 7 TWh target will likely be exceeded within the allocated budget.
Allocation of budgets and Distributor CDM targets	<p>Allocation of budgets and targets requires some adjustments which can be achieved through a target exchange, however, there are other budgetary allocation constraints that may require an alternate approach primarily due to:</p> <ul style="list-style-type: none"> • changes in policy throughout the framework (e.g., centrally delivered programs, IESO as back-stop when LDCs opt out of province-wide programs, etc.); • larger projects in smaller LDC territories that consume most or all of an LDCs budget; and, • ability to reallocate target / budget between Conservation First Framework and Industrial Accelerator Program (<i>requires Ministerial Direction</i>). <p>Note: the IESO has implemented target exchange guidelines that set forth criteria the IESO will be using to approve/reject an LDC target exchange.</p>
Lessons learned on cost recovery	Only one LDC has attempted the pay-for-performance cost recovery mechanism for two province-wide programs. IESO is gathering feedback from LDCs on the cost-recovery mechanisms.

MINISTERIAL DIRECTION TO IESO INCLUDED A REQUIREMENT FOR A MID-TERM REVIEW OF THE CONSERVATION FRAMEWORK, CONT...

The March 2014 ministerial direction to the IESO for the Conservation First Framework included the requirement to complete a mid-term review that meets the following objectives:

CFF Mid-term Review Objectives	Mid-term Review Finding
Lessons learned performance incentive mechanisms	<p>LDC performance incentives will likely exceed initial expectations due to higher performance.* There are some implications of the LDC performance incentive design that may be misaligned with the spirit of the framework:</p> <ul style="list-style-type: none"> • LDCs who wish to reduce their target through target exchange also reduce their performance thresholds, thereby increasing their ability to achieve performance incentives; • Savings for programs not paid through an LDC's allocated budget but support LDCs in meeting their CDM targets and performance incentives (e.g. savings from centrally funded and IESO delivered programs, note that certain central programs have minimal savings for some LDCs e.g. HAP, EPP, Whole Home); • LDC performance incentives are not provided to encourage other behaviours such as meeting regional needs; and, • Performance incentives payments are higher for joint CDM plans, though there is insufficient quantitative data to support whether joint CDM plans are achieving cost-efficiencies or better customer convenience.
CDM contribution to regional planning	<p>Provincial CDM (CDM targets) is considered for forecasting purposes within the regional planning process. Incremental CDM (CDM above the target) has not been implemented to address regional needs in any regional plans to date. There are efforts underway through the regional planning process (supported by the Conservation Fund) to complete local achievable potential studies to better determine potential for incremental CDM as an option to address regional needs, though local achievable potential studies are not formally a part of the regional planning process.</p>

CFF OPPORTUNITIES IDENTIFIED FROM THE MID-TERM REVIEW ARE SEGMENTED INTO SIX OPPORTUNITY MODULES

OPPORTUNITY MODULES:

FORECASTING

TARGETS AND BUDGETS

PROGRAM RESPONSIVENESS AND FLEXIBILITY

CUSTOMER COVERAGE

NON-ENERGY IMPACTS

INTEGRATION AND COLLABORATION

Subsequent slides will discuss:

- the relevant government policies for each module;
- a brief summary of the feedback obtained through the mid-term review;
- a summary of the opportunities identified (highlighting efforts already underway); and,
- alternative opportunities identified.

Further details of the opportunities and alternatives are provided in section 4-2.

FORECASTING OPPORTUNITY MODULE

POLICY

Enabling CDM Plans to be regularly adjusted.

Ensuring LDCs have support in CDM Plan submission.

Streamlining the review and approval process for CDM Plans.

Coordinating, supporting and funding the delivery of CDM programs through distributors to achieve 7 TWh of consumption reduction between 2015 and 2020.

FEEDBACK

LDCs expressed frustration with the current CDM Plan process and requirements and noted that it was primarily an administrative exercise with little value.

IESO does not have the required visibility to fully understand the anticipated performance of the framework and where adjustments may be required.

Customers expressed the importance of visibility into the 2nd half of the framework to ensure consistent funding, sufficient budget, and informed decision making.

OPPORTUNITIES

CDM plan process and requirements enhanced to reflect actual LDC expectations (no longer “force fit” to allocated budget and target). CDM plans are submitted on a quarterly basis.

Under Development:

- CDM Plan processes are being integrated into the CDM-IS system.
- Data and Reporting working group has been tasked to enhance LDC forecasting process.

ALTERNATES

CDM Plans are redesigned by IESO based on LDC feedback.

LDC forecasting data is transferred using an alternate mechanism (i.e., not using CDM Plans).

Additional Considerations

- Regular communication of aggregate CFF forecasts (including centrally delivered programs) to the LDC community.
- Use of enhanced forecasts to inform framework decisions.
- Consistency of forecasting methodology across the LDC community.

TARGETS AND BUDGETS OPPORTUNITY MODULE

POLICY

Establishing budget allocations based on distributors' CDM goals.

Develop a methodology to allocate the 7 TWh target among LDCs.

Coordinating, supporting and funding the delivery of CDM programs through distributors to achieve 7 TWh of reduction between 2015 and 2020.

FEEDBACK

LDCs support an LDC-led target exchange, but expressed that it may be insufficient to address all budget needs. LDCs are concerned that the budgetary issues identified by IESO are not fully quantified.

Customers would like to enhanced see enhanced IESO oversight of the target exchange.* Emphasis on equitable access to programs.

IESO has added criteria and principles to the target exchange review. IESO indicated that central services budget is strained due in part to new requirements in centrally funded programs and LDC performance incentives.

OPPORTUNITIES

No change in LDC budgets and targets. Target exchange led by LDCs and reviewed by IESO against established criteria.

A central pool is created to tackle budgetary constraints that cannot be alleviated through target exchange.

Under Development:
IESO has released target exchange criteria that was reviewed by Advisory Committee and CFIC and shared with LDCs December 2017.

IESO updating IAP forecast to determine budget and target availability for CFF.

ALTERNATES

Target exchange includes criteria that are embedded within the CDM Plan review process.

LDC performance incentives and penalties modified to encourage the desired policy outcomes (e.g., cost-efficiency, performance, coverage).

IESO acts as a broker for LDC target exchange connecting buyers and sellers.

Additional Considerations

- Funding, administration and access to a central pool of funding.
- Solutions if LDCs are not successful in finding appropriate target buyers and sellers.
- Target exchange deadline towards the end of the framework (what is the appropriate target exchange window).

PROGRAM RESPONSIVENESS AND FLEXIBILITY OPPORTUNITY MODULE

POLICY

Encouraging innovation and the adoption of new technologies.

Establishing approval criteria for conservation programs.

Ensuring LDCs have support in CDM plan submission and flexibility in program administration.

Supporting distributors in program coordination and delivery.

Giving customers more program choice along with streamlined oversight and administration.

Province-wide programs to be designed by Distributors, with support from IESO, through working groups. The membership of the working groups shall consist of IESO and distributor representatives.

FEEDBACK

Customers would like to see increased flexibility in programming (moving away from measure-level incentives towards whole building approaches), simplification of application processes, consideration of participant administrative costs, increased opportunities to provide feedback, and more appropriate allocation of risk to alleviate onerous program requirements.

LDCs expressed frustration with the lack of consistency and transparency in processes that support working groups (e.g., business case formats and approvals, decision making, etc.). LDCs and IESO find resourcing working group efforts challenging.

IESO expressed concern that program design process lacks customer feedback and effective stakeholdering.

OPPORTUNITIES

LDCs and IESO collaboratively develop long-term program vision and review processes, tools, templates, etc. Working groups are replaced with program-level groups focused on continuous program improvement or program re-design.

Program-level review of current rules and processes with the goal of more appropriate allocation of risk.

IESO-led formal stakeholder engagement process (customers, LDCs, third parties, gas utilities, etc.) to inform program design and other framework matters.

Eligible CDM technologies refreshed regularly and determined by criteria rather than Directive.

Under Development:
Discussions underway with IESO and LDCs to review current CFIC and working group structure

ALTERNATES

Current working group structure is maintained, focus on improving clarity of governance and decision making.

Only complete the planned replacement of iCON with CDM-IS (no other changes).

Stakeholder engagement undertaken by working groups on a regular basis.
Representative group of stakeholders coordinate stakeholder sessions.

Directives are refreshed annually based on stakeholder feedback.

CUSTOMER COVERAGE OPPORTUNITY MODULE

POLICY

Improve the availability of province wide programs for customers.

IESO to deliver CDM province-wide programs in a distributor's licensed service area if a distributor does not do so.

FEEDBACK

Customers strongly supported consistent and continuous program availability (both within and beyond this framework).

LDCs expressed the desire to continue to offer CDM programs to customers believing their role could be increased (e.g., support GreenON programs, centrally delivered programs, etc.). LDCs expressed the need to better understand the reasons for LDCs opting out of province-wide programs.

Third parties commented that coverage and programs should be consistent across the province and that continuity is important for their customers.

OPPORTUNITIES

Adequate customer coverage by segment is explicitly defined and added as a requirement for LDCs and IESO.

LDCs work with IESO and/or LDC community to determine how best to maintain customer coverage.

The ability for LDCs to opt out of province-wide programs is removed.

ALTERNATES

Adequate customer coverage remains at the discretion of the IESO (based on historical participants and achievable potential study results).

IESO continues to act as back-stop, however, does not step in unless it is determined that there is a need for IESO intervention.

LDCs can either offer all province-wide programs or CDM delivery in their territory is auctioned off (to another LDC or third party).

Province-wide programs are reviewed and simplified to facilitate the ability of LDCs to offer all programs.

Additional Considerations

- How to define “adequate coverage” for each segment.
- Defining “core province-wide programs” vs. other “enabling” province-wide programs (e.g. Energy Managers, Audit Funding).
- Logistics and allocation of savings for LDCs delivering in other service territories.

NON-ENERGY IMPACTS OPPORTUNITY MODULE

POLICY

Accounting for non-energy benefits with a 15% adder applied to benefits in benefit-cost analyses performed on CDM programs.

FEEDBACK

Stakeholders supported the continued inclusion of non-energy impacts (NEI) in cost-benefit analyses.

LDCs cautioned a balance between level of effort in determining / maintaining NEIs and time to implementation, but were supportive.

Customers reinforced the importance of non-energy impacts and how they impact program participation (sometimes as important as incentives).

OPPORTUNITIES

IESO to review NEI categories to ensure a societal perspective. GHGs are integrated into revised avoided costs to be used for cost effectiveness calculations.

Under Development:

GHG avoided costs are currently being integrated into cost-effectiveness tool and to be released with updated avoided costs.

ALTERNATES

Include all NEIs within cost-benefit analyses (TRC).

Include only GHG benefits within cost-benefit analyses (TRC).

Additional Considerations

- Consideration of which NEIs are actual “societal” impacts that should be considered in cost-benefit analysis.
- Final NEI values can be released as part of updated avoided costs estimates used in cost effectiveness screening planned in 2018 as part of Long Term Energy Plan (LTEP).

INTEGRATION & COLLABORATION OPPORTUNITY MODULE

POLICY

Requiring distributors to coordinate and integrate their CDM programs (including their low-income programs) with Gas DSM programs where appropriate.

IESO to design, fund and deliver two centrally-delivered CDM programs, including in coordination with gas distributors: a pay-for-performance Multi-Distributor program as well as a province-wide whole-home residential CDM pilot program.

Promoting the development of regional CDM plans aggregating individual distributors' CDM targets.

FEEDBACK

Customers are interested in an integrated, whole building energy management approach. Customers highlighted differences in experience participating in electricity and gas programs. Customers highlighted inconsistency in programs across LDC territories.

Third parties expressed frustration with differing experiences across LDCs.

LDCs expressed their interest and unique position to provide an integrated approach to customers. LDCs cautioned that a metric-based approach to collaboration could be an administrative burden.

OPPORTUNITIES

IESO and OEB to develop guidelines to communicate how certain framework aspects (e.g., attribution, funding, evaluation, etc.) will be treated when multiple fuels are involved.

Efforts to improve the integration of CDM in distribution planning and regional planning are underway by IESO and OEB as part of the LTEP directives. No further action required as part of the CFF.

The value of collaboration is qualitatively communicated.

Under Development: IESO and Ministries discussing attribution issues as they arise (e.g., GreenON programs crossing fuels).

ALTERNATES

Stronger requirements to collaborate. Cross-fuel collaboration requirement to access Collaboration Fund (IESO released guidelines early January 2018).

Development and use of regional avoided costs or other metrics to screen local/regional programs for cost-effectiveness (and approval).

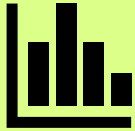
Metrics developed to quantify and track customer convenience and cost-efficiencies gained from collaboration.
Incentives are developed to incent the desired outcomes of collaboration.

Additional Considerations

- Interest from all parties in promoting and incenting collaboration.
- Inter-ministry policy direction required to enable true integration across fuels.
- Current direction does not enable OEB or IESO to incent or penalize collaboration.

INDUSTRIAL ACCELERATOR PROGRAM – MIDTERM REVIEW FINDINGS AND SHORT TERM (2018-2020) OPPORTUNITY MODULES

NAVIGANT HAS IDENTIFIED FIVE KEY CURRENT STATE FINDINGS RELATED TO THE INDUSTRIAL ACCELERATOR PROGRAM (IAP)



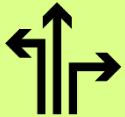
Framework is under performing

- Annual forecasts are not being met by in-service projects, when including pipeline and committed projects, progress is closer to forecast
- Uncertainty in final target achievement due to nature of projects and static customer base
- Strong cost management with high cost effectiveness, however, little consideration to overall cost reduction



Account management structure is effective

- Account management structure received positive feedback from customers



Framework does not contain sufficient flexibility

- Customers expressed that the programs lack flexibility and focus is more on process rather than outcomes
- Customers expressed frustration on processes that support the program
- Customers are unclear how and whether their feedback is being integrated into programs



IAP and CFF are held to different standards

- Similar challenges with flexibility, customer-centric processes and contracts, visibility into performance exist within both frameworks
- The level of reporting and oversight varies between the two frameworks due to delivery mechanism



Landscape has shifted from when the framework was implemented

- Climate change policy was implemented within the current framework with no adjustments made to reflect its impact
- Customers are interested in an integrated approach to energy management (electricity, gas, water, climate)

MINISTERIAL DIRECTION TO IESO INCLUDED A REQUIREMENT FOR A MID-TERM REVIEW OF THE CONSERVATION FRAMEWORK

The July 2014 ministerial direction to the IESO for the Industrial Accelerator Program included the requirement to complete a mid-term review that meets the following objectives:

IAP Mid-term Review Objectives	Mid-term Review Findings
The 1.7 TWh and overall budget for achieving that target	The 1.7 TWh will likely not be achieved. IAP will likely not require the full allocated budget, in part due to the highly cost-effective projects that have materialized.
Lessons learned with respect to financing mechanisms	Financing mechanisms are currently not in place, but customers have been engaged on the topic, and have been using third party financing for projects.
IAP performance	Performance is below expectations due to longer than expected lead time for projects. IESO is currently undergoing a reforecasting exercise for IAP. Customers are supportive of the account manager delivery structure and happy with the program. Customers have suggested improvements in the program administration (simplify), program flexibility (increase flexibility), and integration (more integrated approach to energy management).

IAP OPPORTUNITIES IDENTIFIED FROM THE MID-TERM REVIEW ARE SEGMENTED INTO TWO OPPORTUNITY MODULES

OPPORTUNITY MODULES:

TARGETS AND BUDGETS

PROGRAM RESPONSIVENESS,
INTEGRATION, AND FLEXIBILITY

Subsequent slides will discuss:

- the relevant government policies for each module;
- a brief summary of the feedback obtained through the mid-term review;
- a summary of the opportunities identified (highlighting efforts already underway); and,
- alternative opportunities identified.

Further details of the opportunities and alternatives are provided in section 4-3.

TARGETS AND BUDGETS OPPORTUNITY MODULE

POLICY

Establishing a budget to achieve targeted 1.7 TWh of savings through the Industrial Accelerator Program by 2020.

Evaluating achievement of electricity savings through Industrial Accelerator Program on an annual incremental basis.

Allow transmission-connected customers with distribution connected sites to be administered through IAP with savings counting towards LDCs CDM targets.

FEEDBACK

Customers expressed concern about customer coverage of IAP if budget and target is transferred to CFF.

OPPORTUNITIES

IAP forecast to be adjusted to reflect expectations for the balance of the framework.

Excess target and budget to be transferred to CFF and IESO will ensure customer coverage is maintained and ability to retain some flexibility to attract larger projects currently under consideration by IAP customers.

Under Development:

IESO has initiated re-forecasting of IAP and reviewing potential opportunity to transfer budget and target from IAP to CFF.

ALTERNATES

Target and budget is maintained, but extended to a timeline that is more realistic given current program participation projections.

Savings from grid-connected customers funded through IAP count towards IAP targets.

Additional Considerations

- Oversight of IAP performance and processes.
- Longer-term policy and vision for programs targeted to transmission-connected customers.
- Policy for those large projects that may not be completed within existing framework.

PROGRAM RESPONSIVENESS, INTEGRATION, AND FLEXIBILITY OPPORTUNITY MODULE

POLICY

Reviewing the Industrial Accelerator Program's financing mechanisms.

Streamlining and simplifying the IAP's administration.

Making the Industrial Accelerator Program available to new and existing grid-connected customers.

Establishing a pay-for-performance pilot program for customers that are eligible for the IAP.

Coordinating and integrating the IAP with natural gas distributor conservation programs, where appropriate.

FEEDBACK

Customers are happy with the account management structure, but desire more flexibility in projects and a more streamlined administrative process.

Customers expressed that they felt their feedback was not integrated into program design and that changes in program design were not data-driven.

Customers support an integrated approach to energy management.

OPPORTUNITIES

IESO to review the program with customers to understand how flexibility can be added. IESO to monitor uptake of Energy Managers to determine if action is needed.

IAP tools and processes to continue to be streamlined to align with customer feedback.

IESO to initiate a process to formally track, review, and act on customer feedback.

IESO to work collaboratively with other funding partners to pilot integrated programs for IAP customers.

Under Development:
IESO establishing a pay-for-performance pilot program for eligible IAP customers.

ALTERNATES

IESO to explore the addition of new programs and financing to increase participation.

Formal stakeholder engagement established to collect customer feedback.

Additional Considerations

- Regular engagement of IAP customers through process evaluations or other feedback mechanisms.
- Pilot to understand challenges and opportunities when integrating natural gas programs and other efficiency programs.
- Longer-term policy goals for Industrial Accelerator Program.

BEYOND THE CURRENT FRAMEWORK (2020+)

POTENTIAL KEY PRINCIPLES TO GUIDE THE FUTURE FRAMEWORK

Prioritize customer continuity

Provide continuity and consistency for customers. Changes to programs and CDM funding are made gradually. “Evolution not revolution.” Funding beyond 2020 is communicated to customers well in advance to avoid drop off in participation.

Opportunities:

- Policy direction required to ensure funding continues past 2020.
- Consideration of transition between frameworks.
- Stakeholder involvement in the development of the new framework.
- Development of a communications plan for customers.

Review of roles and responsibilities

Independent third party review commissioned by Ministry of Energy and/or Ministry of Environment and Climate Change to assess potential entities that would be responsible for the design, delivery and administration of energy efficiency programs across Ontario. To take into account customer needs by segment/sector and recommend the entity best positioned to provide programming to customers.

Opportunities:

- Define customer segments for the purpose of determining the most efficient route to the customer (e.g., residential through the retail channel, small business – one location, commercial – head office model, residential through direct outreach, etc.).
- Obtain feedback from each segment on how they have interacted and would like to interact with energy efficiency programs.
- Collect evidence to support where value can be added and where cost efficiencies exist (e.g., efficiencies of scale, access to customer data, etc.).

POTENTIAL KEY PRINCIPLES TO GUIDE THE FUTURE FRAMEWORK

Transparency in costs and drive towards reduction in the overall spending envelope

Overall costs for achieving energy efficiency policies (e.g., electricity, natural gas, climate) are currently split across different entities with different requirements. To enable greater integration, costs within the framework should be consistent and clear across all entities. Framework incentives and drivers emphasize lowering the overall energy efficiency budget, rather than solely focusing on managing within a given budget within each entities' plan.

Opportunities:

- Map how costs are currently recovered and the entities responsible for authorizing the spending.
- Review treatment and categorization of costs and identify inconsistencies.
- Policy guidance to add a focus on reducing overall budgets in addition to cost efficiency/cost effectiveness within the budget envelope.

Savings attribution follows spending

Savings are allocated to the entity that pays for the resource savings to ensure that cost-efficiency in delivery and any associated performance incentives are connected.

Opportunities:

- Structures and accountabilities in place to guide spending authority and attribution.
- Guiding principle as new issues/programs/opportunities arise to ensure consistency throughout the framework.

POTENTIAL KEY PRINCIPLES TO GUIDE THE FUTURE FRAMEWORK

Continue enhance and prioritize customer experience

Focus framework design on continuing to improve the customer experience. Continue to simplify the participation processes for customers, investigate approaches to increase the consistency of program experience across the province, and integrate customer feedback into framework design (e.g., sector-based approaches).

Opportunities:

- Builds on the opportunities identified for the short-term (2018-2020).
- Continue to collect and integrate customer feedback into the framework.

Prioritization of policy objectives

Clear articulation of primary and secondary policy objectives enable framework structures that are designed to support these objectives. Informed and more transparent decisions can be made when trade-offs exist between objectives.

Opportunities:

- Government to determine and prioritize policy objectives and entities responsible.
- Entities responsible to develop regular tracking mechanisms (e.g., scorecard reviewed quarterly).
- Periodic review of whether the framework is meeting policy objectives and whether policy objectives have changed.

OPTIONS FOR FUTURE FRAMEWORKS REFLECTING FEEDBACK AND LESSONS LEARNED

Integrated Frameworks:

- Natural gas, electricity, GHGs, and water could be integrated into one framework with common goals and offer a one-window approach to customers appropriately designed by segment/sector.

Considerations:

- Integrated evaluation, funding, criteria, etc.
- Conceptually supported by stakeholders, but challenging to implement as it would involve significant change to current regulatory process and mechanisms.
- Integration would need to occur at the policy level (e.g., across ministries).

Innovation:

- Framework could directly support and advance energy efficiency innovation.
- Includes, for example, business models, delivery models, technologies, program approaches, project funding.

Considerations:

- Funding sources and level of integration (e.g., stand-alone fund or integrated with programs).
- May require different structures and requirements to implement (e.g., modified cost-benefit thresholds).
- Evolution of pilots to province-wide programs has been a challenge.
- Each form of innovation would require unique considerations.

Delivering system benefits:

- Increased connection could be made between energy efficiency framework and system planning (e.g., through regional planning, bulk system planning, distribution planning) .

Considerations:

- Policy objectives connecting to system value would require a target to align with peak demand (winter or summer) and could be established at a regional level.
- Timing of system and regional planning do not necessarily align with framework transitions.
- Specific opportunities could exist for energy efficiency (e.g., capacity during nuclear refurbishment period, efficient electrification, etc.).

OPTIONS FOR FUTURE FRAMEWORKS REFLECTING FEEDBACK AND LESSONS LEARNED CONT...

Targets:

- Targets could be driven by and aligned with policy objectives (e.g., peak to align with planning, GHGs to align with climate change policies, etc.).

Considerations:

- Important to connect with priority objectives and align accountability with the responsible entity/entities as targets tend to drive most of the behaviour within the framework.
- If the priority policy is climate change, targets should be directly connected to GHG reductions.
- Ability to modify targets as market conditions and policy objectives evolve.

One-size does not fit all:

- Flexible framework could take into consideration different sizes, capabilities, and needs of customers and administrative/delivery agents.

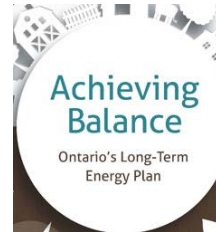
Considerations:

- Managing the diversity within a framework (e.g., different capabilities, interest, and regional needs) is difficult for regulators to provide fair and consistent oversight.
- What is required from relevant entities vs. where optionality exists needs to be carefully considered against policy objectives and administrative effort.

SECTION 2: BACKGROUND AND OBJECTIVES

ELECTRICITY CONSERVATION PROGRAMS IN ONTARIO UNDER THE CURRENT POLICY FRAMEWORK ARE AVAILABLE FROM 2015 TO 2020

GOVERNMENT POLICY



MINISTERIAL DIRECTION TO IESO

CONSERVATION FRAMEWORK 2015 to 2020

INDUSTRIAL ACCELERATOR PROGRAM



**Transmission
connected
customers**

CONSERVATION FIRST FRAMEWORK



LDCs



**Distribution
connected
customers**

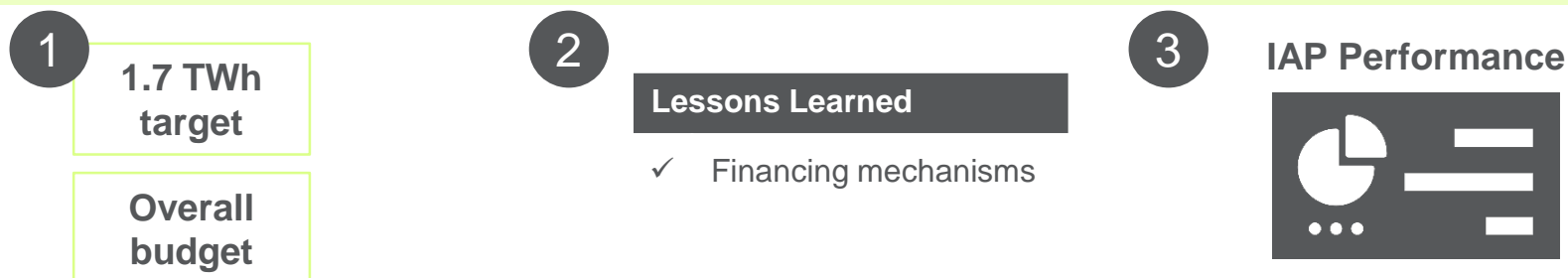
MINISTERIAL DIRECTION TO IESO INCLUDED A REQUIREMENT FOR A MID-TERM REVIEW OF THE CONSERVATION FIRST FRAMEWORK

The ministerial direction to the IESO for both the Conservation First Framework and Industrial Accelerator Program included the requirement to complete a mid-term review:

March 31, 2014 Direction to OPA (IESO) Re: 2015-2020 Conservation First Framework Formal mid-term review of:



July 25, 2014 Direction to OPA (IESO) Re: Industrial Accelerator Program Formal mid-term review of:



THE IESO ALSO IDENTIFIED SEVEN ANTICIPATED OUTCOMES OF THE MID-TERM REVIEW PROCESS

Allocated LDC targets/budgets that are achievable

Plan/solutions to address outstanding needs identified by customers

- E.g. multi-site customers; low-income customers

Plan for establishing a target exchange mechanism for LDCs, should it be required

- Options presented/assessed for structure of target exchange: LDC only, open market, others

Tools to ensure Conservation delivers system value when/where needed

- Programs to address peak demand and/or local planning needs

Conservation programs to support Ontario's climate change objectives

Government direction (if needed) to achieve the above


Options for delivering energy efficiency beyond 2020

THIS DOCUMENT PROVIDES THE INFORMATION UNCOVERED AND OPPORTUNITIES IDENTIFIED FROM THE MID-TERM REVIEW PROCESS

Navigant was engaged by the IESO to conduct the formal Mid-term Review of the Conservation First Framework (CFF) and Industrial Accelerator Program (IAP).



This document outlines the opportunities identified by Navigant through this process for both the short-term (2018 – 2020) and longer-term (post 2020).



Using this document and other sources, the IESO will develop recommendations for the Ministry of Energy to inform actions resulting from the mid-term review process.

THERE HAVE BEEN SEVERAL CHANGES TO THE ONTARIO ENERGY EFFICIENCY LANDSCAPE THAT CAN IMPACT THE FRAMEWORK

Policy	Description
Expansions to Industrial Conservation Initiative (ICI)	<p>Class A customers pay global adjustment according to their contribution to the 5 critical peak hours in the province. Reductions to their contribution to critical peaks have the potential to lower electricity costs for these customers.</p> <p>Over the course of the Framework, the Class A eligibility thresholds have been reduced (from 5 MW to 3 MW effective Spring 2014, from 3 MW to 1 MW effective January 2017, and from 1 MW to 500 kW for certain applications effective summer 2017).</p> <p>More information: http://www.ieso.ca/sector-participants/settlements/global-adjustment-class-a-eligibility</p>

Impact on the Framework

Though participating in an energy efficiency program through the framework will not impact the customer's Class A eligibility if they are close to the eligibility threshold, there are impacts to customer participation in energy efficiency programs. For example, in many cases, implementing a project that improves a customer's ability to avoid critical peak hours is more economical than an energy efficiency project. Customers with limited capital may prioritize a project that takes advantage of the ICI program over an energy efficiency program.

THERE HAVE BEEN SEVERAL CHANGES TO THE ONTARIO ENERGY EFFICIENCY LANDSCAPE THAT CAN IMPACT THE FRAMEWORK CONT...

Policy	Description
Climate Change Action Plan (CCAP)	Released in summer 2016, the document outlines Ontario's five-year plan to tackle climate change. This document includes numerous policy initiatives including implementing programs that are targeted towards homeowners to save money, reduce their carbon footprints and energy use by supporting additional choice; and establishing the GreenON fund to deploy and finance low-carbon energy technologies to reduce emissions in homes and businesses. A cap and trade program was also established that impacts large final emitters. More information: https://www.ontario.ca/page/climate-change-action-plan

Impact on the Framework

There is an increased focus on climate change policy in the province led by the Ministry of Environment and Climate Change. Programs will become available in the future that will target the same customers as both electric energy efficiency programs (CDM) and natural gas energy efficiency programs (DSM). These programs have the potential to confuse customers or compete for capital. Large final emitters will likely prioritize projects that assist in compliance with the cap and trade program rather than participate in energy efficiency programs.

The Ministerial Directive to the IESO, dated August 4, 2017 targets the topic of customer confusion through the following statement:

The IESO shall, in collaboration with the Green Ontario Fund, the MOECC and the Ministry of Energy, and in consultation with electricity and natural gas distributors as appropriate, make reasonable efforts to avoid marketplace confusion in relation to its work in designing, delivering, administering or in assisting with the design, delivery and administration of the Green Ontario Fund Programs, and to ensure the prudent use of funds by avoiding duplication with Provincewide Distributor CDM Programs"

THERE HAVE BEEN SEVERAL CHANGES TO THE ONTARIO ENERGY EFFICIENCY LANDSCAPE THAT CAN IMPACT THE FRAMEWORK CONT...

Policy	Description
Fair Hydro Plan	<p>Released in October 2017, the plan lowers electricity bills for both residential and small business customers. Rates are reduced by 25 percent and will not increase beyond the rate of inflation for four years.</p> <p>More information: https://www.ontario.ca/page/ontarios-fair-hydro-plan</p>

Impact on the Framework

Lower electricity bills deteriorates the economics for energy efficiency programs in the short term (lower bill savings can be realized by implementing an energy efficiency project, longer payback periods). Incentives have not been adjusted to reflect this change in policy.

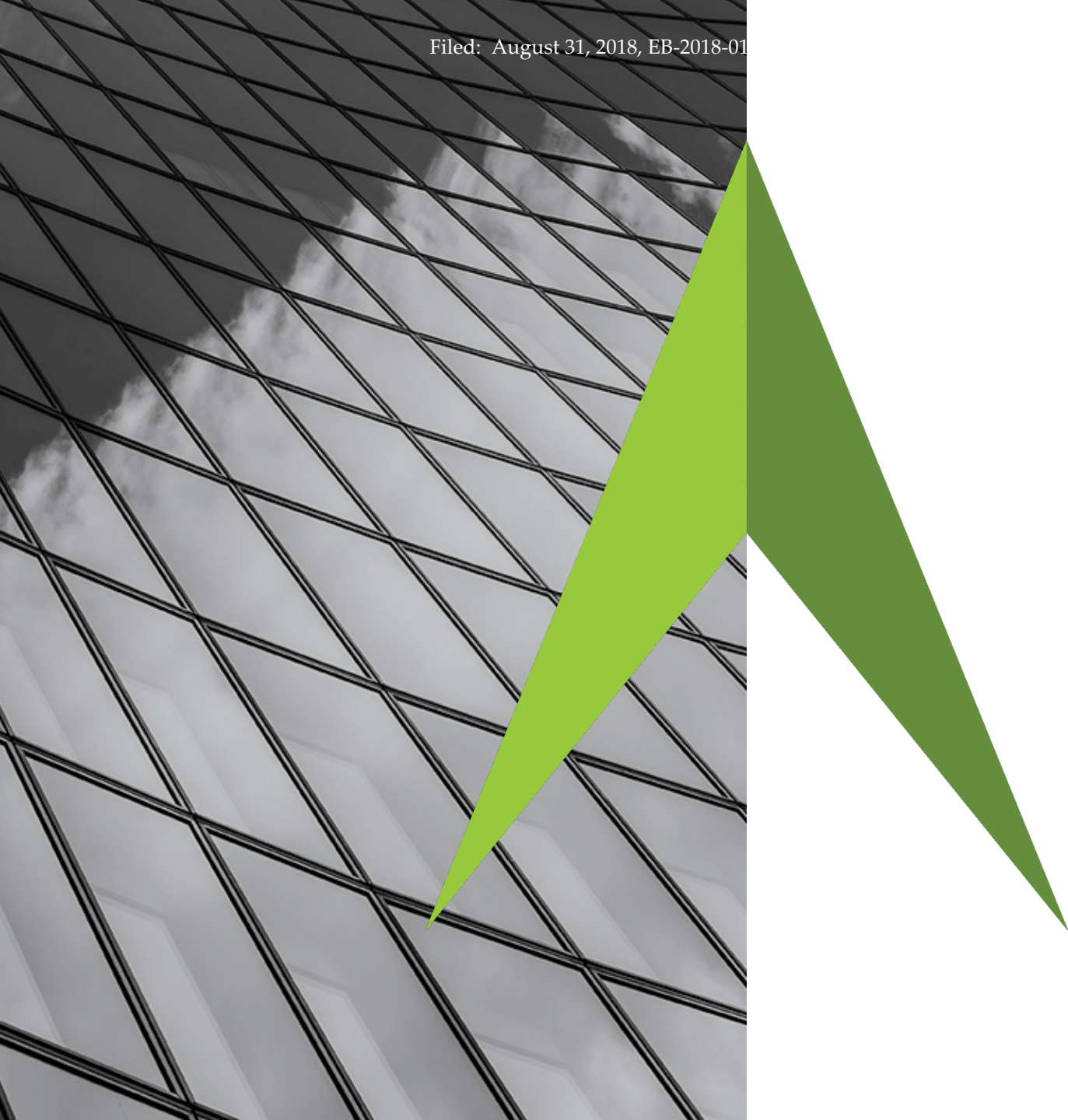
Policy	Description
Affordability Fund	<p>Released in October 2017, the fund provides additional incentives and programs for residential customers with lower household income, but are not eligible for other low income programs.</p> <p>More information: https://www.affordabilityfund.org/</p>

Impact on the Framework

Residential customers that meet the eligibility of this program will be more likely to participate through the affordability fund rather than the CFF.

THERE HAVE BEEN SEVERAL CHANGES TO THE ONTARIO ENERGY EFFICIENCY LANDSCAPE THAT CAN IMPACT THE FRAMEWORK CONT...

Policy	Description
2017 Long Term Energy Plan (LTEP)	<p>Released in fall 2017, the plan provides updated policy and long term planning for the Ontario electricity system. The document includes a view on supply and demand in the province over the long-term and sets forth policies for many electricity system matters, including conservation. The LTEP led to specific directions to the OEB and IESO to move specific policies forward.</p> <p>More information: https://www.ontario.ca/document/2017-long-term-energy-plan</p>
Impact on the Framework	
<p>The LTEP communicated the government's direction on the eligibility of certain technologies in the framework: gas-fired combined heat and power will no longer be eligible after summer 2018 and in-front-of-the-meter conservation will be funded through the OEB, but savings will count towards distributor targets. The LTEP also reinforced the government's commitment to both electric and natural gas energy efficiency and conservation programming for Indigenous Communities and eluded to the interactions between Ontario's Climate Change Action Plan and energy conservation. The document referenced the mid-term review as the process that will identify potential improvements.</p>	

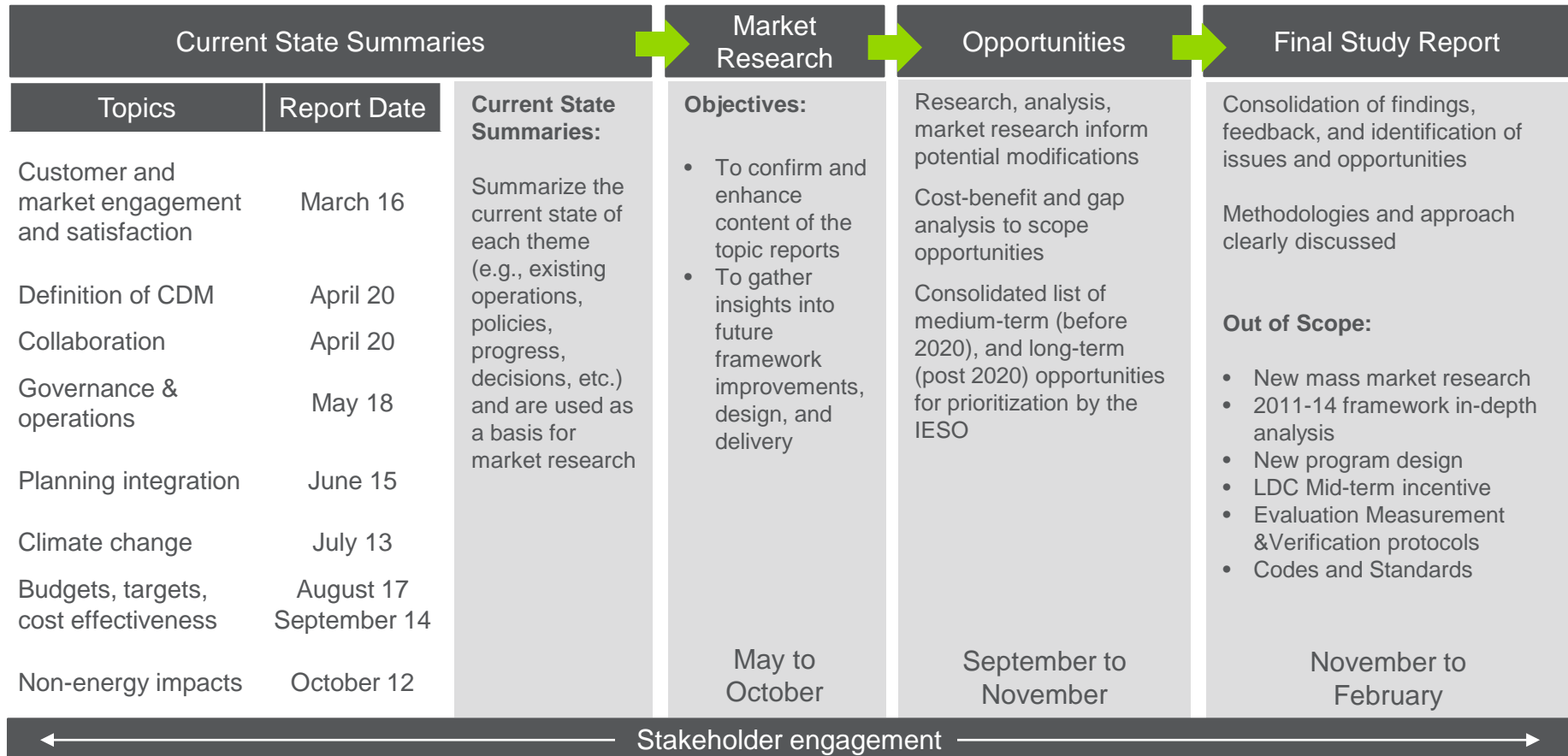


SECTION 3: APPROACH AND METHODOLOGY

- I. Summary
- II. Stakeholder Engagement
- III. Current State Summaries
- IV. Market Research
- V. Opportunity Development

MID-TERM REVIEW STUDY PLAN

Issues were identified by the IESO and grouped into seven major topics that will guide the Framework Review through four key activities outlined below. The non-energy benefits topic will be explored as part of the final report pending inputs external to this study.



MID-TERM REVIEW OVERVIEW OF STAKEHOLDER ENGAGEMENT

- Stakeholders were engaged as per the IESO engagement principles* and process to ensure the engagement is conducted with:
 - Integrity towards a fair and effective process
 - Transparency and openness
 - Inclusive and accessible
 - Sincerity, mutual trust and respect
 - Neutrality
- Two avenues for stakeholder engagement:

Advisory Group	Public Webinars
<ul style="list-style-type: none"> Monthly meetings More detailed discussions on key questions and content Provided feedback and advice to IESO and Navigant IESO and Navigant responded to feedback 	<ul style="list-style-type: none"> Webinars held at different junctures - draft materials were posted publicly to IESO's mid term review engagement website and presented for comment Broader engagement that is open to all interested parties with an opportunity to provide feedback IESO responded to feedback

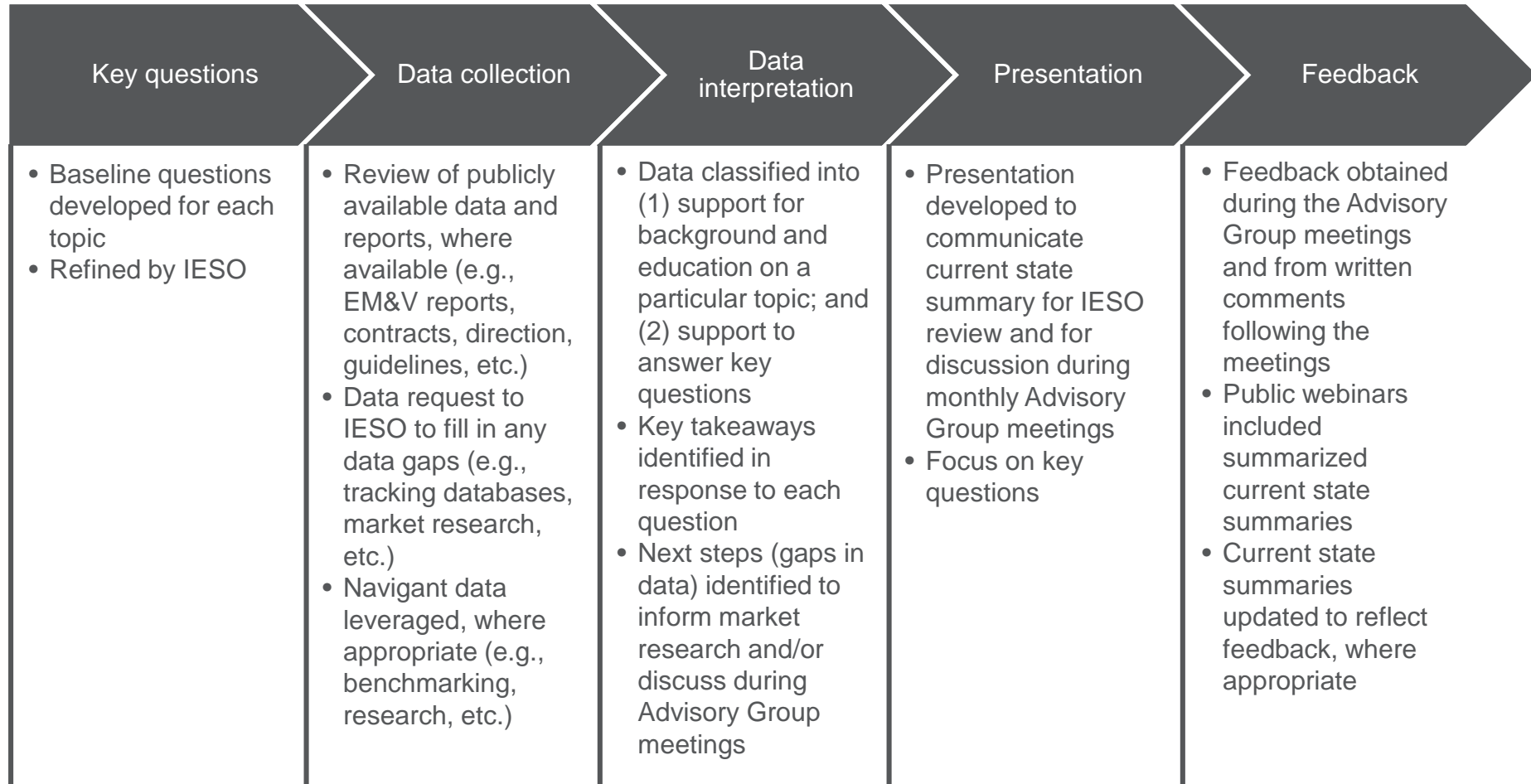
MID-TERM REVIEW ADVISORY GROUP MEMBERS AND OBSERVERS

Mid-term Review Advisory Group Membership	
Consumers (5)	
Housing Services Corp.	Parry, Myfanwy
Loblaw	Schembri, Mark
University Health Network	Rubinstein, Ed
CBRE Limited	Abraha, Amha
AMPCO	Anderson, Colin
Local Distribution Companies (5)	
Customer First Inc.	Barker, Chris
Hydro One	Katsuras, George
Entegrus Powerlines Inc.	Rodd, Margaret
Alectra	Bond, Raegan
Toronto Hydro-Electric System	Marchant, Michael
Electricity Service Providers/Consultants (2)	
	Kalyanraman, Guru
Nest Labs	Calin, Iuliana
IESO	
Chair	Nik Schruder

Observer organizations

Ministry of Energy
 Ministry of Environment and Climate Change
 Ontario Energy Board
 Environmental Commissioner of Ontario
 Enbridge Gas Distribution
 Union Gas Limited
 Association of Major Power Consumers in Ontario
 Canadian Solar Industries Association (CanSIA)
 Electricity Distributors Association
 Ontario Energy Association
 ENWIN Utilities
 Brantford Power Inc.
 Cornerstone Hydro Electric Concepts Association
 Energy+ Inc.
 Essex Powerlines Corporation
 Oshawa PUC
 Thunder Bay Hydro Electric Distribution Inc.
 Veridian Connections Inc.
 Roberts and Co.
 Summerhill Group
 buildABILITY
 Burman Energy Consultants Group Inc.
 ecobee
 Just Energy Ontario LP
 liteSMART
 Ontario Clean Air Alliance
 Building Owners and Managers Association

METHODOLOGY TO DEVELOP CURRENT STATE SUMMARIES



APPROACH TO MARKET RESEARCH

- Based on the findings from the current state summaries and feedback from the Advisory Group, market research objectives were developed and customers and other market participants were engaged through:

One-on-one Interviews

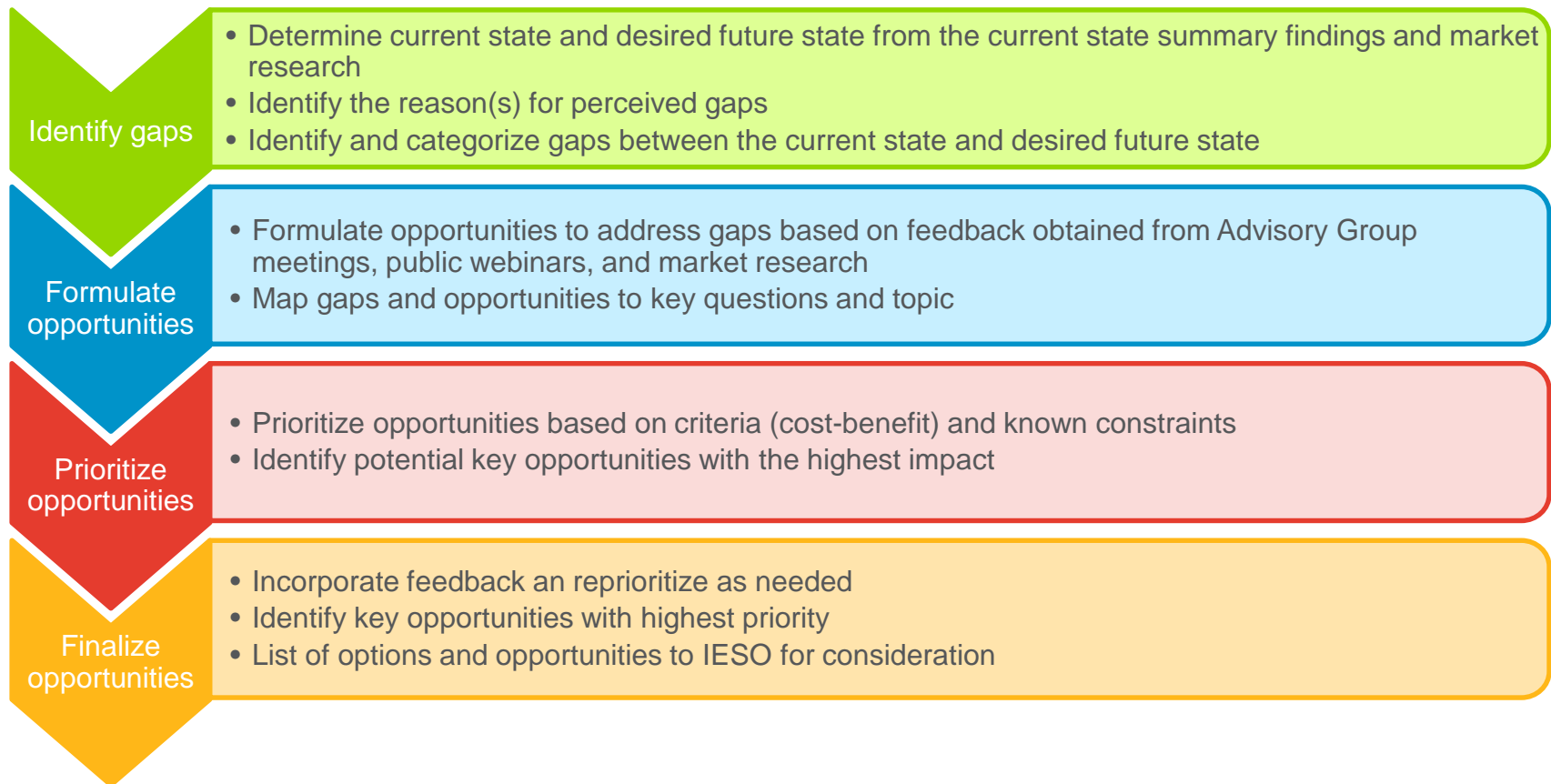
- Interviews focused on confirming current state findings, understanding alignment of the framework to existing business practices, and obtaining insights into future framework options
- Customers: 13 participants
- Channel: 11 participants
- Associations: 8 participants
- LDCs: 14 participants

Workshops

- Sessions focused on communicating findings from the mid-term review to-date and facilitated exercises to understand future framework options
- LDC workshop: 28 registered participants
- IESO workshop: 20 registered participants
- Customer workshop: 22 registered participants
- OEB workshop: 5 registered participants

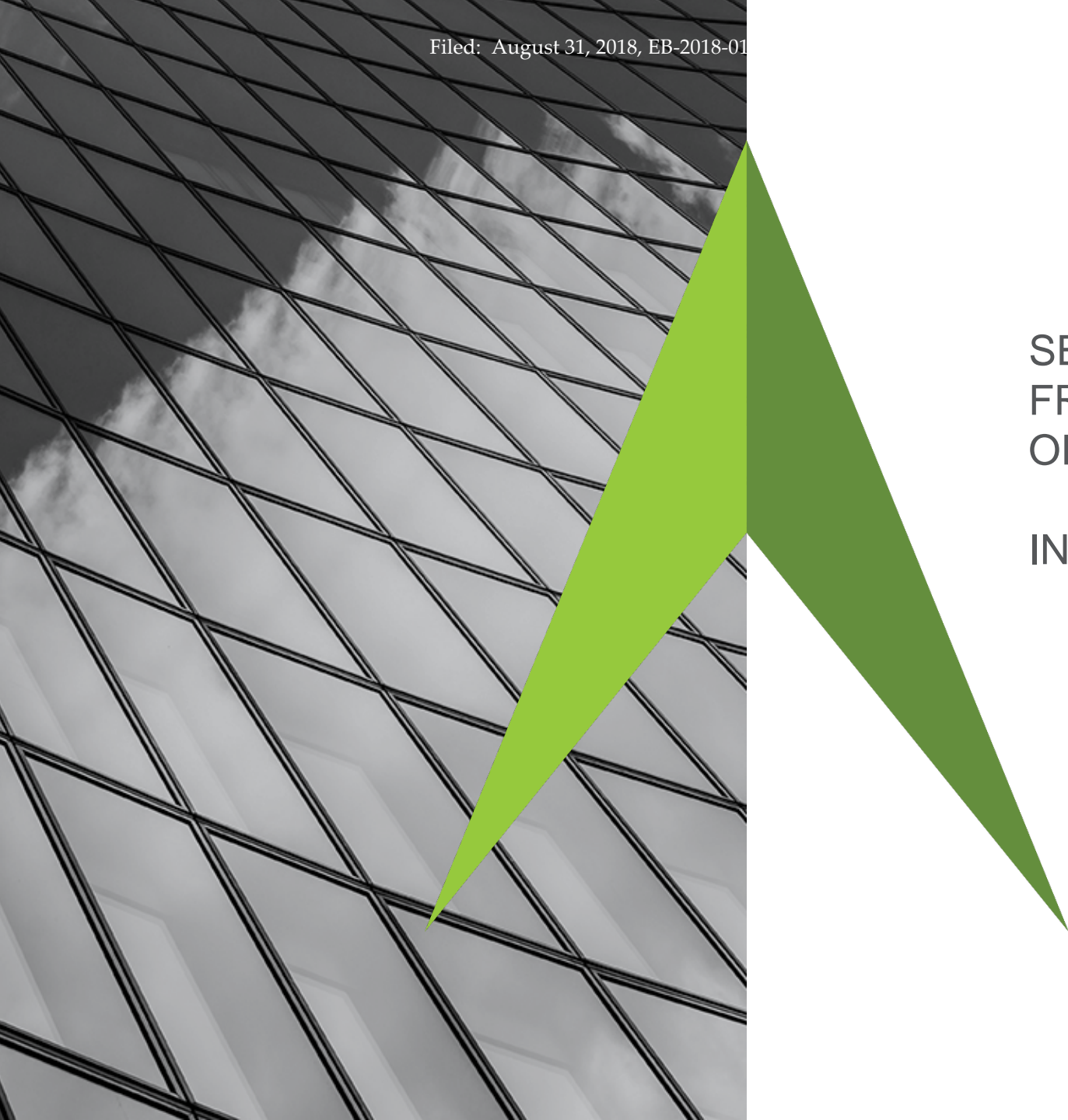
APPROACH TO OPPORTUNITY DEVELOPMENT

- The schematic below outlines the proposed methodology to identify gaps with the Conservation First Framework and Industrial Accelerator Program and to develop opportunities to address these gaps



SECTION 4: FRAMEWORK OPPORTUNITIES

- I. Introduction
- II. Conservation first framework (CFF)
- III. Industrial Accelerator Program (IAP)



SECTION 4-I: FRAMEWORK OPPORTUNITIES

INTRODUCTION

INTRO AND ORIENTATION

- This section is divided into six sub-sections:
 - Conservation First Framework (CFF)
 - *Current state key findings*
 - *Short-term opportunities (2018-2020)*
 - *Long-term opportunities (2020+)*
 - Industrial Accelerator Program (IAP)
 - *Current state key findings*
 - *Short-term opportunities (2018-2020)*
 - *Long-term opportunities (2020+)*
- Short-term Opportunities are grouped into opportunity packages which group related opportunities together (e.g., impact a similar topic area or part of the framework)
 - Subsequent slides provide a sample format of opportunities
- Long-term opportunities are presented at a higher level given policy uncertainty

SAMPLE SHORT TERM OPPORTUNITIES SLIDE: SLIDES IN THIS FORMAT WILL CONTAIN FUTURE STATE, CURRENT STATE, AND GAPS

Slide format to describe current state findings, gaps, and future state:



SAMPLE SHORT TERM OPPORTUNITIES SLIDE: SLIDES IN THIS FORMAT WILL CONTAIN THE OPPORTUNITY THAT COULD ADDRESS THE GAPS IDENTIFIED

Opportunity: *This section provides a higher-level description of the opportunity identified to achieve the future state defined on the previous slide*

Details:

A *This table provides detailed descriptions of several aspects of the opportunity.*

B

Impact to Stakeholders:

Customers

..... *This table includes the impact the opportunity will have on four stakeholder groups.*

LDCs

Channel partners

..... *Impacts could include tasks, outstanding concerns, and outcomes as a result of implementing the opportunity identified.*

IESO

How: *i.e. specific actions that must be undertaken to implement the opportunity*

Framework Levels

Policy

- Changes to policy guiding the Conservation First Framework (CFF) through Ministerial direction
- Assuming changes to the Long Term Energy Plan and Climate Change Action Plan are not possible

Process

- Changes to processes and specific tasks that must be undertaken by IESO or LDCs
- Includes changes to guidelines and Energy Conservation Agreement (ECA)

Program

- Updates to program rules, activities related to program awareness, satisfaction and participation

Tools

- Reviews and updates to tools and templates that support the framework

SAMPLE SHORT TERM OPPORTUNITIES SLIDE: SLIDES IN THIS FORMAT WILL CONTAIN ALTERNATE OPPORTUNITIES TO ADDRESS THE GAPS IDENTIFIED

Alternate Opportunity 1

This section provides a description of the opportunity identified to achieve the future state defined

Impact to Stakeholders:

Customers

LDCs

This table includes the impact the opportunity will have on four stakeholder groups.

Channel partners

Impacts could include tasks, outstanding concerns, and outcomes as a result of implementing the opportunity identified.

IESO

Alternate Opportunity 2

This section provides a description of the opportunity identified to achieve the future state defined

Impact to Stakeholders:

Customers

LDCs

This table includes the impact the opportunity will have on four stakeholder groups.

Channel partners

Impacts could include tasks, outstanding concerns, and outcomes as a result of implementing the opportunity identified.

IESO

SECTION 4-II: FRAMEWORK OPPORTUNITIES

CONSERVATION FIRST FRAMEWORK (CFF)

- I. **CFF - Current State Key Findings**
- II. CFF – 2018-2020 Opportunities

NAVIGANT HAS IDENTIFIED FIVE KEY CURRENT STATE FINDINGS RELATED TO THE CONSERVATION FIRST FRAMEWORK (CFF)



Framework is performing

- On track to achieve the 7 TWh target below budget
- Lower acquisition costs and greater cost effectiveness than prior frameworks
- Province-wide programs are available to all customers in all areas of the province



Minor adjustments necessary to enable shifts in allocated budgets and targets

- LDC performance and needs vary across the LDC community
- IESO and customers would both like to see more oversight on target exchange
- Choice was seen as positive by most stakeholders



Barriers to continuous program/framework improvement

- Structures and processes that exist to continuously improve programs are slow or ineffective
- Strong cost management within the cost envelope, little consideration to manage overall costs, primarily due to LDC performance incentive design
- Lack of detailed visibility into framework performance



IESO and LDCs' relationship adds costs and limits effectiveness of framework

- Further discussions required to identify the most efficient way to transfer information between IESO and LDCs (administrative burden)
- Discussions on responsibilities (e.g., most effective entity for program design, delivery, etc.)



Landscape has shifted from when the framework was implemented

- Climate change policy was implemented within the current framework with relatively few adjustments made to reflect its impact
- Customers are interested in an integrated approach to energy management (electricity, gas, water, climate)

CURRENT STATE: KEY FINDINGS BY TOPIC

Customer and market engagement and satisfaction	Customers are generally aware and satisfied with programs. There is a desire for continuity and continued availability and consistency of programs. There is a desire to reduce the administrative burden of commercial programs and to improve the flexibility of programs while streamlining or simplifying program operations.
Definition of CDM	There is support for expanding the definition of CDM to a broader set of technologies. There are interactions with climate change policy. LTEP has stated that gas-fired CHP will no longer be eligible as CDM (July 2018).
Collaboration	Collaboration is occurring both with and without IESO funding. Desired objectives are not quantitatively measured, nor is there a desire from LDCs to do this. There is minimal funded collaboration between electricity and gas utilities. Qualitative reporting was seen as a possibility.
Planning integration	Provincial CDM is taken into account in planning at all levels. There is very little activity to advance incremental CDM. General agreement that incremental CDM should continue to be implemented through the regional planning process (e.g., outside of CFF).
Governance and operations	Though accountability and processes appear clear within formal documentation, there is a lack of clear accountability, roles, and responsibilities between IESO and LDCs. Program design and re-design processes are viewed to be ineffective. CDM plans do not provide valuable information to IESO or LDCs for effective forecasting. Program rules and processes are seen as administratively burdensome by customers and LDCs.
Climate change	Climate change policies are not integrated into the framework. The split accountabilities, frameworks, and programs could lead to customer confusion. Customers would appreciate an integrated approach.
Budgets, targets, cost effectiveness	Best available information indicates that the province-wide 7 TWh target will be met under budget. However, there are budgetary strains emerging for certain LDCs and IESO's central services budget. These strains are primarily due to large projects and directed programs. The target exchange mechanism received general support, but both customers and IESO expressed concern that policy objectives are not properly integrated into the process. LDCs expressed that a target exchange on its own is insufficient to tackle budgetary strain. The framework is cost-effective and improving year over year (TRC, PAC, LUEC, and first year acquisition cost). However, it was seen as important to continue to improve the cost-efficiency of the framework.

MINISTERIAL DIRECTION TO IESO INCLUDED A REQUIREMENT FOR A MID-TERM REVIEW OF THE CONSERVATION FRAMEWORK

The March 2014 ministerial direction to the IESO for the Conservation First Framework included the requirement to complete a mid-term review that meets the following objectives:

CFF Mid-term Review Objectives	Mid-term Review Finding
The 7 TWh and overall budget for achieving that target	The 7 TWh target will likely be exceeded within the allocated budget.
Allocation of budgets and Distributor CDM targets	<p>Allocation of budgets and targets requires some adjustments which can be achieved through a target exchange, however, there are other budgetary allocation constraints that may require an alternate approach primarily due to:</p> <ul style="list-style-type: none"> • changes in policy throughout the framework (e.g., centrally delivered programs, IESO as back-stop when LDCs opt out of province-wide programs, etc.); • larger projects in smaller LDC territories that consume most or all of an LDCs budget; and, • ability to reallocate target / budget between Conservation First Framework and Industrial Accelerator Program (<i>requires Ministerial Direction</i>). <p>Note: the IESO has implemented target exchange guidelines that set forth criteria the IESO will be using to approve/reject an LDC target exchange.</p>
Lessons learned on cost recovery	Only one LDC has attempted the pay-for-performance cost recovery mechanism for two province-wide programs. IESO is gathering feedback from LDCs on the cost-recovery mechanisms.

MINISTERIAL DIRECTION TO IESO INCLUDED A REQUIREMENT FOR A MID-TERM REVIEW OF THE CONSERVATION FRAMEWORK, CONT...

The March 2014 ministerial direction to the IESO for the Conservation First Framework included the requirement to complete a mid-term review that meets the following objectives:

CFF Mid-term Review Objectives	Mid-term Review Finding
Lessons learned performance incentive mechanisms	<p>LDC performance incentives will likely exceed initial expectations due to higher performance.* There are some implications of the LDC performance incentive design that may be misaligned with the spirit of the framework:</p> <ul style="list-style-type: none"> • LDCs who wish to reduce their target through target exchange also reduce their performance thresholds, thereby increasing their ability to achieve performance incentives; • Savings for programs not paid through an LDC's allocated budget but support LDCs in meeting their CDM targets and performance incentives (e.g. savings from centrally funded and IESO delivered programs, note that certain central programs have minimal savings for some LDCs e.g. HAP, EPP, Whole Home); • LDC performance incentives are not provided to encourage other behaviours such as meeting regional needs; and, • Performance incentives payments are higher for joint CDM plans, though there is insufficient quantitative data to support whether joint CDM plans are achieving cost-efficiencies or better customer convenience.
CDM contribution to regional planning	<p>Provincial CDM (CDM targets) is considered for forecasting purposes within the regional planning process. Incremental CDM (CDM above the target) has not been implemented to address regional needs in any regional plans to date. There are efforts underway through the regional planning process (supported by the Conservation Fund) to complete local achievable potential studies to better determine potential for incremental CDM as an option to address regional needs, though local achievable potential studies are not formally a part of the regional planning process.</p>

SECTION 4-II: FRAMEWORK OPPORTUNITIES

CONSERVATION FIRST FRAMEWORK (CFF)

- I. CFF - Current State Key Findings
- II. **CFF – 2018-2020 Opportunities**

SHORT-TERM FUTURE STATE: 2018 – 2020 KEY FEATURES AND ACTIONS

Customer and market engagement and satisfaction	<ul style="list-style-type: none"> • Adequate customer coverage is defined by segment to ensure programs are sufficiently available across the province. • There are options available to ensure customer coverage of province-wide programs. • Program rules, processes, administration, and tools are updated to reflect customer and market feedback and the expected impact and likelihood of non-compliance.
Definition of CDM	<ul style="list-style-type: none"> • The definition of CDM considers technologies promoted by GreenON and avoids customer confusion. • Definition of CDM is regularly reviewed in light of policy changes as part of the program design and re-design processes.
Collaboration	<ul style="list-style-type: none"> • Collaboration is captured qualitatively through case studies produced by IESO and LDCs. • The collaboration fund prioritizes natural gas and electricity efforts. • IESO and OEB work towards developing a collaboration guideline that helps proactively define items such as: attribution, funding, evaluation, etc. across fuels.
Planning integration	<ul style="list-style-type: none"> • Provincial CDM continues to be integrated into planning. • Incremental CDM continues to be implemented through the regional planning process.

SHORT-TERM FUTURE STATE: 2018 – 2020 KEY FEATURES AND ACTIONS

Governance and operations

- CDM Plans are modified to communicate forecast achievement (vs. force fit to equal target and budget) and are submitted quarterly only.
- Program design and re-design processes are modified [TBD DISCUSSIONS WITH IESO].
- Tools and templates are developed and regularly reviewed taking into account input from users (i.e., LDCs, channel, and customers).
- Perspectives from customers, LDCs, and channel are collected on a regular basis and integrated into the framework in a systematic way.
- Accountability is clear and aligned with span of control.

Climate change

- Cost effectiveness tests and tools are updated to consider avoided GHGs.
- Metrics associated with GHGs are tracked and communicated.
- Integration between GreenON and CFF is strategically considered with the goal of minimizing customer confusion and aligning with the principles of cost-efficiency and flexibility.

Budgets, targets, cost effectiveness

- Provincial targets and budgets are not reduced.
- Target exchange amongst LDCs continues.
- Criteria are added to the target exchange to ensure the framework continues to meet policy objectives as targets and budgets are re-allocated.
- A central pool is created to support central services and large projects if LDCs opt to forgo the use of target exchange.
- Criteria for the use of the central pool and other mechanisms to release underspent LDCs budgets are created.

FORECASTING OPPORTUNITY MODULE

FORECASTING OPPORTUNITY MODULE

POLICY

Enabling CDM Plans to be regularly adjusted.

Ensuring LDCs have support in CDM Plan submission.

Streamlining the review and approval process for CDM Plans.

Coordinating, supporting and funding the delivery of CDM programs through distributors to achieve 7 TWh of consumption reduction between 2015 and 2020.

FEEDBACK

LDCs expressed frustration with the current CDM Plan process and requirements and noted that it was primarily an administrative exercise with little value.

IESO does not have the required visibility to fully understand the anticipated performance of the framework and where adjustments may be required.

Customers expressed the importance of visibility into the 2nd half of the framework to ensure consistent funding, sufficient budget, and informed decision making.

OPPORTUNITIES

CDM plan process and requirements enhanced to reflect actual LDC expectations (no longer “force fit” to allocated budget and target). CDM plans are submitted on a quarterly basis.

Under Development:

- CDM Plan processes are being integrated into the CDM-IS system.
- Data and Reporting working group has been tasked to enhance LDC forecasting process.

ALTERNATES

CDM Plans are redesigned by IESO based on LDC feedback.

LDC forecasting data is transferred using an alternate mechanism (i.e., not using CDM Plans).

Additional Considerations

- Regular communication of aggregate CFF forecasts (including centrally delivered programs) to the LDC community.
- Use of enhanced forecasts to inform framework decisions.
- Consistency of forecasting methodology across the LDC community.

CFF FINDINGS – CDM PLANS

CURRENT STATE FINDINGS	Governance and operations <ul style="list-style-type: none"> CDM plan forecasts provide little value to either LDCs or IESO as currently being “forced fit” to allocated budget and target CDM plan administration and review processes are a pain point for LDCs IESO does not have visibility into realistic LDC-level forecasts (i.e., committed projects and budget outside of projects in iCON) 	Budgets, targets, cost-effectiveness <ul style="list-style-type: none"> IESO has poor visibility into LDCs' expected progress for the balance of the framework Both IESO and LDCs agree that CDM plan forecasts can be improved
GAPS	The current CDM plan structure is prescriptive and does not provide flexibility for LDCs to provide relevant forecasts to the IESO. IESO internal CDM plan processes are viewed as time-intensive and inflexible by LDCs.	
Process		
Tools	Current CDM plan templates and tools must be updated if a new format is decided upon.	
FUTURE STATE	CDM Plans are based on best available forecast information, and actuals where available. Requirement to update on a regular basis.	

CDM PLANS ARE BASED ON BEST AVAILABLE FORECAST INFORMATION, AND ACTUALS. REQUIREMENT TO UPDATE ON A REGULAR BASIS

Opportunity: IESO and LDCs will work collaboratively to design new CDM Plan processes and requirements that will more accurately reflect actual information and provide both IESO and LDCs valuable insights into future achievement to enable informed decision making. This opportunity should coincide with the IESO's current work on the CDM-IS CDM Plan tool.

Details:

Representative group of IESO and LDC participants

collaboratively work on the updated CDM plan process and template(s). Data and reporting working group is one option.

Review current CDM plan requirements

to determine the needs of each entity. Understand what information is already gathered and used for decision making to minimize administrative burden. Understand what information gaps exist (e.g., realistic forecasts to framework end, committed funds and savings, etc.). Plans to be updated quarterly (12 months forecast, 3 months actual + 9 months forecast, 6 months actual + 6 months forecast, etc.). Plans are not re-submitted with new programs.

Develop updated CDM Plan process and template/tools

that eliminates non-value added criteria/steps and takes into account the absolute requirements of each party. Criteria is clearly defined, process documentation is developed to ensure consistent assessment of criteria. Consider standardization criteria such as forecasting methods to increase the comparability of Plans. Best practices and training across LDCs should be considered.

Framework Levels

Process

- Pick groups of IESO and LDC participants that are representative of the stakeholders that use and administer CDM Plans
- Streamline CDM Plan process and update for effectiveness
- Develop plan for sharing of best practices, and training for consistent forecasting across LDCs

Tools

- Review CDM Plan tool for efficiency and effectiveness of forecasts
- Update CDM plan tool based on review of effectiveness

How:

CDM PLANS ARE BASED ON BEST AVAILABLE FORECAST INFORMATION, AND ACTUALS. REQUIREMENT TO UPDATE ON A REGULAR BASIS

Opportunity: IESO and LDCs will work collaboratively to design new CDM Plan templates and requirements that will more accurately reflect actual information and provide both IESO and LDCs valuable insights into future achievement to enable informed decision making. This opportunity should coincide with the IESO's current work on the CDM-IS CDM Plan tool.

Impact to Stakeholders:

Customers	Changes to programs, policies, and procedures will be data-driven and, if implemented, will aim to identify problems before they become an issue to customers (e.g., insufficient funding for the full framework).
LDCs	Better insight into anticipated target achievement of LDC and LDC peers, could assist in identifying partners for target exchange. Reduced administrative burden. Clear criteria and review processes minimize re-work.
Channel partners	No impact.
IESO	Better insight into anticipated target achievement of LDCs, visibility into realistic performance to the end of the framework, data to identify potential framework issues and support decisions. Reduced administrative burden. Clear criteria and review processes minimize re-work.

CDM PLANS ARE BASED ON BEST AVAILABLE FORECAST INFORMATION, AND ACTUALS. REQUIREMENT TO UPDATE ON A REGULAR BASIS

Alternate Opportunity 1

IESO collect feedback on CDM plan review processes and re-design the process/template to meet needs taking into account LDC feedback.

Impact to Stakeholders:

Customers	Minimal.
LDCs	Allows for LDCs to collaboratively provide feedback, but does not permit LDCs to work directly on the CDM plan update. LDCs have the greatest insight into their own forecasts. Feedback alone may not be sufficient.
Channel partners	Channel partners are impacted by the outcome of LDC CDM plans on program offering.
IESO	Difficult for the IESO to re-design the CDM plan template and process without direct collaboration with LDCs. IESO may not be able to gain enough insight into the intricacies of LDC forecasts to design an effective solution.

Alternate Opportunity 3

A separate reporting requirement related to forecasts is developed. Tools, processes, and requirements to support this are developed.

Impact to Stakeholders:

Customers	Customers may be impacted by the change in LDC CDM plans due to a potential impact on program offering.
LDCs	This will require LDCs to carry out incremental tasks, and does not address the fact that LDCs are spending a large amount of time on the current CDM plan process, and have expressed frustrations with it.
Channel partners	Channel partners are impacted by the outcome of LDC CDM plans and other CDM forecasts on program offering.
IESO	This will add another reporting requirement that IESO will have to oversee, costing time and resources. A significant amount of effort will be needed to ensure this reporting requirement provides value (i.e. incorporates the intricacies of LDC forecasts).

TARGETS AND BUDGETS OPPORTUNITY MODULE

TARGETS AND BUDGETS OPPORTUNITY MODULE

POLICY

Establishing budget allocations based on distributors' CDM goals.

Develop a methodology to allocate the 7 TWh target among LDCs.

Coordinating, supporting and funding the delivery of CDM programs through distributors to achieve 7 TWh of reduction between 2015 and 2020.

FEEDBACK

LDCs support an LDC-led target exchange, but expressed that it may be insufficient to address all budget needs. LDCs are concerned that the budgetary issues identified by IESO are not fully quantified.

Customers would like to enhanced see enhanced IESO oversight of the target exchange.* Emphasis on equitable access to programs.

IESO has added criteria and principles to the target exchange review. IESO indicated that central services budget is strained due in part to new requirements in centrally funded programs and LDC performance incentives.

OPPORTUNITIES

No change in LDC budgets and targets. Target exchange led by LDCs and reviewed by IESO against established criteria.

A central pool is created to tackle budgetary constraints that cannot be alleviated through target exchange.

Under Development:
IESO has released target exchange criteria that was reviewed by Advisory Committee and CFIC and shared with LDCs December 2017.

IESO updating IAP forecast to determine budget and target availability for CFF.

ALTERNATES

Target exchange includes criteria that are embedded within the CDM Plan review process.

LDC performance incentives and penalties modified to encourage the desired policy outcomes (e.g., cost-efficiency, performance, coverage).

IESO acts as a broker for LDC target exchange connecting buyers and sellers.

Additional Considerations

- Funding, administration and access to a central pool of funding.
- Solutions if LDCs are not successful in finding appropriate target buyers and sellers.
- Target exchange deadline towards the end of the framework (what is the appropriate target exchange window).

CFF FINDINGS – TARGET/BUDGET MODIFICATION

<p>CURRENT STATE FINDINGS</p>	<p>Budgets, targets, cost-effectiveness</p> <ul style="list-style-type: none"> • Available information indicates that the framework is on-track to meet the 2020 target below budget • Many (but not all) LDCs anticipate budgetary strain, typically in connection with large projects • Minimal LDCs have participated in a target exchange to date • IESO expressed budgetary strain for central services • IESO is moving forward to integrate criteria as part of the target • Target exchange with IAP was supported by LDCs and IESO as an option to tackle funding for large projects • LDCs and some customers are concerned that acquisition costs will increase in the balance of the framework (no qualitative evidence to support this) • LDCs are interested in target exchange, however currently IESO has observed that there are fewer “sellers” than “buyers” • LDCs can sell their target and budget and receive a performance incentive to exceed the lower target • LDCs prefer an LDC-led approach (minimal to no IESO intervention) • Customers are concerned about target exchange without IESO oversight
<p>GAPS</p> <p>Funding, Process</p>	<p>LDCs are cautious on giving up portions of their target and budget due to uncertainty regarding the mid-term review process and whether projects will complete.</p>
<p>Process</p>	<p>There is minimal structure, criteria or metrics associated with the target exchange (CDM Plan review criteria only).</p>
<p>FUTURE STATE</p>	<p>Budgets and targets are not reduced and LDCs have the options to modify their allocation of budget and target.</p>

BUDGETS AND TARGETS ARE NOT REDUCED AND LDCS HAVE THE OPTIONS TO MODIFY THEIR ALLOCATION OF BUDGET AND TARGET

Opportunity: LDCs have two options available to modify their allocation of budget and target:

- (1) A central pool funded by reallocating unspent LDC budgets to the central pool (subject to reallocation criteria) and a target exchange with IAP; and,
- (2) LDC-led target exchange with IESO defined criteria such as (1) customer coverage; (2) ratepayer value; and (3) CDM Plan approval.

Details:

Central pool

This would be used for IESO-delivered programs, and LDCs that require extra budget that do not want to do target exchange or can't find a seller.

Performance incentives

LDCs forego the ability to earn incentives on that incremental budget if the acquisition cost is below a certain threshold (alternately funded as P4P).

Reallocation of Unspent budgets

If the budget for the year is below forecast as per a 9 + 3 CDM Plan, kWh targets were achieved (within 10%), evidence is not available to support increasing acquisition cost expectations.

How:

Framework Levels

Policy

- Directive to allow IAP target to be reduced (Note: efforts are underway to enable this change)

Process

- Development and communication of criteria
- Development and communication of supporting processes
- Guideline modifications

Funding

- ECA modification

BUDGETS AND TARGETS ARE NOT REDUCED AND LDCS HAVE THE OPTIONS TO MODIFY THEIR ALLOCATION OF BUDGET AND TARGET

Opportunity: LDCs have two options available to modify their allocation of budget and target:

- (1) A central pool funded by reallocating unspent LDC budgets to the central pool (subject to reallocation criteria) and a target exchange with IAP; and,
- (2) LDC-led target exchange with IESO defined criteria such as (1) customer coverage; (2) ratepayer value; and (3) CDM Plan approval.

Impact to Stakeholders:

Customers

Controls are established to maintain customer coverage when a target exchange occurs, large projects can continue to be funded.

LDCs

Largely LDC controlled target exchange remains, options are available, clear criteria allow LDCs to make informed choices.

Channel partners

Minimal impact.

IESO

Control exists to protect policy objectives IESO is responsible to achieve for the framework, central programs (HAP, whole home) funding no longer strained.

BUDGETS AND TARGETS ARE NOT REDUCED AND LDCS HAVE THE OPTIONS TO MODIFY THEIR ALLOCATION OF BUDGET AND TARGET

Alternate Opportunity 1

Criteria specific to target exchange are embedded as CDM plan review criteria. Criteria are clear and reflect policy objectives that all LDCs are held to. Note: no longer an alternative, IESO has moved forward with target exchange criteria.

Impact to Stakeholders:

Customers	Customer coverage will be impacted based on certain LDC service territories becoming under-served due to LDCs running out of budgets.
LDCs	LDCs that prefer to increase or decrease their allocated budget and target will be unable to do so under this opportunity. LDCs may be penalized for under-achievement that they perceive to be outside of their control.
Channel partners	Minimal impact.
IESO	IESO will have to modify CDM plan review criteria to be consistent with policy objectives, and hold LDCs to these requirements. Re-allocation of budget and target between LDCs without direct IESO involvement will be minimal.

Alternate Opportunity 2

No target exchange criteria are developed, but additional incentives and penalties are added (incentives for reducing acquisition costs and increasing cost effectiveness, corresponding penalties). Note: no longer an alternative, IESO has moved forward with target exchange criteria.

Impact to Stakeholders:

Customers	Customer coverage will be impacted as LDCs focus delivery efforts on cost-effective programs at the expense of other programs.
LDCs	Eligible for further incentives for increased cost efficiencies, but also on the hook for penalties for under-achievement which may be outside of their control. LDCs will not have an opportunity to modify current allocation of budget and target.
Channel partners	Minimal impact.
IESO	IESO will be responsible for attaining Ministry support for additional incentives and penalties as well as administering these to LDCs.

BUDGETS AND TARGETS ARE NOT REDUCED AND LDCS HAVE THE OPTIONS TO MODIFY THEIR ALLOCATION OF BUDGET AND TARGET

Alternate Opportunity 3

IESO acts as a broker for target exchange: Buyers and sellers are screened before participating to ensure customer coverage, ratepayer value, and CDM Plan approval, LDCs come with buy and sell opportunities and IESO matches the entities. LDCs set the terms of their own agreement with the IESO recommended party.

Impact to Stakeholders:

Customers	Customer coverage and ratepayer value will be maintained.
LDCs	LDCs will be provided with an option to modify their allocation of budget and target, however they will have less flexibility to do so than the primary opportunity. LDCs will be required to commit significant resources to participate in the target exchange.
Channel partners	Minimal impact.
IESO	IESO will be responsible for administering the target exchange mechanism, and balancing LDC requirements with policy objectives and customer needs. This will require extensive resources, and may expose the IESO to increased risk. There is the potential that minimal exchange that meets all criteria will occur.

PROGRAM RESPONSIVENESS AND FLEXIBILITY OPPORTUNITY MODULE

PROGRAM RESPONSIVENESS AND FLEXIBILITY OPPORTUNITY MODULE

POLICY

Encouraging innovation and the adoption of new technologies.

Establishing approval criteria for conservation programs.

Ensuring LDCs have support in CDM plan submission and flexibility in program administration.

Supporting distributors in program coordination and delivery.

Giving customers more program choice along with streamlined oversight and administration.

Province-wide programs to be designed by Distributors, with support from IESO, through working groups. The membership of the working groups shall consist of IESO and distributor representatives.

FEEDBACK

Customers would like to see increased flexibility in programming (moving away from measure-level incentives towards whole building approaches), simplification of application processes, consideration of participant administrative costs, increased opportunities to provide feedback, and more appropriate allocation of risk to alleviate onerous program requirements.

LDCs expressed frustration with the lack of consistency and transparency in processes that support working groups (e.g., business case formats and approvals, decision making, etc.). LDCs and IESO find resourcing working group efforts challenging.

IESO expressed concern that program design process lacks customer feedback and effective stakeholdering.

OPPORTUNITIES

LDCs and IESO collaboratively develop long-term program vision and review processes, tools, templates, etc. Working groups are replaced with program-level groups focused on continuous program improvement or program re-design.

Program-level review of current rules and processes with the goal of more appropriate allocation of risk.

IESO-led formal stakeholder engagement process (customers, LDCs, third parties, gas utilities, etc.) to inform program design and other framework matters.

Eligible CDM technologies refreshed regularly and determined by criteria rather than Directive.

Under Development:
Discussions underway with IESO and LDCs to review current CFIC and working group structure

ALTERNATES

Current working group structure is maintained, focus on improving clarity of governance and decision making.

Only complete the planned replacement of iCON with CDM-IS (no other changes).

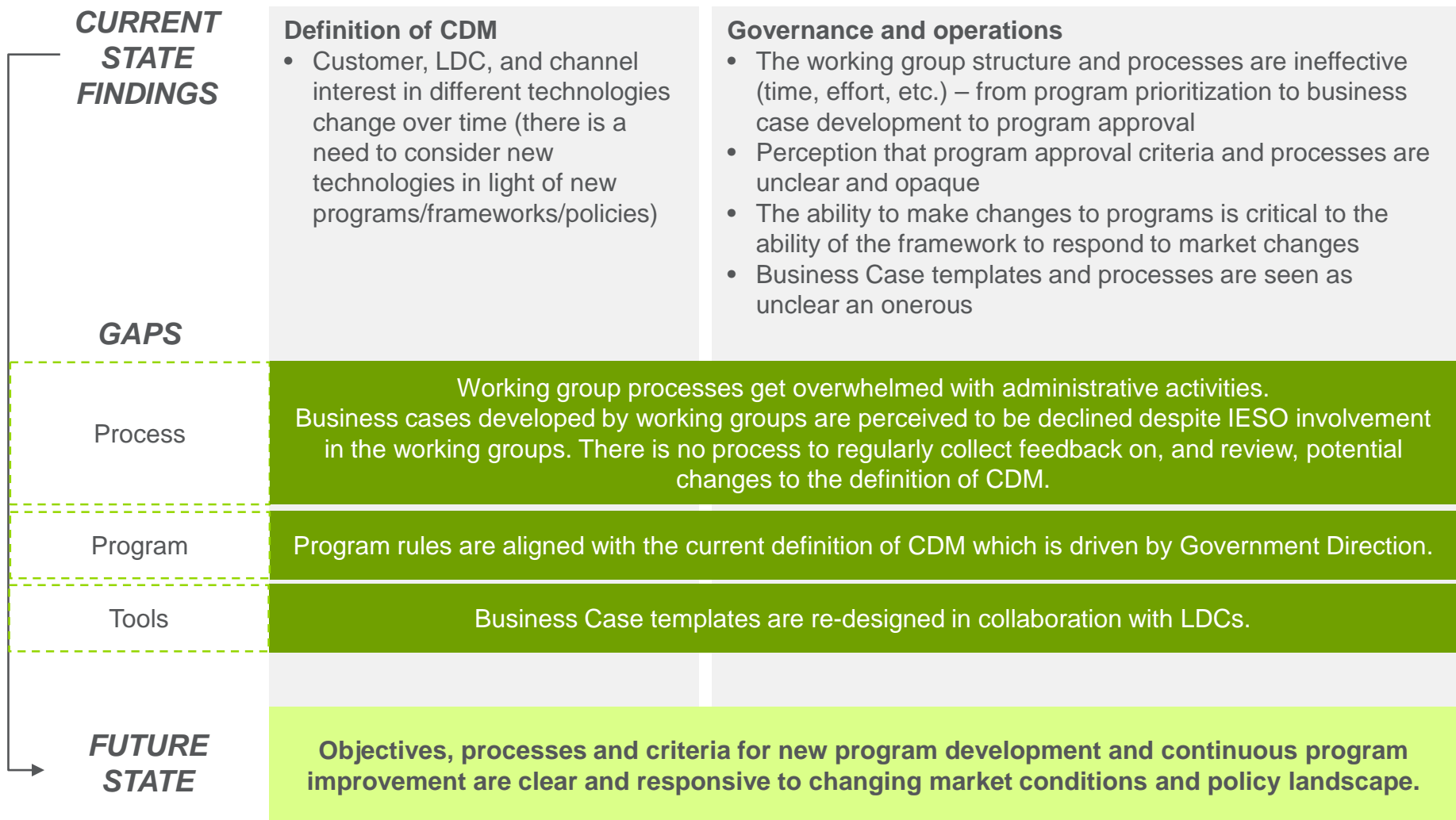
Stakeholder engagement undertaken by working groups on a regular basis.
Representative group of stakeholders coordinate stakeholder sessions.

Directives are refreshed annually based on stakeholder feedback.

PROGRAM RESPONSIVENESS AND FLEXIBILITY OPPORTUNITY PACKAGE CONT...

Some Other Considerations

- Governance of working groups and review of processes, roles and responsibilities, etc. (CFIC and IESO).
- Oversight and processes for centrally delivered programs and potential changes to eligible CDM approaches/technologies.



OBJECTIVES, PROCESSES AND CRITERIA FOR NEW PROGRAM DEVELOPMENT AND CONTINUOUS PROGRAM IMPROVEMENT ARE CLEAR

Opportunity:

IESO and LDCs to collaboratively develop:

- (1) longer-term province-wide program vision, revisited annually;
- (2) criteria for continuous program improvement / re-design with supporting templates, tools, and processes;
- (3) regular “program refresh” process

Current program Working Group functions split into two:

- (1) Focused continuous improvement of province-wide programs
- (2) Province-wide program re-design SWAT team

Details: collaboratively develop

Longer-term province-wide program vision

would set forth how each program should evolve over time (e.g., transition away from measure based incentives, integrating a more flexible performance component, etc.). Takes into account customer and channel feedback, market trends, barriers (market, technology, and policy), and relevant program and pilot experience and results.

Criteria

developed for both continuous program improvement (*changes to province-wide programs that are driven by either market feedback or EM&V findings and support the transition of the program to the longer-term vision*) and program re-design (*larger, more impactful changes to province-wide programs or transition of local/regional programs to province-wide programs*). Would include what IESO needs to see as part of the process and the format and depth of the deliverable, would take into account LDC and IESO administrative effort, would be developed with the goal of streamlining and expediting the process. Guidelines to develop or access tools needed (including resourcing) would be established.

Regular program refresh process

is established and would occur on an annual basis. The program refresh process would include a review of the annual schedule of continuous program improvement (i.e., initiated after the EM&V results are released), which programs will have re-design SWAT teams created and the criteria, templates, tools, and processes supporting the working groups. The goal of the review will be to reflect on the prior year and improve frictions and inefficiencies.

OBJECTIVES, PROCESSES AND CRITERIA FOR NEW PROGRAM DEVELOPMENT AND CONTINUOUS PROGRAM IMPROVEMENT ARE CLEAR

Details: split program working group functions

1. Continuous program improvement

Purpose:

- Standing committee at the program level intended to address annual changes informed by stakeholder feedback, EM&V process, and general program performance

Composition:

- 3 – 5 members, commitment for a defined term
- IESO member empowered to make decisions and speak on IESO's behalf
- LDC members represent the LDC community (nominated by LDCs)
- Gas utilities and greenON representatives as needed
- Option for external support, if required

Activities:

- Set annual schedule (driven by release of summer EM&V results)
- Integrates customer, LDC, IESO, and channel feedback obtained by IESO stakeholder processes
- Completes business case for continuous program improvement (as per collaboratively developed criteria and processes) for Q1 implementation

2. Program re-design SWAT team

Purpose:

- Focused team with defined purpose and term, established when major province-wide program re-design is required (defined annually as per established vision and priorities)

Composition:

- 3 – 5 members, commitment limited to the specific design process
- IESO member empowered to make decisions and speak on IESO's behalf
- LDC members represent the LDC community (nominated by LDCs)
- Gas utilities and greenON representatives as needed
- Option for external support, if required

Activities:

- Integrates customer, LDC, IESO, and channel feedback obtained by IESO stakeholder processes
- Submits a business case for program re-design as per collaboratively developed criteria and processes

OBJECTIVES, PROCESSES AND CRITERIA FOR NEW PROGRAM DEVELOPMENT AND CONTINUOUS PROGRAM IMPROVEMENT ARE CLEAR

Opportunity:

IESO and LDCs to collaboratively develop:

- (1) criteria for continuous program improvement / re-design with supporting templates, tools, and processes;
- (2) regular “program refresh” process
- (3) longer-term province-wide program vision, revisited annually.

Current program Working Group functions split into two:

- (1) Focused continuous improvement of province-wide programs
- (2) Province-wide program re-design SWAT team

How:

Framework Layers

Policy

- No changes required (program design will continue to occur through working groups with LDC participation and IESO support)

Process

- Review of existing processes, criteria, approvals, etc.
- Facilitation of the transition and selection of the two sets working groups

Tools

- Review and continuous improvement of supporting tools and processes
- May require development of new tools and templates (depending on the results of the review process)

Funding

- Continue to allocate funding (or re-open collaboration fund) to support the working group

OBJECTIVES, PROCESSES AND CRITERIA FOR NEW PROGRAM DEVELOPMENT AND CONTINUOUS PROGRAM IMPROVEMENT ARE CLEAR

Opportunity:

IESO and LDCs to collaboratively develop:

- (1) criteria for continuous program improvement / re-design with supporting templates, tools, and processes;
- (2) regular “program refresh” process
- (3) longer-term province-wide program vision, revisited annually.

Current program Working Group functions split into two:

- (1) Focused continuous improvement of province-wide programs
- (2) Province-wide program re-design SWAT team

Impact to Stakeholders:

Customers	If successful (i.e., working groups structures and processes are able to implement program changes), programs would continuously improve.
LDCs	Lower time commitment overall with working groups. Clear criteria, processes, and tools with a mechanism to review. Working groups have a more focused scope and, if successful, will reduce meeting times and frequency and increase the ability to execute on goals.
Channel partners	If successful (i.e., working groups structures and processes are able to implement program changes), programs would continuously improve.
IESO	If successful, lower working group costs (fewer members, fewer meetings), higher working group output (programs improve, feedback collected, criteria met). Effort required to articulate critical criteria. Decreased flexibility to modify criteria and processes within the year.

OBJECTIVES, PROCESSES AND CRITERIA FOR NEW PROGRAM DEVELOPMENT AND CONTINUOUS PROGRAM IMPROVEMENT ARE CLEAR

Alternate Opportunity 1

Working group structures exists as they are today. A collaborative review is undertaken to refresh:

- terms of reference (working groups roles are clear, purpose of meetings are clear).
- responsibilities of members (expectations are clearly articulated and enforced).
- designated resource to ensure working group meetings are conducted in accordance with the terms of reference and agreed upon responsibilities.
- Resourcing (determined and committed annually).
- decision-making (clearly articulated criteria, reviewed annually, consistent for an annual period, supported by templates and process documentation).

Impact to Stakeholders:

Customers	If successful (i.e., working groups structures and processes are able to implement program changes), programs would continuously improve.
LDCs	Clear criteria, processes, and tools with a mechanism to review. Working groups have a more focused scope and, if successful, will reduce meeting times and frequency and increase the ability to execute on goals.
Channel partners	If successful (i.e., working groups structures and processes are able to implement program changes), programs would continuously improve.
IESO	If successful, higher working group output (programs improve, criteria met). Effort required to go through collaborative review and make the necessary changes.

CFF FINDINGS – CUSTOMER-CENTRIC PROGRAMS, PROCESSES AND TOOLS

CURRENT STATE FINDINGS	Customer and market engagement and satisfaction <ul style="list-style-type: none"> Customer and market engagement and satisfaction is generally positive Satisfaction is increasing for most programs Customers expressed frustration in the administrative processes associated with programs (sometimes preventing participation based on a customer cost-benefit that includes administrative effort) 	Governance and operations <ul style="list-style-type: none"> Program tools (i.e., iCON) are a point of frustration for all stakeholders IESO is currently developing a replacement system for Retrofit program administration (LDC group established to provide input, customer and market feedback integrated into the process) Customers find the program administrative processes cumbersome and feel there is an inappropriate allocation of risk Customers would value flexibility in program rules
GAPS	Tools An effective, customer-centric tool to support program administration (application and tracking) is currently under development.	
Program	Program rules have not been reviewed with the perspective of the trade-offs between risk and efficiency and customer experience. The most appropriate party to bear to the risk has not been identified.	
FUTURE STATE	Program rules, administrative processes and supporting tools are designed to address customers' needs and controls for appropriate level of risk.	

4: FRAMEWORK OPPORTUNITIES » CONSERVATION FIRST FRAMEWORK (CFF)
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PROGRAM RULES, ADMINISTRATIVE PROCESSES AND SUPPORTING TOOLS ARE DESIGNED TO ADDRESS CUSTOMERS' NEEDS AND CONTROLS FOR APPROPRIATE LEVEL OF RISK

Opportunity: Programs and processes can be designed to specifically meet customer needs through a review that identifies and acts upon perceived areas of risk. The end result will be programs and processes that are streamlined to customers' needs. It will be identified which party is most appropriate to bear the risk for aspects of programs.

Details:

Review of program rules and processes at the program level

to identify the risks that the rules/processes are protecting against. IESO to be involved in developing an understanding of which party bears the real risk and will identify the impact and likelihood of each risk.

Customer, channel, and LDC feedback will be incorporated

to prioritize the impact of risk areas and help the IESO and LDCs settle on a future state for CFF programs and processes that is customer-centric. Ability to confirm that the risks are appropriately allocated.

How:

Framework Levels

Program

- Review program rules and processes

Process

- Working groups to determine appropriate resources at the program level to work closely with the IESO
- Customer and third party feedback to be integrated in the process

Impact to Stakeholders:

Customers

Contracts and rules will better reflect customer risks and, in theory, will be less restrictive and burdensome.

LDCs

Contracts and rules will better reflect LDC risks and, in theory, will be less restrictive and burdensome.

Channel partners

Contracts and rules will better reflect channel risks and, in theory, will be less restrictive and burdensome.

IESO

Will adjust its risk profile as an administrator of programs to more closely align with requirements of CFF. Significant internal effort to review and obtain approval and support from legal.

4: FRAMEWORK OPPORTUNITIES » CONSERVATION FIRST FRAMEWORK (CFF)
 Filed: August 31, 2018, EB-2018-0143, Exhibit I, Tab 1.0, Schedule 7.02, Attachment 1, Page 87 of 158

PROGRAM RULES, ADMINISTRATIVE PROCESSES AND SUPPORTING TOOLS ARE DESIGNED TO ADDRESS CUSTOMERS' NEEDS AND CONTROLS FOR APPROPRIATE LEVEL OF RISK

Alternate Opportunity 1

IESO to limit intervention to the update of iCON (CDM-IS) to continue, await market feedback before any further actions are undertaken.

Note: update to Retrofit application process currently underway through CDM-IS, LDCs, customers, and applicant reps are involved.

Impact to Stakeholders:

Customers

This opportunity only addresses one administrative process/tool, leaving multiple issues related to program rules unresolved.

LDCs

This opportunity only addresses one administrative process/tool, leaving multiple issues related to program rules, administrative processes and supporting tools unresolved. LDCs provided significant feedback through the Mid-term review process indicating frustrations with issues in addition to the iCON system.

Channel partners

This opportunity only addresses one administrative process/tool, leaving multiple issues related to program rules unresolved.

IESO

IESO capitalizes on work that is currently under way to address one of the major pain points stakeholders have indicated frustration with. Minimal incremental effort will be required, although problems with other processes, tools and risk areas in the program rules will not be addressed.

CFF FINDINGS – STAKEHOLDER PERSPECTIVES AND PROGRAM DESIGN

CURRENT STATE FINDINGS	Customer and market engagement and satisfaction <ul style="list-style-type: none"> Customers, LDCs, and channel partners value flexibility, continuity, and consistency Customers expressed frustration with current tools and administrative processes Many customers expressed interest in a more holistic approach to energy efficiency (moving away from incentives for technologies) Customers have diverse views on how programs should be structured in terms of administration and delivery Generally, multi-site customers prefer one point of contact for multi-site customers 	Governance and operations <ul style="list-style-type: none"> Customer and channel feedback is not formally integrated into the program design process
GAPS Process	There is no formal and regular process for customers and channel partners to provide feedback to working groups and inform program design.	
FUTURE STATE	Perspectives from customers, IESO, LDCs, and channel are regularly and effectively integrated into program design.	

PERSPECTIVES FROM CUSTOMERS, IESO, LDCS, AND CHANNEL ARE EFFECTIVELY INTEGRATED INTO PROGRAM DESIGN

Opportunity: A formal, IESO led stakeholder engagement for customers and channel partners is developed to formally enable these stakeholders to provide input into the program design process. Feedback from formal stakeholder feedback processes is systematically communicated back to the program working groups.

Details:		How:	
Formal avenue to provide input	facilitated by the IESO on a regular basis and open to all stakeholders. Structured by segment or sector, as appropriate. Conducted in addition to existing training and events. Daily and informal LDC engagement with customers should be inform this process	Framework Levels	Process <ul style="list-style-type: none">Develop formal process for customer and channel participation and communication of action taken to address feedback
Representative groups	must be chosen to reflect the diverse customer (residential, commercial and industrial) and channel make-up in the province.		Funding <ul style="list-style-type: none">Allocate funding (or re-open collaboration fund) to support the working group
Impact to Stakeholders:			
Customers	Customers have a formal avenue to provide feedback.		
LDCs	LDCs will be provided more insight into customer needs, and can integrate insights into program design and delivery. Additional communication channel to customers.		
Channel partners	Channel partners have a formal avenue to provide feedback.		
IESO	IESO can collect regular, multi-stakeholder feedback. Additional communication channel to customers and channel partners. Additional administrative effort.		

PERSPECTIVES FROM CUSTOMERS, IESO, LDCS, AND CHANNEL ARE EFFECTIVELY INTEGRATED INTO PROGRAM DESIGN

Alternate Opportunity 1

Committee consisting of IESO, LDCs, channel, customer, and gas utility representatives facilitate regular stakeholder events.

Impact to Stakeholders:

Customers	Customers have a formal avenue to provide feedback and can shape the topics and direction of the stakeholder sessions.
LDCs	LDCs will be provided more insight into customer needs, and can integrate insights into program design and delivery. Additional communication channel to customers.
Channel partners	Channel partners have a formal avenue to provide feedback and can shape the topics and direction of the stakeholder sessions.
IESO	IESO can collect regular, multi-stakeholder feedback. Additional communication channel to customers and channel partners.

Alternate Opportunity 2

Stakeholder engagement is formally required of each program/sector working group annually and/or as part of the business case approval process.

Impact to Stakeholders:

Customers	Customers will be solicited for feedback prior to changes in programs.
LDCs	Additional effort to conduct stakeholder engagement within the program working group process. Could result in a narrow focus to engagement.
Channel partners	Channel partners will be solicited for feedback prior to changes in programs.
IESO	Additional effort to review and approve structure and feedback from stakeholder engagement within the business case approval process. Could result in a narrow focus to engagement.

CFF FINDINGS – ELIGIBLE CDM TECHNOLOGIES AND APPROACHES

CURRENT STATE FINDINGS	Customer and market engagement and satisfaction	Definition of CDM	Climate change
	<ul style="list-style-type: none"> Customers expressed interest in seeing additional technologies supported through CDM (e.g., solar, district heating, etc.) 	<ul style="list-style-type: none"> Long Term Energy Plan: CHP no longer eligible, IFMC counts to targets, but not funded through CFF There is no consistent definition of CDM across the jurisdictions reviewed There is customer and third party interest in most CDM technologies considered as part of the current state summary review Most technologies considered align at least somewhat with policy objectives (customer choice, peak reduction, greenhouse gas reductions, etc.) and have both customer and system benefits 	<ul style="list-style-type: none"> Combined heat and power can have higher carbon emissions than grid-electricity in certain applications and periods during the year Fuel switching was seen as an opportunity (ensure electrification is most efficient), however, would not pass natural gas cost-effectiveness screens
GAPS	Policy (Direction) is not designed with a flexible definition of CDM.		
Process	Processes do not exist to screen and review eligible technologies (decisions are made via Government Direction).		
FUTURE STATE	Eligible CDM technologies are flexible to changing policies and market conditions.		

ELIGIBLE CDM TECHNOLOGIES ARE FLEXIBLE TO CHANGING POLICIES AND MARKET CONDITIONS

Opportunity: Criteria and principles are developed and communicated via government Direction to guide the review and decision-making surrounding eligible CDM technologies.

Note: LTEP has set the eligibility of in-front-of-the-meter conservation and Combined Heat and Power.

Details:

- Criteria and Principles**
- Cost-effectiveness (technology/ approach is TRC and PAC positive)
 - Non-duplication with other programs or funding sources (technology/ approach is not supported through another agency or another division in an agency)
 - Alignment with policy (i.e., technology/ approach results in a net reduction in GHGs, electricity use, etc.)
 - Demonstrated market need (customers and market are requesting support for a technology/ approach and participant cost test shows the technology/approach would not be implemented without an incentive)

Review and decision making

Eligible technologies are reviewed annually according to the criteria/principles above. Customers, third parties, or LDCs can submit technologies for inclusion or exclusion from the definition of CDM for IESO review. IESO to develop processes and process documentation to consistently complete the review. Ministry of Energy to review the proposed technologies.

How:

Framework Levels

Policy

- Update to policy to reflect principles and criteria rather than specific technologies

Tools

- Create guidelines and tools to facilitate the transparent consideration of CDM technologies

Program

- Updates to program rules and eligibility, communication to customers as technologies are added/removed

Process

- Review of efforts underway to support potential technologies for inclusion

ELIGIBLE CDM TECHNOLOGIES ARE FLEXIBLE TO CHANGING POLICIES AND MARKET CONDITIONS

Opportunity: Criteria and principles are developed and communicated via government Direction to guide the review and decision-making surrounding eligible CDM technologies.

Note: LTEP has set the eligibility of in-front-of-the-meter conservation and Combined Heat and Power.

Impact to Stakeholders:

Customers	Could create uncertainty on which technologies are included/not included. Ability to provide feedback and propose opportunities for technologies/approaches for inclusion/exclusion in the definition of CDM.
LDCs	Ability to provide feedback and propose opportunities for technologies/approaches for inclusion/exclusion in the definition of CDM. Could increase resources required to review potential technologies.
Channel partners	Could create uncertainty on which technologies are included/not included. Ability to provide feedback and propose opportunities for technologies/approaches for inclusion/exclusion in the definition of CDM.
IESO	Need to monitor compliance with principles and criteria, administrative effort to develop and communicate processes, need to coordinate and understand where other technologies are being promoted or will be promoted in the future to avoid duplication. Need to coordinate with Ministry of Energy.

ELIGIBLE CDM TECHNOLOGIES ARE FLEXIBLE TO CHANGING POLICIES AND MARKET CONDITIONS

Alternate Opportunity 1

Process to change specific technologies within Direction on a regular basis. Annually, a review is undertaken by either Ministry, IESO, or working groups to understand other policies and programs supporting certain technologies, whether there is a market need to support the technology, and/or whether it is cost-effective to support the technology under the CDM framework. Ministry updates eligible CDM technologies/ approaches annually.

Impact to Stakeholders:

Customers

Could create uncertainty on which technologies are included/not included. Ability to provide feedback on which technologies should be eligible.

LDCs

Could include additional efforts (and resources) to assess different technologies on a regular basis.

Channel partners

Could create uncertainty on which technologies are included/not included. Ability to provide feedback on which technologies should be eligible.

IESO

Need to monitor compliance with principles and criteria, administrative effort to develop guidelines and processes, need to coordinate and understand where other technologies are being promoted or will be promoted if the review is undertaken by the IESO or working groups.

CUSTOMER COVERAGE OPPORTUNITY MODULE

CUSTOMER COVERAGE OPPORTUNITY MODULE

POLICY

Improve the availability of province wide programs for customers.

IESO to deliver CDM province-wide programs in a distributor's licensed service area if a distributor does not do so.

FEEDBACK

Customers strongly supported consistent and continuous program availability (both within and beyond this framework).

LDCs expressed the desire to continue to offer CDM programs to customers believing their role could be increased (e.g., support GreenON programs, centrally delivered programs, etc.). LDCs expressed the need to better understand the reasons for LDCs opting out of province-wide programs.

Third parties commented that coverage and programs should be consistent across the province and that continuity is important for their customers.

OPPORTUNITIES

Adequate customer coverage by segment is explicitly defined and added as a requirement for LDCs and IESO.

LDCs work with IESO and/or LDC community to determine how best to maintain customer coverage.

The ability for LDCs to opt out of province-wide programs is removed.

ALTERNATES

Adequate customer coverage remains at the discretion of the IESO (based on historical participants and achievable potential study results).

IESO continues to act as back-stop, however, does not step in unless it is determined that there is a need for IESO intervention.

LDCs can either offer all province-wide programs or CDM delivery in their territory is auctioned off (to another LDC or third party).

Province-wide programs are reviewed and simplified to facilitate the ability of LDCs to offer all programs.

Additional Considerations

- How to define “adequate coverage” for each segment.
- Defining “core province-wide programs” vs. other “enabling” province-wide programs (e.g. Energy Managers, Audit Funding).
- Logistics and allocation of savings for LDCs delivering in other service territories.

CFF FINDINGS – DEFINING CUSTOMER COVERAGE

CURRENT STATE FINDINGS	Budgets, targets, cost-effectiveness <ul style="list-style-type: none"> Provincial coverage of province wide programs was seen as a priority Non-delivering LDCs that could deliver certain programs (e.g., customers are within their territory and program has reasonable provincial uptake) represent a small percentage of the target and most of the LDCs that have opted out of province-wide programs have justifications for doing so (e.g., small number of eligible customers and no interest) Customer segment coverage is driven by acquisition costs (budget constraints and targets, ECA parameters) The vast majority of customers across the province have access to all province-wide programs
GAPS Process, Program	There is no clear definition or criteria representing “adequate” customer coverage by segment. As such it is difficult to scope the problem.
Funding	Acquisition costs are lower for certain programs and sectors, which results in certain programs and sectors being favoured by LDCs as a portfolio cost management strategy.
FUTURE STATE	Adequate customer coverage by segment is defined.

ADEQUATE CUSTOMER COVERAGE BY SEGMENT IS DEFINED

Opportunity: Customer segments and adequate customer coverage are defined and communicated to LDCs. A list of acceptable exceptions are developed.

Details:

Customer segments

are defined (e.g., residential, small business, business).

Adequate customer coverage

is defined as one of the following options:

- \$ per customer (allocated budget)
- kWh per customer (program forecast)
- minimum target or budget threshold for each program/customer segment
- Proof of coverage (e.g., marketing materials, call centre time, staff time, etc.)

Options to be selected in collaboration with LDCs reflecting the cost of compliance and monitoring.

Monitoring Adequate customer coverage

is conducted through the CDM Plan review process to ensure forecasts reflect adequate customer coverage in all segments. Actuals are reviewed to ensure compliance.

Acceptable exceptions

are specified and include: insufficient customer base (e.g., less than a threshold of eligible customers), proof of outreach to eligible customers with no interest, inability to offer a program due to lack of local resources (e.g., appropriate contractors).

How:

Framework Levels

Process

- Option selection with IESO and LDCs
- Documentation communicating customer segments and adequate customer coverage are developed and released

Policy

- Add adequate customer coverage to all customer segments as a mandatory criteria for LDCs and IESO (for centrally delivered programs)

ADEQUATE CUSTOMER COVERAGE BY SEGMENT IS DEFINED

Opportunity: Customer segments and adequate customer coverage are defined and communicated to LDCs. A list of acceptable exceptions are developed.

Impact to Stakeholders:

Customers	Customer segments have sufficient access across the province.
LDCs	Have clear rules and criteria to determine whether or not they are compliant with desired policy. LDCs understand what is considered an acceptable reason to opt not to offer a province-wide program.
Channel partners	Minimal impact.
IESO	Can better monitor customer coverage and ensure compliance with government policy Direction. Reasons LDCs have opted out of offering a program are communicated and do not require IESO to act as a backstop (Note: ensuring customer coverage is also discussed as part of a later opportunity).

ADEQUATE CUSTOMER COVERAGE BY SEGMENT IS DEFINED

Alternate Opportunity 1	Impact to Stakeholders:
Adequate customer coverage remains at the discretion of the IESO (based on historical participants and achievable potential study results).	Customers Customer coverage is monitored by the IESO and could lead to sufficient access across the province. Low transparency in what it means to have adequate coverage.
	LDCs Lack of clarity on what it means to provide adequate coverage to customers. More challenging to comply with this requirement. Potential confusion if the definition changes. May lead to changes in portfolio planning depending on how the definition changes.
	Channel partners Minimal impact.
	IESO Can better shape and monitor customer coverage and ensure compliance with government policy Direction. IESO has discretion in changing the definition should policy or market conditions change. Low transparency in what it means to have adequate coverage.

CFF FINDINGS – ENABLING CUSTOMER COVERAGE THROUGHOUT THE FRAMEWORK

CURRENT STATE FINDINGS	Budgets, targets, cost-effectiveness <ul style="list-style-type: none"> • Small LDCs are expressing concern about remaining budget after implementing large projects • LDCs do not believe that target exchange is sufficient to deal with budget requirements • Target exchange with IAP was supported by LDCs as an option to tackle funding for large projects • IESO is currently responsible for acting as a back-stop for LDCs that opt out of delivering province-wide programs, which is to be funded from central services budget. • The central services budget is under strain due to program additions by government Direction (e.g., whole home, home assistance program, energy performance program) and higher than forecasted LDC performance incentives
GAPS	
Funding	Many LDCs have underspent budget that may not be required. The IAP program is also underspent. The central services budget is strained. There is currently no mechanism to re-allocate underspending before the end of the framework.
Process	Standard processes do not exist that would enable LDCs to either (a) access additional funding outside of the existing target exchange or (b) to reduce funding allocated to their LDC before the end of the framework.
FUTURE STATE	There are options available for LDCs to ensure adequate customer coverage of province-wide programs throughout the framework.*

4: FRAMEWORK OPPORTUNITIES » CONSERVATION FIRST FRAMEWORK (CFF)
 THERE ARE OPTIONS AVAILABLE FOR LDCs TO ENSURE ADEQUATE
 CUSTOMER COVERAGE OF PROVINCE-WIDE PROGRAMS THROUGHOUT THE
 FRAMEWORK

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Opportunity: Remove ability for LDCs to opt out of core province-wide programs with requirement to work with IESO and LDC community to determine an alternate delivery method.

Details:

Alternates to LDC opting out of programs	If LDC chooses not to deliver specific program due to lack of desire, capability, and/or resources – requirement to work with LDC peer or third party to deliver on LDCs’ behalf, enter joint plan and have partner deliver. If all other options are exhausted – IESO delivers specific program.
Requirements of LDC opting out	LDC opting out must provide customer information and applicable budget to delivering entity and forgo the ability to earn performance incentives on the savings achieved in their territory by the alternate delivering entity.

Framework Levels	Process	How: <ul style="list-style-type: none"> • Develop process to facilitate LDCs in finding best alternate delivery option • Update processes to enable IESO delivery if needed • Update ECA
	Funding	<ul style="list-style-type: none"> • Methodology and ECA structure to release LDC budget to delivering entity when LDC opts out of program
	Policy	<ul style="list-style-type: none"> • Modification in Minister direction to enable additional options prior to IESO delivery

THERE ARE OPTIONS AVAILABLE FOR LDCs TO ENSURE ADEQUATE CUSTOMER COVERAGE OF PROVINCE-WIDE PROGRAMS THROUGHOUT THE FRAMEWORK

Opportunity: Remove ability for LDCs to opt out of core province-wide programs with requirement to work with IESO and LDC community to determine an alternate delivery method.

Impact to Stakeholders:

Customers	Customer coverage is maintained, ensuring that CDM programming is available in all areas of the province.
LDCs	LDCs have the flexibility to take on more or less of a CDM requirement, with greater options available.
Channel partners	No impact.
IESO	IESO not required to take over delivery if an LDC opts out and can instead facilitate the most cost-effective option. Reduces strain on central services.

THERE ARE OPTIONS AVAILABLE FOR LDCs TO ENSURE ADEQUATE CUSTOMER COVERAGE OF PROVINCE-WIDE PROGRAMS THROUGHOUT THE FRAMEWORK

Alternate Opportunity 1

IESO continues to act as back-stop, however, does not step in unless it is determined that there is a need for IESO intervention.

Impact to Stakeholders:

Customers	Customer coverage continues to be maintained either by LDCs or the IESO.
LDCs	LDCs have the ability to opt out of certain programs under specific conditions.
Channel partners	Minimal impact.
IESO	IESO will be able to identify if programs are ineffective in certain regions and adjust accordingly. This process lays a significant amount of risk and responsibility on the IESO.

Alternate Opportunity 2

LDCs can either offer all province-wide programs or CDM delivery in their territory is auctioned off (to another LDC or third party).

Impact to Stakeholders:

Customers	Customer coverage should be maintained either by LDCs or third parties.
LDCs	Have the flexibility to opt out of CDM, but are forced into an all or none situation. Required to deliver customer information to new delivering party.
Channel partners	May have the ability to opt in to the delivery of CDM in the province.
IESO	IESO to oversee budget and target transfer and ensure customer coverage is maintained. Responsible for knowledge and data transfer between parties.

THERE ARE OPTIONS AVAILABLE FOR LDCs TO ENSURE ADEQUATE CUSTOMER COVERAGE OF PROVINCE-WIDE PROGRAMS THROUGHOUT THE FRAMEWORK

Alternate Opportunity 3

Province-wide coverage is simplified: Province wide programs are consolidated into a short list of core programs that drive the principles of the framework. Other programs with lower uptake or that are not functioning well are removed or grouped into a single, customized program.

Impact to Stakeholders:

Customers	The number of programs provided to customers will be reduced. However, the most impactful programs will still be available in their current form and a custom program will provide flexible CDM programming that maintains the programs with less uptake in the past.
LDCs	LDCs are permitted to reduce focus on low-impact programs without fear of retribution. LDC flexibility to offer CDM to a broad array of customers may be increased due to the custom program.
Channel partners	Channel partners will have to adapt to the updated program mix, focused approach will be simpler to manage.
IESO	IESO will be responsible for providing much of the back-end support for the initial determination of core programs, the development of the custom program and the ongoing administration of the delivery of the new program mix.

NEI OPPORTUNITY MODULE

NON-ENERGY IMPACTS OPPORTUNITY MODULE

POLICY

Accounting for non-energy benefits with a 15% adder applied to benefits in benefit-cost analyses performed on CDM programs.

FEEDBACK

Stakeholders supported the continued inclusion of non-energy impacts (NEI) in cost-benefit analyses.

LDCs cautioned a balance between level of effort in determining / maintaining NEIs and time to implementation, but were supportive.

Customers reinforced the importance of non-energy impacts and how they impact program participation (sometimes as important as incentives).

OPPORTUNITIES

IESO to review NEI categories to ensure a societal perspective. GHGs are integrated into revised avoided costs to be used for cost effectiveness calculations.

Under Development:

GHG avoided costs are currently being integrated into cost-effectiveness tool and to be released with updated avoided costs.

ALTERNATES

Include all NEIs within cost-benefit analyses (TRC).

Include only GHG benefits within cost-benefit analyses (TRC).

Additional Considerations

- Consideration of which NEIs are actual “societal” impacts that should be considered in cost-benefit analysis.
- Final NEI values can be released as part of updated avoided costs estimates used in cost effectiveness screening planned in 2018 as part of Long Term Energy Plan (LTEP).

CFF FINDINGS – COST EFFECTIVENESS TESTS AND NON-ENERGY IMPACTS

CURRENT STATE FINDINGS	Climate change <ul style="list-style-type: none"> Current CFF metrics do not align with climate objectives IESO has begun to track GHG metrics through the EM&V process 	Non-energy impacts <ul style="list-style-type: none"> A comprehensive review of non-energy impacts (NEIs) found that the 15 percent adder is reasonable The review indicated it reasonable to capture GHG benefits through an avoided cost mechanism (expected to be available in 2018) There are customer considerations (non-energy impacts) that are not captured in existing tools NEIs can be integrated at the measure level for some NEIs and at the portfolio/program level for others
GAPS	Metrics that align CFF and Climate Change objectives have not yet been widely communicated. Greenhouse gas emissions are not always tracked as part of CFF programs.	
Program, Process	Tools	
Tools	Policy	
Policy	Government direction currently includes the 15 percent adder at the portfolio TRC level only. NEIs have not been documented to determine if they are appropriately included in each of the cost tests.	
FUTURE STATE	Cost effectiveness tests, and corresponding tools, consider avoided greenhouse gas costs and appropriate NEIs.	

4: FRAMEWORK OPPORTUNITIES » CONSERVATION FIRST FRAMEWORK (CFF)
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COST EFFECTIVENESS TESTS AND CORRESPONDING TOOLS CONSIDER AVOIDED GREENHOUSE GAS COSTS AND APPROPRIATE NEI, GHG METRICS ARE TRACKED

Opportunity: IESO to review the categories of NEIs with the cost-effectiveness guidelines in mind to determine where the components of NEIs can best be integrated. The goal will be to ensure that the inclusion of the components of NEIs truly make sense from a societal perspective or whether the NEI is more appropriate to include in a participant cost test for program design purposes (i.e., should society be paying for increased comfort in a private home). GHG metrics tracked and communicated.

Details:	
NEI Categories	There were several NEI categories included in the NEI study and detail is provided in DNV-GL’s report to support the quantification of each category. The IESO’s review would consist of reviewing the categories against the intention and perspective of each cost-effectiveness test to ensure the inclusion of all NEIs is appropriate.
Principles of TRC	Societal view: benefits consider avoided energy costs and avoided capacity costs associated with the electricity system, avoided natural gas use (or increase in natural gas use, avoided water use (or increase in water use), and non-energy benefits which are not explicitly defined in the cost effectiveness guide.
Examples of considerations for inclusion	Should society be paying for increased comfort in a private home, do reductions in O&M flow to customers through price reductions or does this translate to increased profits.

How:	
Framework Levels	<div>Process</div> <ul style="list-style-type: none"> Review must be completed of NEIs against cost-effectiveness guidelines IESO to continue to track and begin to communicate GHG metrics
	<div>Policy</div> <ul style="list-style-type: none"> Direction would need to be changed from the 15 percent adder on TRC to a metric that better captures non-energy impacts
	<div>Tools</div> <ul style="list-style-type: none"> Updates to cost-effectiveness to and guide reflect decision
	<div>Program</div> <ul style="list-style-type: none"> Review of re-submitted programs that are cost-effective with the updated NEIs may be required

COST EFFECTIVENESS TESTS, AND CORRESPONDING TOOLS, CONSIDER AVOIDED GREENHOUSE GAS COSTS AND APPROPRIATE NEIS

Opportunity: IESO to review the categories of NEIs with the cost-effectiveness guidelines in mind to determine where the components of NEIs can best be integrated. The goal will be to ensure that the inclusion of the components of NEIs truly make sense from a societal perspective or whether the NEI is more appropriate to include in a participant cost test for program design purposes (i.e., should society be paying for increased comfort in a private home). GHG metrics tracked and communicated

Impact to Stakeholders:

Customers	Customers' non-energy impacts may be captured in participant cost tests which could result in different measures or program structures if the impacts are accurately captured.
LDCs	LDCs that are marginally cost-effective may become cost-effective as a result of NEIs. LDCs may need to review and re-submit business cases previously rejected due to TRC. Tracking avoided GHG emissions assists in understanding how electric CDM could be integrated into a climate framework.
Channel partners	Changes to NEIs will impact program cost-effectiveness, which would impact program uptake and therefore impact channel partners.
IESO	May need to review re-submitted business cases previously rejected due to TRC. Assessment of the impact of avoided GHG emissions could help better understand alignment between CFF and climate change policy. Effort required to complete the review of NEIs and update guides and tools. Tracking avoided GHG emissions assists in understanding how electric CDM could be integrated into a climate framework.

COST EFFECTIVENESS TESTS, AND CORRESPONDING TOOLS, CONSIDER AVOIDED GREENHOUSE GAS COSTS AND APPROPRIATE NEIS

Alternate Opportunity 1

Include all NEIs in the adder

Impact to Stakeholders:

Customers	Incentives will reflect all benefits of project, including those that do not benefit society as a whole.
LDCs	Cost-effectiveness may increase significantly.
Channel partners	Minimal.
IESO	IESO must mitigate the risk of assessing project benefits on aspects that do not typically give a benefit to Ontario society.

Alternate Opportunity 2

Include only GHGs in the adder

Impact to Stakeholders:

Customers	Incentives will not reflect all benefits of project and may be less likely to get projects funded.
LDCs	Cost-effectiveness may decrease significantly and projects that would otherwise be funded will not be.
Channel partners	Minimal.
IESO	Adder does not include all societal benefits and IESO must mitigate the risk of leaving GHGs out.

INTEGRATION & COLLABORATION OPPORTUNITY MODULE

INTEGRATION & COLLABORATION OPPORTUNITY MODULE

POLICY

Requiring distributors to coordinate and integrate their CDM programs (including their low-income programs) with Gas DSM programs where appropriate.

IESO to design, fund and deliver two centrally-delivered CDM programs, including in coordination with gas distributors: a pay-for-performance Multi-Distributor program as well as a province-wide whole-home residential CDM pilot program.

Promoting the development of regional CDM plans aggregating individual distributors' CDM targets.

FEEDBACK

Customers are interested in an integrated, whole building energy management approach. Customers highlighted differences in experience participating in electricity and gas programs. Customers highlighted inconsistency in programs across LDC territories.

Third parties expressed frustration with differing experiences across LDCs.

LDCs expressed their interest and unique position to provide an integrated approach to customers. LDCs cautioned that a metric-based approach to collaboration could be an administrative burden.

OPPORTUNITIES

IESO and OEB to develop guidelines to communicate how certain framework aspects (e.g., attribution, funding, evaluation, etc.) will be treated when multiple fuels are involved.

Efforts to improve the integration of CDM in distribution planning and regional planning are underway by IESO and OEB as part of the LTEP directives. No further action required as part of the CFF.

The value of collaboration is qualitatively communicated.

Under Development: IESO and Ministries discussing attribution issues as they arise (e.g., GreenON programs crossing fuels).

ALTERNATES

Stronger requirements to collaborate. Cross-fuel collaboration requirement to access Collaboration Fund (IESO released guidelines early January 2018).

Development and use of regional avoided costs or other metrics to screen local/regional programs for cost-effectiveness (and approval).

Metrics developed to quantify and track customer convenience and cost-efficiencies gained from collaboration.

Incentives are developed to incent the desired outcomes of collaboration.

Additional Considerations

- Interest from all parties in promoting and incenting collaboration.
- Inter-ministry policy direction required to enable true integration across fuels.
- Current direction does not enable OEB or IESO to incent or penalize collaboration .

CFF FINDINGS – INTEGRATED CUSTOMER EXPERIENCE

CURRENT STATE FINDINGS	Definition of CDM	Collaboration	Climate change
	<ul style="list-style-type: none"> Policy alignment needs to come from the Ministry level 	<ul style="list-style-type: none"> Collaboration between natural gas and electric utilities to design/co-deliver programs or pilots is limited Some demonstration of collaboration between gas and electric (e.g., one pilot program, joint events – Energy into Action) 	<ul style="list-style-type: none"> Customers confused by access to multiple programs Collaboration at Ministry level is important Opportunities to merge CDM & climate objectives Duplication of programs is a concern All stakeholders agree that some degree of integration with climate policy needs to occur in the short term (exactly what was not determined) LDCs believe they could be an efficient delivery route to customers for climate initiatives
GAPS	Policy		
	There have been minimal government direction to specifically integrate CDM and climate objectives.		
GAPS	Process, Programs, Tools, Funding		
	Processes, programs, tools and funding differ across each of the frameworks.		
FUTURE STATE			
	Customers experience an integrated approach to energy management (electricity, gas, water, and climate).		

CUSTOMERS EXPERIENCE AN INTEGRATED APPROACH TO ENERGY MANAGEMENT (ELECTRICITY, GAS, WATER, AND CLIMATE)

Opportunity: IESO and OEB to develop guidelines to communicate how certain framework aspects (e.g., attribution, funding, evaluation, etc.) will be treated when multiple fuels are involved.

Details:

IESO and OEB develop guidelines

that identify and begin to remove the barriers to natural gas and electricity collaboration (e.g., EM&V frameworks, funding, savings attribution, etc.). Clear guidelines are developed for LDCs and gas utilities rather than tackling issues on a one-off basis. Learnings from past collaboration guidelines and case studies from the natural gas DSM and CFF frameworks should be leveraged.

Alignment of frameworks and programs

is enabled through Ministerial direction and further collaboration between stakeholders (DSM, CDM, and GreenON). Program level review to understand where an integrated approach makes sense. Identification of barriers (such as energy managers trained to identify natural gas, electricity, and GHG efficiency opportunities).

Framework Levels

How:

Policy/ Funding

- Directive to support initial steps to integrate across frameworks
- Determine savings/cost allocation process

Process

- Develop OEB/IESO guidelines

Program

- Review current programs for areas of overlap

CUSTOMERS EXPERIENCE AN INTEGRATED APPROACH TO ENERGY MANAGEMENT (ELECTRICITY, GAS, WATER, AND CLIMATE)

Opportunity: in the short term, the IESO and OEB develop guidelines to better enable gas DSM and electric CDM collaboration and efforts begin to align certain aspects of the CDM and DSM frameworks.

Impact to Stakeholders:	
Customers	Begin to benefit from less confusion in the market, ultimately leading to less administrative processes when accessing programs that affect multiple fuels, obtaining information and expertise on both fuels (without having multiple visits from experts, evaluators, assessors, etc.). Approach is aligned with how customers view their energy management.
LDCs	Increased coordination, understanding, and collaboration required.
Channel partners	Must understand multiple fuels and/or collaborate more with other entities, additional effort initially to understand multiple frameworks and programs, additional opportunity with customers (potentially larger projects). Effort required to provide input into the integration process.
IESO	Shared administrative costs for review of programs, processes, and administration. Requires increased need for collaboration across agencies.

CUSTOMERS EXPERIENCE AN INTEGRATED APPROACH TO ENERGY MANAGEMENT (ELECTRICITY, GAS, WATER, AND CLIMATE)

Alternate Opportunity 1

Stronger requirements to collaborate across fuels with clear criteria. Program business cases that do not feature cross-fuel collaboration, but could, will not be approved. Set up a collaboration best-practice forum, celebrate successes, and prioritize funding to gas and electricity collaboration (e.g. through the collaboration fund).

Impact to Stakeholders:

Customers	Provided more access to integrated natural gas and electricity conservation programs.
LDCs	LDCs will face more collaboration requirements that will require time and resources. LDCs will face the burden to demonstrate justification for non-collaboration, which may result in penalization.
Channel partners	Channel partners will more often participate in integrated natural gas and electricity conservation programs.
IESO	Required to coordinate with OEB and natural gas utilities as well as provide the resources to evaluate/support conservation opportunities and penalize LDCs for non compliance.

CFF FINDINGS – THE ROLE OF CDM IN REGIONAL PLANNING

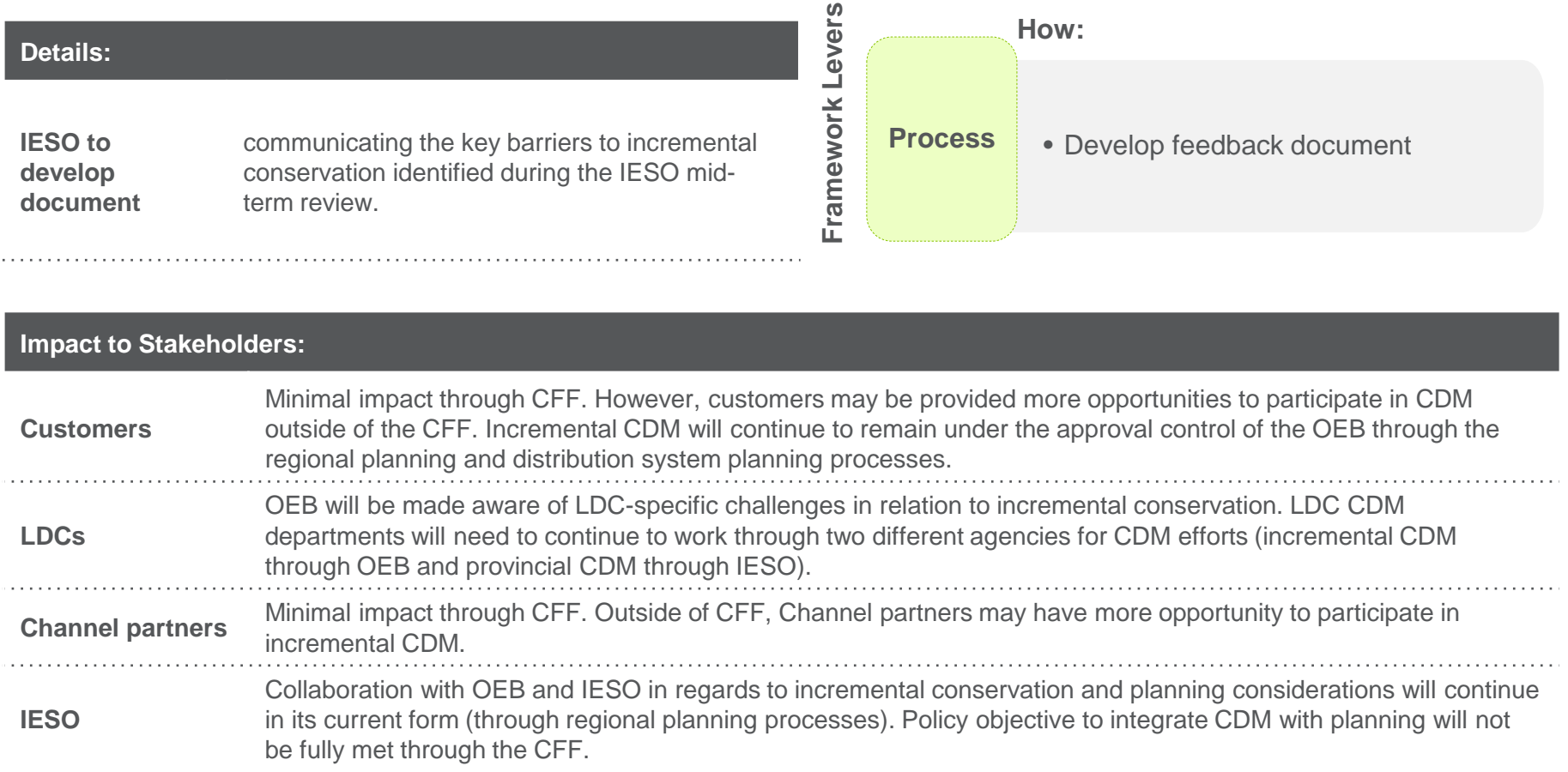
CURRENT STATE FINDINGS	Planning integration <ul style="list-style-type: none"> Provincial CDM is integrated into all planning processes (bulk system, regional and distribution system) to inform accurate forecasts Incremental CDM is considered through the regional planning process Minimal incremental CDM has actually been implemented through the regional planning process (e.g. only 1 LDC has gotten approval for an incremental CDM project) LDC business models are misaligned with incremental CDM drivers IESO-supported local achievable potential studies are supporting the case for incremental CDM
GAPS	
Policy	LDCs do not have CFF targets that are aligned with planning objectives. Incremental CDM is not counted towards CFF targets.
Process	The timing of planning is often insufficient to adequately consider incremental conservation.
Tools	LDCs feel that they do not have the information available to carry out incremental conservation (e.g., local achievable potential studies).
FUTURE STATE	CDM continues to be integrated into regional planning, and processes continue to be refined to better consider incremental CDM.

4: FRAMEWORK OPPORTUNITIES » CONSERVATION FIRST FRAMEWORK (CFF)

Filed: August 31, 2018, EB-2018-0143, Exhibit 1, Tab 1.0, Schedule 7.02, Attachment 1, Page 119 of 158

PROVINCIAL CDM CONTINUES TO BE INTEGRATED INTO REGIONAL PLANNING, AND PROCESSES CONTINUE TO BE REFINED TO BETTER CONSIDER INCREMENTAL CDM

Opportunity: Efforts to improve the integration of CDM in distribution planning and regional planning are underway by IESO and OEB as part of the LTEP directives. No further action required as part of the CFF.



Alternate Opportunity 1

Development and use regional avoided costs or other metrics to screen local/regional programs for cost-effectiveness (and approval).

Impact to Stakeholders:

Customers	Programs that maximize regional avoided costs will be emphasized.
LDCs	Specific LDCs that operate in constrained regions will benefit. LDCs in unconstrained regions will be less likely to gain approval for a local/regional program.
Channel partners	Minimal impact.
IESO	A formal methodology to assess avoided costs must be integrated into the local/regional program assessment process.

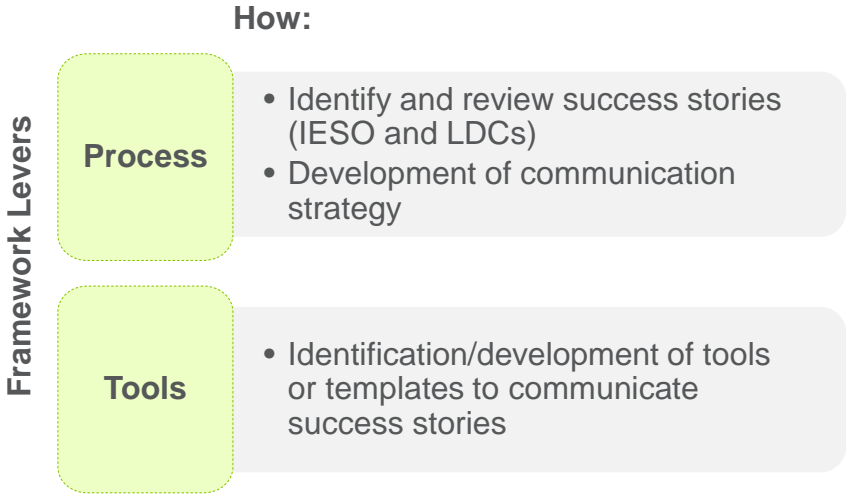
CFF FINDINGS – COLLABORATION AND SUCCESS STORIES

CURRENT STATE FINDINGS	Collaboration <ul style="list-style-type: none"> • Collaboration amongst LDCs is occurring both with and without IESO funding support, but this is not tracked or communicated • A reporting regime to quantitatively track collaboration in terms of cost efficiency and customer convenience does not exist today, this approach is not desired by LDCs • There are positive examples of collaboration that can be captured qualitatively
GAPS	
Process	There is no formal structure/process to assess collaboration and communicate to stakeholders.
Program	There is limited collaboration between gas and electric utilities on delivery.
FUTURE STATE	The province is aware of the successful outcomes of CDM in the province, including successful outcomes of collaboration.

THE PROVINCE IS AWARE OF THE SUCCESSFUL OUTCOMES OF CDM IN THE PROVINCE, INCLUDING SUCCESSFUL OUTCOMES OF COLLABORATION

Opportunity: There is a great opportunity to share framework success stories with stakeholders and the general public. This will provide evidence of the success of CDM and may garner continued support for conservation in the province.

Details:	
IESO and LDCs to identify the positive areas of the framework	beyond customer case studies and develop a process to regularly capture these success stories for communication (can be qualitative or quantitative).
Results published	on IESO and LDC websites, and other modes of communication to share these success stories with stakeholders.
A best practice strategy for communicating successes	is developed to provide consistent communication of the positive outcomes of CDM to the general public.



THE PROVINCE IS AWARE OF THE SUCCESSFUL OUTCOMES OF CDM IN THE PROVINCE, INCLUDING SUCCESSFUL OUTCOMES OF COLLABORATION.

Opportunity: There is a great opportunity to share framework success stories with stakeholders and the general public. This will provide evidence of the success of CDM and may garner continued support for conservation in the province.

Impact to Stakeholders:	
Customers	Customers will be provided more insight into the outcomes of CDM. Success stories may facilitate their participation in programs, in particular may increase interest in collaboration between fuels.
LDCs	Proof of LDC accomplishments will be provided to a broad array of stakeholders, which may improve program participation. Collaboration among LDCs and between LDCs and natural gas utilities may increase.
Channel partners	Success stories of channel partners can also be highlighted through this opportunity, which could help grow their brand.
IESO	Proof of IESO accomplishments will be provided to a broad array of stakeholders. Collaboration among LDCs and between LDCs and natural gas utilities may increase. This may increase CFF delivery efficiencies and help the IESO support integration between frameworks.

THE PROVINCE IS AWARE OF THE SUCCESSFUL OUTCOMES OF CDM IN THE PROVINCE, INCLUDING SUCCESSFUL OUTCOMES OF COLLABORATION

Alternate Opportunity 1

Develop metrics to track cost efficiencies resulting from IESO funded collaboration and require those that access the funding to track and report on achievement.

Impact to Stakeholders:

Customers	May result in ease of access to an increased amount of collaborative programs (with more qualitative support to continue funding collaboration).
LDCs	LDCs will be required to take on incremental requirements to prove collaboration achievement. It is unclear whether cost efficiencies and improved delivery will improve as a result from the information gained from this process.
Channel partners	Channel partners would benefit from access to this information by being able to target their activities more effectively.
IESO	IESO will need to develop metrics, tracking infrastructure, and criteria and assess LDC achievement (with potential coordination with OEB and gas utilities).

Alternate Opportunity 2

Incentives within future frameworks should be simple and measurement criteria should focus solely on the desired outcome. E.g., if there were an incentive for filing a joint plan, the criteria would include no other requirements beyond simply filing a joint plan with IESO.

Impact to Stakeholders:

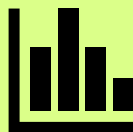
Customers	Potential for framework criteria to align more closely with needs. Minimal impact in this framework.
LDCs	It will be easier for LDCs to target efforts toward achieving specific metrics.
Channel partners	Minimal impact.
IESO	IESO will be responsible for developing the criteria, and administering the updated incentive process. It will be a difficult task to develop specific criteria with policy considerations and may involve OEB and Ministry coordination.

SECTION 4-III: FRAMEWORK OPPORTUNITIES

INDUSTRIAL ACCELERATOR PROGRAM (IAP)

- I. **IAP - Current State Key Findings**
- II. IAP – 2018-2020 Opportunities

NAVIGANT HAS IDENTIFIED FIVE KEY CURRENT STATE FINDINGS RELATED TO THE INDUSTRIAL ACCELERATOR PROGRAM (IAP)



Framework is under performing

- Annual forecasts are not being met by in-service projects, when including pipeline and committed projects, progress is closer to forecast
- Uncertainty in final target achievement due to nature of projects and static customer base
- Strong cost management with high cost effectiveness, however, little consideration to overall cost reduction



Account management structure is effective

- Account management structure received positive feedback from customers



Framework does not contain sufficient flexibility

- Customers expressed that the programs lack flexibility and focus is more on process rather than outcomes
- Customers expressed frustration on processes that support the program
- Customers are unclear how and whether their feedback is being integrated into programs



IAP and CFF are held to different standards

- Similar challenges with flexibility, customer-centric processes and contracts, visibility into performance exist within both frameworks
- The level of reporting and oversight varies between the two frameworks due to delivery mechanism



Landscape has shifted from when the framework was implemented

- Climate change policy was implemented within the current framework with no adjustments made to reflect its impact
- Customers are interested in an integrated approach to energy management (electricity, gas, water, climate)

CURRENT STATE: KEY FINDINGS BY TOPIC

Customer and market engagement and satisfaction	Most of eligible customers have participated in IAP, and familiarity with the program is high. One third of IAP customers have IESO funded energy managers. Customer experience with account managers is excellent, but participants indicated a desire for more flexibility (in criteria and process). Overall satisfaction of the IAP is high, but is lower than LDC-delivered industrial programs. Some IAP participants do not feel that their feedback is heard and acted upon.
Definition of CDM	There is support for expanding the definition of CDM to a broader set of technologies. There are interactions with climate change policy. LTEP has stated that CHP will no longer be eligible as CDM (July 2018).
Collaboration	Although collaboration between the IAP and natural gas programs currently occurs, many IAP participants would like energy efficiency to be a one-stop shop for carbon, gas and electricity.
Planning integration	
Governance and operations	The current framework is seen by IAP participants as an improvement over the prior framework, but there is a strong desire for more flexibility in the structure and processes of the IAP. The IAP application process is perceived by many participants as time consuming, and satisfaction with this process is low. Measurement and verification is seen as time consuming and onerous to IAP participants, and IAP operations, processes and decisions are not perceived to be data-driven. IAP administrative costs are low relative to CFF.
Climate change	There is overlap between the IAP and Ontario Climate policy, but the IAP does not currently have specific GHG-reduction targets.
Budgets, targets, cost effectiveness	The IAP is forecasted to be under-budget, and savings are forecasted to be under target. IAP cost effectiveness results are above targets and show signs of improvement. IAP forecasts do not provide all required information to enable full program visibility. IESO believes that the full 1.7 TWh IAP target may not be met.

MINISTERIAL DIRECTION TO IESO INCLUDED A REQUIREMENT FOR A MID-TERM REVIEW OF THE CONSERVATION FRAMEWORK

The July 2014 ministerial direction to the IESO for the Industrial Accelerator Program included the requirement to complete a mid-term review that meets the following objectives:

IAP Mid-term Review Objectives	Mid-term Review Findings
The 1.7 TWh and overall budget for achieving that target	The 1.7 TWh will likely not be achieved. IAP will likely not require the full allocated budget, in part due to the highly cost-effective projects that have materialized.
Lessons learned with respect to financing mechanisms	Financing mechanisms are currently not in place, but customers have been engaged on the topic, and have been using third party financing for projects.
IAP performance	Performance is below expectations due to longer than expected lead time for projects. IESO is currently undergoing a reforecasting exercise for IAP. Customers are supportive of the account manager delivery structure and happy with the program. Customers have suggested improvements in the program administration (simplify), program flexibility (increase flexibility), and integration (more integrated approach to energy management).

SECTION 4-III: FRAMEWORK OPPORTUNITIES

INDUSTRIAL ACCELERATOR PROGRAM (IAP)

- I. IAP - Current State Key Findings
- II. IAP – 2018-2020 Opportunities

SHORT-TERM FUTURE STATE: 2018 – 2020 KEY FEATURES AND ACTIONS

Customer and market engagement and satisfaction	<ul style="list-style-type: none"> • The IAP maintains strong account management, and program satisfaction and participation continues to increase. • Customer feedback is collected, analyzed and is a central driver to program changes.
Definition of CDM	<ul style="list-style-type: none"> • The definition of CDM considers technologies promoted by GreenON and avoids customer confusion. • Definition of CDM is regularly reviewed in light of policy changes as part of the program design and re-design processes.
Collaboration	<ul style="list-style-type: none"> • Collaborative activities between gas DSM and the IAP continue. • The transition towards an integrated experience for customers has begun.
Planning integration	
Governance and operations	<ul style="list-style-type: none"> • Program flexibility (process and criteria) is increased and aligned with customer expectations.
Climate change	<ul style="list-style-type: none"> • GHG emissions from IAP programs are tracked. • Overlap between IAP and Climate programs are assessed and investigated for integration.
Budgets, targets, cost effectiveness	<ul style="list-style-type: none"> • IAP forecasts will be improved to provide more insight into projected program achievement. • A realistic target and budget will be set for the IAP given the achievable potential and barriers inherent with the program.

TARGETS AND BUDGETS OPPORTUNITY MODULE

TARGETS AND BUDGETS OPPORTUNITY MODULE

POLICY

Establishing a budget to achieve targeted 1.7 TWh of savings through the Industrial Accelerator Program by 2020.

Evaluating achievement of electricity savings through Industrial Accelerator Program on an annual incremental basis.

Allow transmission-connected customers with distribution connected sites to be administered through IAP with savings counting towards LDCs CDM targets.

FEEDBACK

Customers expressed concern about customer coverage of IAP if budget and target is transferred to CFF.

OPPORTUNITIES

IAP forecast to be adjusted to reflect expectations for the balance of the framework.

Excess target and budget to be transferred to CFF and IESO will ensure customer coverage is maintained and ability to retain some flexibility to attract larger projects currently under consideration by IAP customers.

Under Development:

IESO has initiated re-forecasting of IAP and reviewing potential opportunity to transfer budget and target from IAP to CFF.

ALTERNATES

Target and budget is maintained, but extended to a timeline that is more realistic given current program participation projections.

Savings from grid-connected customers funded through IAP count towards IAP targets.

Additional Considerations

- Oversight of IAP performance and processes.
- Longer-term policy and vision for programs targeted to transmission-connected customers.
- Policy for those large projects that may not be completed within existing framework.

IAP FINDINGS – IMPROVED PROGRAM ACHIEVEMENT

CURRENT STATE FINDINGS	Budgets, targets, cost-effectiveness <ul style="list-style-type: none"> • The IAP is forecasted to be under-budget • IAP savings are forecasted to be under target • IAP cost effectiveness results are above targets and show signs of improvement • IAP forecasts do not provide all required information to enable full program visibility • IESO believes that the full 1.7 TWh IAP target may not be met • Other programs are believed to have impacted IAP participation (primarily Industrial Conservation Initiative and Cap and Trade)
GAPS	
Program	IAP programs have long lead times. IAP faces competition for participation from the Industrial Conservation Initiative and other framework programs.
Process	Processes are perceived to be inefficient relative to gas and other frameworks. Internal IAP forecasts have limited effectiveness, primarily due to high project uncertainty.
Program, Policy	The IAP target is not based on an IAP-specific potential study.
FUTURE STATE	IAP target is adjusted to reflect IESO program expectations and cost-effectiveness is maintained or improved .

IAP TARGET IS ADJUSTED TO REFLECT IESO PROGRAM EXPECTATIONS AND COST-EFFECTIVENESS IS MAINTAINED OR IMPROVED

Opportunity: The IAP target was assessed and determined to be unlikely to be attained given past performance. The IAP forecast to be adjusted to more accurately reflect realistic expectations for the framework. Excess target and budget to be transferred to CFF and ensure customer coverage is maintained and ability to retain some flexibility to attract larger projects currently under consideration by IAP customers.

Details:

Assess updated forecast against APS

to determine if the updated forecast is resulting in any impacts to customer coverage.

Review IAP processes for cost efficiencies

to identify opportunities to reduce administration costs and acquisition costs.

Update the IAP forecast

based on the results of the target analysis and cost-efficiency exercises.

Framework Levels

How:

Process

- Review cost efficiencies
- Update IAP forecast

Program

- Update programs/rules as a result of APS

Policy

- Update to IAP target in Direction, transfer to CFF

Impact to Stakeholders:

Customers

Change in program administration as a result of cost-efficiency exercises, potential for reduced customer coverage and cap on program.

Channel partners

May be impacted by change in programs.

IESO

Effort to review of cost-effectiveness and re-forecast IAP. Possible streamlined processes and reduced administrative requirements as a result of the reviews. Need to monitor cost-effectiveness across both frameworks.

Ministry of Energy

Requirement to review request to alter IAP budget and target.

IAP TARGET IS ADJUSTED TO REFLECT IESO PROGRAM EXPECTATIONS AND COST-EFFECTIVENESS IS MAINTAINED OR IMPROVED

Alternate Opportunity 1

Target and budget is maintained, but extended to a timeline that is more realistic given current program participation projections.

Impact to Stakeholders:

Customers	Longer term funding commitment and program availability.
Channel partners	Longer term funding commitment and program availability.
IESO	Committed funding for the program and program infrastructure maintained over a longer term.
Ministry of Energy	Funding remains allocated to the customer class initially contemplated.

Alternate Opportunity 2

Savings from grid-connected customers funded through IAP count towards IAP targets.

Impact to Stakeholders:

Customers	No impact.
Channel partners	No impact.
IESO	Would result in increased progress to IAP targets. Need to update tracking mechanisms to reflect updated savings allocation policy. Communication to LDCs (these projects would no longer count towards LDC targets).
Ministry of Energy	Revision to Directive required to change attribution of savings.

PROGRAM RESPONSIVENESS, INTEGRATION, AND FLEXIBILITY OPPORTUNITY MODULE

PROGRAM RESPONSIVENESS, INTEGRATION, AND FLEXIBILITY OPPORTUNITY MODULE

POLICY

Reviewing the Industrial Accelerator Program's financing mechanisms.

Streamlining and simplifying the IAP's administration.

Making the Industrial Accelerator Program available to new and existing grid-connected customers.

Establishing a pay-for-performance pilot program for customers that are eligible for the IAP.

Coordinating and integrating the IAP with natural gas distributor conservation programs, where appropriate.

FEEDBACK

Customers are happy with the account management structure, but desire more flexibility in projects and a more streamlined administrative process.

Customers expressed that they felt their feedback was not integrated into program design and that changes in program design were not data-driven.

Customers support an integrated approach to energy management.

OPPORTUNITIES

IESO to review the program with customers to understand how flexibility can be added. IESO to monitor uptake of Energy Managers to determine if action is needed.

IAP tools and processes to continue to be streamlined to align with customer feedback.

IESO to initiate a process to formally track, review, and act on customer feedback.

IESO to work collaboratively with other funding partners to pilot integrated programs for IAP customers.

Under Development:
IESO establishing a pay-for-performance pilot program for eligible IAP customers.

ALTERNATES

IESO to explore the addition of new programs and financing to increase participation.

Formal stakeholder engagement established to collect customer feedback.

Additional Considerations

- Regular engagement of IAP customers through process evaluations or other feedback mechanisms.
- Pilot to understand challenges and opportunities when integrating natural gas programs and other efficiency programs.
- Longer-term policy goals for Industrial Accelerator Program.

IAP FINDINGS – ACCOUNT MANAGEMENT AND PROGRAM FLEXIBILITY

CURRENT STATE FINDINGS	Customer and market engagement and satisfaction <ul style="list-style-type: none"> Most (85%) of eligible IAP customers have participated, and familiarity with the program is high Few IAP customers have energy managers (25%) Customer experience with account managers is excellent, but participants indicated a desire for more flexibility (in program approach, criteria, and process) 	Governance and Operations <ul style="list-style-type: none"> The current framework is seen by IAP participants as an improvement over the prior framework There is a strong desire for more flexibility in the structure and processes of the IAP program Availability of energy managers to customers is new. The small amount of time in market has limited the insight into the program
GAPS		
Program	Unknown risk tolerance of IAP program rules to understand where rules can be relaxed to enable more flexibility in the program by strategically allocating the risk.	
Process	IAP processes have been reviewed to enable flexibility. However, the IESO has not yet been able to implement all of the suggested changes.	
Program, Process	Low Energy Manager program participation due to short amount of time in market.	
FUTURE STATE	IAP maintains strong account management, programs are more flexible and participation continues to increase.	

IAP MAINTAINS STRONG ACCOUNT MANAGEMENT. PROGRAMS ARE MORE FLEXIBLE AND PARTICIPATION CONTINUES TO INCREASE

Opportunity: There are two opportunities identified to continue to drive participation:

(1) IESO to pilot how flexibility can be added to the program (the pilot could act as a model for how a flexible model would work with CFF); (2) Monitor uptake of energy managers. If uptake continues to be low, have account managers reach out to understand why the program is not seeing uptake.

Details:

Customer consultation	Account managers to reach out to customers to understand what flexibility means to them and gather initial ideas on what this could look like.
Possible reasons for low Energy Manager uptake	Restrictive criteria, low awareness, already have energy managers, seeking a more holistic approach to energy management (beyond electricity).

Framework Levers

How:

Process

- Review program processes to support to addition of flexibility
- Add ability to pilot programs

Impact to Stakeholders:	
Customers	Customers provide input into how flexibility can be enabled (how to meet the needs they are expressing).
Channel partners	None.
IESO	Additional effort to develop a pilot program, need to add a program/mechanism that can support a pilot stream, additional monitoring and customer outreach to understand needs and gather feedback.
Ministry of Energy	None.

IAP MAINTAINS STRONG ACCOUNT MANAGEMENT. PROGRAMS ARE MORE FLEXIBLE AND PARTICIPATION CONTINUES TO INCREASE

Alternate Opportunity 1	Impact to Stakeholders:
IESO to explore the addition of new programs and financing to increase participation.	Customers Additional options to participate in energy efficiency projects, alternate funding mechanisms available. Additional programs could contribute to market confusion.
	Channel partners New programs will likely include a learning curve.
	IESO Effort to design, support, and implement new programs and figure out how to support financing.
	Ministry of Energy Efforts will fulfill policy objectives not implemented (financing options).

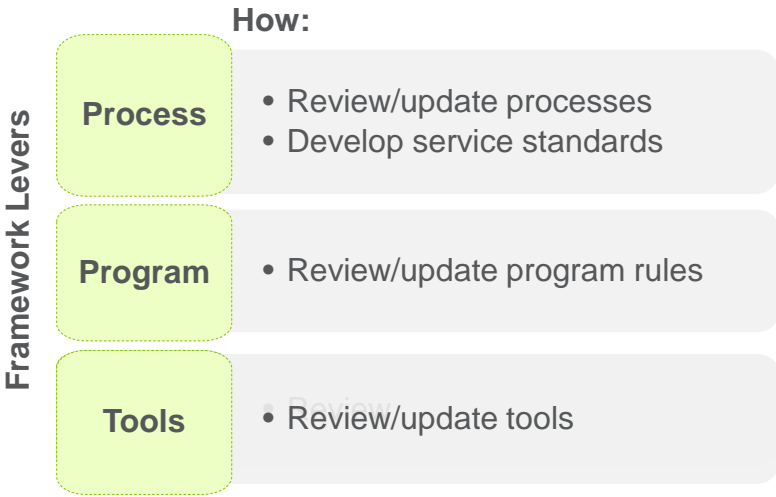
IAP FINDINGS – CUSTOMER-CENTRIC PROGRAMS, PROCESSES AND TOOLS

CURRENT STATE FINDINGS	Governance and operations <ul style="list-style-type: none"> • Application process is perceived as time consuming, and satisfaction with it is low • Measurement and verification is seen as time consuming and onerous • IAP administrative costs are low relative to CFF
GAPS	
Program	Program rules currently have specific application and measurement and verification requirements that would require IESO approval to change.
Process	The IESO's application and measurement and verification processes have not been investigated or documented.
Tools	The IAP program utilizes minimal tools that could help with efficiencies.
FUTURE STATE	Program rules, administrative processes and supporting tools are designed to address customers' needs.

PROGRAM RULES, ADMINISTRATIVE PROCESSES AND SUPPORTING TOOLS ARE DESIGNED TO ADDRESS CUSTOMERS' NEEDS

Opportunity: The IAP programs, processes and tools can be reviewed and streamlined in order to tailor IAP delivery to customer needs and expectations.

Details:	
IESO to review program rules	line by line to identify the impact and likelihood of each risk. Customers will be involved at the appropriate point, and decisions will be made that mitigate risk while improving program rules for customers.
IESO to review program processes	from start to finish to identify pain points and bottlenecks. Improvement opportunities will be investigated. A similar review should be carried out every 2 years (minimum) and implemented.
IESO to implement service standards	that address issues found during the review. Processes will be updated and tools will be modified and developed to facilitate this.



PROGRAM RULES, ADMINISTRATIVE PROCESSES AND SUPPORTING TOOLS ARE DESIGNED TO ADDRESS CUSTOMERS' NEEDS

Opportunity: The IAP programs, processes and tools can be reviewed and streamlined in order to tailor IAP delivery to customer needs and expectations.

Impact to Stakeholders:

Customers	Programs and IESO administration/support will be more tailored to customer needs.
Channel partners	Channel partners may experience improvements with programs and interactions with customers and IESO.
IESO	Will carry out the multiple reviews and updates to programs, processes and tools. Will follow new processes and service standards.
Ministry of Energy	Confidence that IAP is more aligned with customer requirements.

<div>CURRENT STATE FINDINGS</div>	<div>Customer and market engagement and satisfaction</div> <ul style="list-style-type: none">IAP participants do not feel that feedback is heard, and perceptions of programs varyOverall satisfaction of IAP is high (7.4 out of 10) but is lower than LDC-delivered industrial programs	<div>Governance and operations</div> <ul style="list-style-type: none">IAP operations, processes and decisions are not perceived to be data-driven
	<div>GAPS</div>	
	Program	Program design and rules are not seen to have been informed by data analysis. The content and extent of customer feedback that is provided to the IESO is unknown.
	Process	IESO processes are not perceived to be data driven, and there has been no documentation or review to prove otherwise. The process for collecting, analyzing, prioritizing and acting upon IAP customer feedback has not been reviewed or documented.
	Tools	The IAP program utilizes minimal tools that could help track and analyze program related data.
<div>FUTURE STATE</div>	Customer feedback and other data is collected, analyzed and is a central driver to program and framework changes.	

Opportunity: Process is initiated by IESO by which account managers track comments from customers. Customer feedback is consolidated and reviewed quarterly by the team to understand where additional analysis is needed, where the program can be continuously improved, or if a pilot is needed. Changes implemented (or not implemented) based on feedback are communicated back to customers with a rationale.

Details:		How:	
Tracking customer comments	Consistent format across account managers, repeat feedback captured, categorized consistently (e.g., program operations, program design, etc.).	Framework Levels	<div>Process</div> <ul style="list-style-type: none">• Develop consistent tracking infrastructure• Add to account manager processes• Schedule regular meetings to review comments• Establish processes to act on customer feedback
Impact to Stakeholders:			
Customers	Avenue to provide regular feedback, communication to understand where feedback goes (and understanding why it may not be implemented).		
Channel partners	None.		
IESO	Increased administrative effort for account managers, additional meeting times, processes needed.		
Ministry of Energy	Confidence that customer feedback is collected and reviewed.		

Alternate Opportunity 1	Impact to Stakeholders:	
Formal stakeholder feedback process is developed which could include in-person or digital engagement. Findings are communicated to IESO account managers and back to customers.	Customers	Opportunity to provide feedback to IESO on program matters and a communication channel to understand how feedback has been incorporated.
	Channel partners	Minimal.
	IESO	Additional effort to implement and maintain stakeholder engagement.
	Ministry of Energy	Formal channel established to gather customer feedback.

IAP FINDINGS – INTEGRATED FRAMEWORKS

<div>CURRENT STATE FINDINGS</div>	Definition of CDM	Collaboration	Climate change	
	<ul style="list-style-type: none">Customer and channel interests in different technologies change over timeLTEP has dictated the future eligibility of CHP projects (no longer eligible after July 2018)Participants indicated that policy alignment must come from the ministry level	<ul style="list-style-type: none">Collaboration between the IAP and natural gas programs currently occurs (11 participation activities complete or planned)IAP participants would like energy efficiency to be a one-stop shop for carbon, gas and electricity	<ul style="list-style-type: none">There is overlap between the IAP and Ontario Climate policyThe IAP does not have specific GHG-reduction targets	
	GAPS			
	Program	Programs are not aligned between the frameworks. GHG emissions are not tracked through current programs. Program rules are aligned with the current definition of CDM.		
	Process	Processes for administration are not aligned across framework administrators.		
Policy	Government and regulatory decision makers have not created a unified definition of conservation that encompasses all frameworks. There is no mechanism to review the definition within frameworks.			
Funding	Funding sources, amounts and methodologies vary between the frameworks.			
<div>FUTURE STATE</div>				
	Customers experience an integrated approach to electricity CDM, frameworks and policies are integrated and technologies align.			

CUSTOMERS EXPERIENCE AN INTEGRATED APPROACH TO ELECTRICITY CDM. FRAMEWORKS AND POLICIES ARE INTEGRATED AND TECHNOLOGIES ALIGN.

Opportunity: IESO works closely with other funding partners (in particular natural gas utilities) to understand the offerings to customers. Jointly identify and act on opportunities to integrate programs, promotion and energy management functions. Jointly work through frictions between frameworks.

Details:

Possible frictions between frameworks

Customer definitions (transmission connected customers are not the same on the natural gas side), EM&V frameworks and requirements, attribution between frameworks, funding implications.

How:

Framework Levels

Policy

- Directive may be required to mandate integration and cooperation, longer term Directive needed to set the policy beyond 2020

Process

- Begin processes to review electricity and natural gas alignment/misalignment

Impact to Stakeholders:

Customers

Begin to experience an integrated approach if successful, can contact one entity and/or experience a streamlined process between multiple entities.

Channel partners

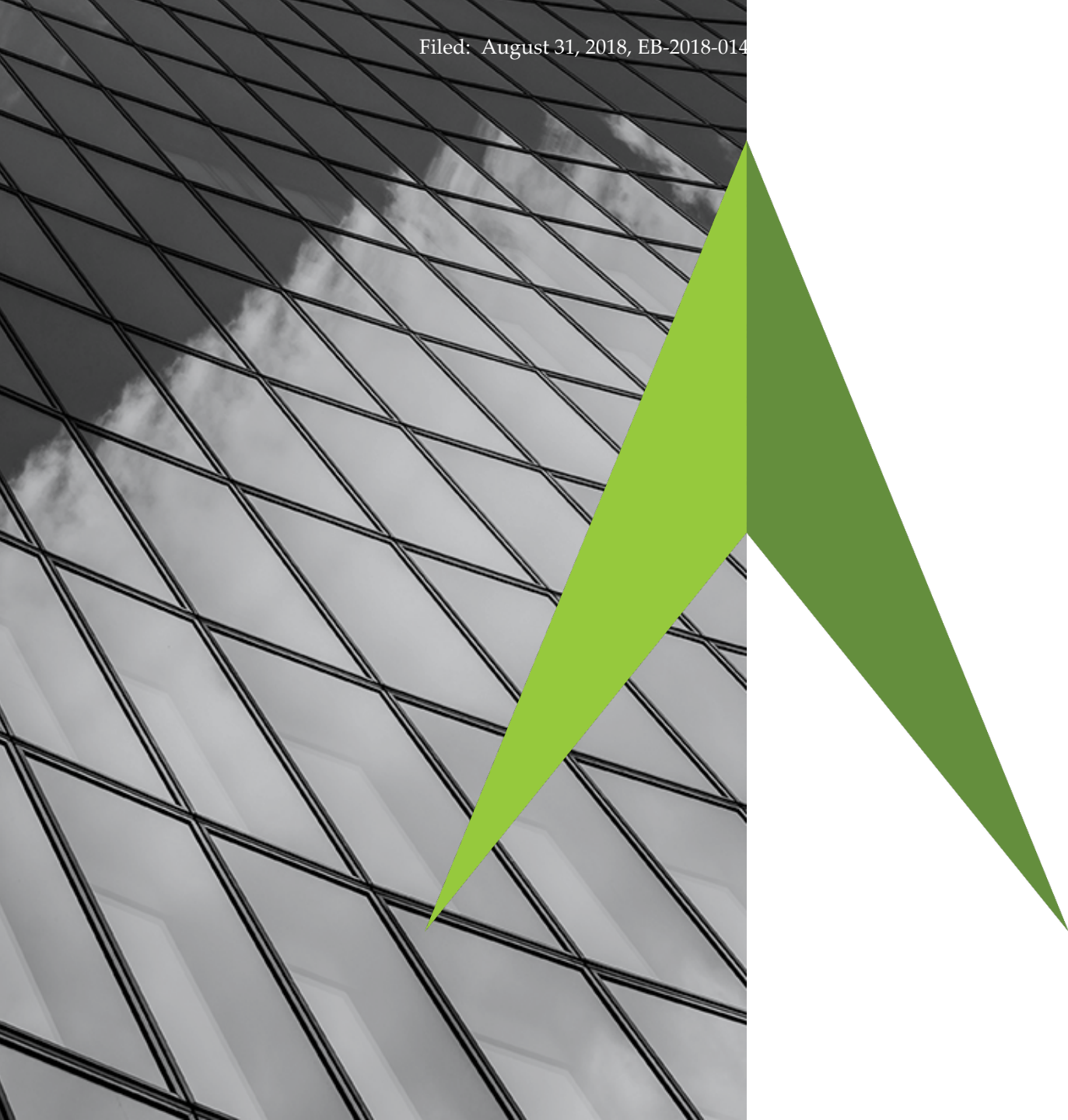
May require additional training to have integrated contractors, energy managers etc., additional coordination may be required to work with multiple entities collaborating.

IESO

Additional effort to understand the natural gas framework and programs and effectively communicate opportunities to customers, can begin to understand integration challenges and share learnings with CFF.

Ministry of Energy

Future need to coordinate across Ministries (MOECC and MOE), need to enable collaboration across agencies (OEB and IESO).



SECTION 5: BEYOND THE CURRENT FRAMEWORK

LOOKING BEYOND THE CURRENT FRAMEWORK, POLICY DIRECTION BECOMES IMPORTANT TO UNDERSTAND

Significant feedback from stakeholders was gathered through the Mid-term Review process and is summarized in this report and accompanying appendices. This feedback and Navigant's observations of frictions within the current framework not only captures experiences with the current framework, but also what future frameworks could look like.

Given the changes in policy since the initiation of the previous framework, policy direction is important to understand before fully considering what a future framework could look like.

This section will first outline some key principles to keep in mind for future frameworks regardless of policy direction.

This section will then review some options for goals and structures for a future framework along with key considerations.

Finally, this section will outline possible next steps that could be undertaken to develop the next framework.

POTENTIAL KEY PRINCIPLES TO GUIDE THE FUTURE FRAMEWORK

Prioritize customer continuity

Provide continuity and consistency for customers. Changes to programs and CDM funding are made gradually. “Evolution not revolution.” Funding beyond 2020 is communicated to customers well in advance to avoid drop off in participation.

Opportunities:

- Policy direction required to ensure funding continues past 2020
- Consideration of transition between frameworks
- Stakeholder involvement in the development of the new framework
- Development of a communications plan for customers

Review of roles and responsibilities

Independent third party review commissioned by Ministry of Energy and/or Ministry of Environment and Climate Change to assess potential entities that would be responsible for the design, delivery and administration of energy efficiency programs across Ontario. To take into account customer needs by segment/sector and recommend the entity best positioned to provide programming to customers.

Opportunities:

- Define customer segments for the purpose of determining the most efficient route to the customer (e.g., residential through the retail channel, small business – one location, commercial – head office model, residential through direct outreach, etc.)
- Obtain feedback from each segment on how they have interacted and would like to interact with energy efficiency programs
- Collect evidence to support where value can be added and where cost efficiencies exist (e.g., efficiencies of scale, access to customer data, etc.)

POTENTIAL KEY PRINCIPLES TO GUIDE THE FUTURE FRAMEWORK

Transparency in costs and drive towards reduction in the overall spending envelope

Overall costs for achieving energy efficiency policies (e.g., electricity, natural gas, climate) are currently split across different entities with different requirements. To enable greater integration, costs within the framework should be consistent and clear across all entities. Framework incentives and drivers emphasize lowering the overall energy efficiency budget, rather than solely focusing on managing within a given budget within each entities' plan.

Opportunities:

- Map how costs are currently recovered and the entities responsible for authorizing the spending
- Review treatment and categorization of costs and identify inconsistencies
- Policy guidance to add a focus on reducing overall budgets in addition to cost efficiency/cost effectiveness within the budget envelope

Savings attribution follows spending

Savings are allocated to the entity that pays for the resource savings to ensure that cost-efficiency in delivery and any associated performance incentives are connected.

Opportunities:

- Structures and accountabilities in place to guide spending authority and attribution
- Guiding principle as new issues/programs/opportunities arise to ensure consistency throughout the framework

POTENTIAL KEY PRINCIPLES TO GUIDE THE FUTURE FRAMEWORK

Continue enhance and prioritize customer experience

Focus framework design on continuing to improve the customer experience. Continue to simplify the participation processes for customers, investigate approaches to increase the consistency of program experience across the province, and integrate customer feedback into framework design (e.g., sector-based approaches).

Opportunities:

- Builds on the opportunities identified for the short-term (2018-2020)
- Continue to collect and integrate customer feedback into the framework

Prioritization of policy objectives

Clear articulation of primary and secondary policy objectives enable framework structures that are designed to support these objectives. Informed and more transparent decisions can be made when trade-offs exist between objectives.

Opportunities:

- Government to determine and prioritize policy objectives and entities responsible
- Entities responsible to develop regular tracking mechanisms (e.g., scorecard reviewed quarterly)
- Periodic review of whether the framework is meeting policy objectives and whether policy objectives have changed

OPTIONS FOR FUTURE FRAMEWORKS REFLECTING FEEDBACK AND LESSONS LEARNED

Integrated Frameworks:

- Natural gas, electricity, GHGs, and water could be integrated into one framework with common goals and offer a one-window approach to customers appropriately designed by segment/sector.

Considerations:

- Integrated evaluation, funding, criteria, etc.
- Conceptually supported by stakeholders, but challenging to implement as it would involve significant change to current regulatory process and mechanisms.
- Integration would need to occur at the policy level (e.g., across ministries).

Innovation:

- Framework could directly support and advance energy efficiency innovation.
- Includes, for example, business models, delivery models, technologies, program approaches, project funding.

Considerations:

- Funding sources and level of integration (e.g., stand-alone fund or integrated with programs).
- May require different structures and requirements to implement (e.g., modified cost-benefit thresholds).
- Evolution of pilots to province-wide programs has been a challenge.
- Each form of innovation would require unique considerations.

Delivering system benefits:

- Increased connection could be made between energy efficiency framework and system planning (e.g., through regional planning, bulk system planning, distribution planning) .

Considerations:

- Policy objectives connecting to system value would require a target to align with peak demand (winter or summer) and could be established at a regional level.
- Timing of system and regional planning do not necessarily align with framework transitions.
- Specific opportunities could exist for energy efficiency (e.g., capacity during nuclear refurbishment period, efficient electrification, etc.).

OPTIONS FOR FUTURE FRAMEWORKS REFLECTING FEEDBACK AND LESSONS LEARNED CONT...

Targets:

- Targets could be driven by and aligned with policy objectives (e.g., peak to align with planning, GHGs to align with climate change policies, etc.).

Considerations:

- Important to connect with priority objectives and align accountability with the responsible entity/entities as targets tend to drive most of the behaviour within the framework.
- If the priority policy is climate change, targets should be directly connected to GHG reductions.
- Ability to modify targets as market conditions and policy objectives evolve.

One-size does not fit all:

- Flexible framework could take into consideration different sizes, capabilities, and needs of customers and administrative/delivery agents.

Considerations:

- Managing the diversity within a framework (e.g., different capabilities, interest, and regional needs) is difficult for regulators to provide fair and consistent oversight.
- What is required from relevant entities vs. where optionality exists needs to be carefully considered against policy objectives and administrative effort.

MID-TERM REVIEW NEXT STEPS

January 9	Mid-term Review Advisory Group webinar
January 23	Advisory Group written comments due
January 30	Public webinar
February 13	Public written comments due
February 21	IESO Stakeholder Advisory Committee
March 8	Final Mid-term Review Advisory Group meeting
March 31	IESO to produce a report that provides recommendations to Ministry of Energy Conclusion of the Mid-term Review

VERSION NOTES FROM STAKEHOLDER FEEDBACK

- Changes to the Conservation Framework Mid-term Review final report released on January 9th are reflected below:

Slide #	Stakeholder Feedback	Action
39	Note the Ministerial Directive to the IESO on August 4 th in which the IESO, Green Ontario Fund, MOEECC and MOE shall make reasonable efforts to avoid marketplace confusion between current programs and GreenON programs.	The excerpt from the Ministerial directive was added to slide 39.
41	Note that the 2016 Achievable Potential Study which confirmed the suitability of LDC targets included gas-fired CHP potential that will no longer be considered eligible after July 1st.	A footnote to this effect has been added in slide 41.
44	How were the webinars or broader engagements announced to ensure larger representative audiences?	A link to IESO's engagement principals was added. More clarity was provided on the forum for posting public materials (slide 44)
11, 56	The statement on slides 11 and 56: "Strong cost management within the cost envelope, little consideration to manage overall costs" negatively characterizes LDCs.	Adjusted the wording on slides 11 and 56 to note that this is primarily due to LDC performance incentive design
13, 59	No evidence of the statement that "LDC performance incentives will likely exceed initial expectations due to higher performance"	Added a footnote on slides 13 and 59 to provide evidence
13, 59	Remove the bracketed statement "(even those that are underperforming)".	Statement removed on slides 13 and 59
13, 59	Disagreement that there is insufficient data to support whether joint CDM plans are achieving cost-efficiencies or better customer convenience	Added a clarification that there is insufficient "quantitative" data on slides 13 and 59

VERSION NOTES FROM STAKEHOLDER FEEDBACK

- Changes to the Conservation Framework Mid-term Review final report released on January 9th are reflected below:

Slide #	Stakeholder Feedback	Action
13, 59	The statement “LDC performance incentives are not provided to encourage other behaviours such as collaboration...” is incorrect	Removed the part of the statement referring to collaboration on slides 13 and 59
13, 59	Centrally delivered programs have negligible savings for LDCs	Noted certain central programs have minimal savings (e.g. HAP) on slides 13 and 59
16, 70	Disagreement that customers indicated they would like IESO oversight of target exchange.	Reworded as “enhanced oversight” & added source in the footnote on slide 16 and 70
89	Disagreement with the statement that there is no regular process for customers and channel partners to provide feedback to working groups and inform program design	Added a note that the opportunity on slide 89 should capitalize on informal/daily customer feedback to LDCs
97 -105	Description of coverage changes from “adequate” to “full”	Changed terminology from “full coverage” to “adequate coverage” on slides 101-105
108	Confusion surrounding the NEI adder	Added clarity to the discussion on NEI adder on slide 108
110, 111	Provide clarity on participant cost tests and the NEI adder	Clarification added on slide 110
110	Change the statement that changes to NEIs will have a minimal effect on channel partners	Provided more clarity to the statement on slide 110
115	Incorporate learnings from DSM framework into collaboration guideline process	A note to this effect has been added on slide 115