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September 28, 2018

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St.
Toronto, ON

Dear Ms. Walli:

Re: EB-2017-0127/0128 DSM Mid-Term Review
Submissions of Vulnerable Energy Consumers Coalition (VECC)

Please find enclosed the submissions of VECC in the above-noted proceeding.
We have also directed a copy of the same to the Applicants.

Yours truly,

(Original Signed By)

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Natural Gas Distributors
DSM Mid-Term Review

EB-2017-0127 & EB-2017-0128

VECC Submissions

The OEB was required by the Minister of Energy's March 26, 2014 Directive to conduct a DSM Mid-Term Review as part of the 2015-2020 DSM Framework to align with the Mid-Term Review of the Conservation First Framework.

The OEB's Decision and Order on Enbridge Gas Distribution Inc.'s (Enbridge) and Union Gas Limited's (Union) 2015 to 2020 DSM plans required that Enbridge and Union submit various reports and studies to be reviewed as part of the DSM Mid-Term Review to determine how the study results may be applied to current or future DSM programs.

The Mid-Term Review allows the OEB to ensure that the DSM Framework continues to be reasonable and contributes to effective natural gas conservation programs for customers while achieving annual and long-term targets for reduced consumption. The Mid-Term Review will assess performance on annual metrics, budget levels, impact on customer rates, and shareholder incentives, and allow the OEB to consider the DSM Framework relative to the overall energy conservation landscape.

In terms of scope, the OEB indicates the appropriateness of continuing rate-payer-funded DSM, the inclusion of a shareholder incentive for the gas utilities, and the general makeup of the DSM portfolios are topics that will be more appropriately assessed and reconsidered as part of any post-2020 DSM Framework.[1]

Since the OEB's DSM Decision in early 2016, there have been many changes that have taken place that have altered the energy conservation landscape. These include:

- the cap-and-trade program
- the revocation of the cap-and-trade program
- introduction of GreenON & GIF funding & uncertainty of funding
- the updated natural gas conservation potential study
- the revised 2017 building code
- the merger Decision approving the amalgamation of Enbridge and Union
- new program results

With the 6-month extension from the Minister of Energy to December 2018 to complete the Mid-Term Review, full year evaluated DSM program results are available for 2015 and 2016 to assess the utilities' performance as part of the Mid-Term Review.

[1] June 20, 2017 OEB Letter DSM Mid-Term Review

For the first 2 years of the 2015-2020 DSM Framework, Enbridge's program results reflect $85 million in spending and $1.6 billion (CCM) in natural gas savings.[2] Union has spent $80 million and achieved 2.7 billion m^3 of lifetime natural gas savings.[3]

Given the many changes that have taken place, there has been an overlap between the mandates of DSM, Cap and Trade, GreenON, and CDM. However, with the revocation of Cap and Trade and the uncertainty regarding provincial funding, the energy landscape has changed again and further coordination is needed to minimize duplication and marketplace confusion with respect to DSM. The recent changes underscore the importance of the gas utilities' DSM programs in achieving natural gas savings.

By VECC's assessment, Enridge and Union jointly worked on the following:

- Dunsky Review of Administrative and Overhead Costs
- Integrated Resource Planning Transition Plan
- Open Bill Access Program

In addition, both utilities worked separately with the IESO, MOE and an electric utility on the delivery of one integrated program.

In terms of program changes, Enbridge proposes to enhance its Home Energy Conservation offering to align with Union's Home Reno Rebate offering. VECC submits opportunities exist where Enbridge and Union could better align their DSM programs to improve the efficiency of program delivery and program results as the existing DSM programs are not delivered jointly. The recent merger Decision allows Enbridge and Union to combine their DSM programs. The OEB has consistently encouraged Enbridge and Union to collaborate on the design and delivery of DSM programs. VECC submits Enbridge and Union should bring forward a combined DSM Plan in advance of the next DSM Framework.

VECC represents the interests of the Low-Income and vulnerable users of natural gas including low income tenants and seniors in the pursuit of affordable energy. VECC supports DSM programs, particularly Low-Income DSM programs that help vulnerable users reduce their energy consumption and bill impacts. VECC submissions on the OEB's requirements of the Mid-Term Review are provided below.

A. Scope of Mid-Term Review

The OEB's 18 requirements of the DSM Mid-Term Review are provided in the table below.[4] In addition to these requirements, Enbridge and Union have each put forward individual requests for approval. These are discussed under Part B.

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[2] Enbridge Presentation Slide 3
[3] Union Presentation Slide 3
[4] Decision and Order EB-2015-0029 / EB-2015-0049 Schedule D

MID-TERM REQUIREMENT	Enbridge	Union
Enbridge to explore an integrated program with electricity utilities related to adaptive thermostats	Yes	
Union to file results of adaptive thermostat pilot program		Yes
Union to explore different conservation measures and technologies for a mass-market residential program		Yes
Gas utilities to provide evidence showing how it has lowered the free ridership rates of its custom programs	Yes	Yes
Enbridge to provide the evaluation results of the Small Commercial New Construction pilot program	Yes	
Evaluation of the Energy Leaders Pilot Program results	Yes	
Gas utilities to demonstrate that all low-income programs have a TRC-Plus results of at least 0.7	Yes	Yes
Gas utilities to provide summary of market needs and demonstration of how Market Transformation programs are prioritized	Yes	Yes
Gas utilities to consider the appropriateness of categorizing the Residential New Construction programs as Resource Acquisition programs	Yes	Yes
Gas utilities to provide evidence related to an integrated Energy Literacy program	Yes	Yes
Gas utilities to move RunSmart and Run-it-Right programs to Resource Acquisition scorecard	Yes	Yes
Gas utilities to move Comprehensive Energy Management and Strategic Energy Management programs to Resource Acquisition scorecard	Yes	Yes
Gas utilities to develop and expand access to bill for financing purposes related to energy efficiency investments	Yes	Yes
Gas utilities to provide evidence related to program overhead and portfolio overhead (or administration) costs	Yes	Yes
Gas utilities to provide evidence related to additional outcome-based performance scorecard metrics	Yes	Yes
Gas utilities to provide suggestions on appropriate changes to the target adjustment formula	Yes	Yes
Gas utilities to file evidence related to integrated conservation programs develop with the IESO	Yes	Yes
Gas utilities to file a transition plan to incorporate DSM into infrastructure planning activities	Yes	Yes

1. **Enbridge to explore an integrated program with electricity utilities related to adaptive thermostats**

As thermostats often control a home's heating temperature in the winter and central air conditioning in the summer, the OEB found that thermostat incentives provide a good opportunity for gas and electricity utilities to work together on an integrated program. In its Decision, the OEB directed Enbridge to explore this opportunity and test at least one integrated program, within its approved budget, prior to the mid-term review.[5]

In 2016, Enbridge entered into an Integrated Program Delivery Agreement (IPDA) with Toronto Hydro to pilot a collaborative Adaptive Thermostat offering. Enbridge offered an enhanced $100 on-bill rebate to participating customers across Enbridge franchise area. For participating customers that have central cooling, Toronto Hydro contributed a $50 incentive towards their $100 rebate, thereby offsetting $50 per participant for Enbridge. The pilot has been extended to the end of 2018.

In its Decision, the OEB applied a 10% increase to all targets effective 2016. Enbridge indicates this compromised the Company's ability to reach its targets as the customer incentive budget did not proportionally increase by 10% and in order to reach its targets Enbridge would have to use the funds intended for marketing in order to pay the customer incentives required to reach target achievement. Enbridge indicates that because the program was new to the market and the technology was not yet widely adopted, marketing was expected to be a crucial component of the program's success.[6]

VECC notes that although Toronto Hydro split the cost of the customer incentive, it only contributed a small amount to support marketing activities.[7] Given Enbridge's concerns that it would have to use funds intended for marketing to pay for customer incentives it is unclear why Enbridge did not negotiate a 50% split of marketing costs with Toronto Hydro, consistent with the 50% split of incentive costs.

Enbridge intended to use the agreement as a template that would serve further collaborative efforts between Enbridge and electric utilities within the Enbridge franchise area to drive results across the province. However, the government launched another Smart Thermostats Rebate offering with funding from GreenON that mirrored Enbridge's offering which created a source of confusion in the marketplace. Given the overlap that currently exists between DSM, GreenON and CDM with respect to Adaptive Thermostats, VECC submits an integrated program with electricity utilities should only be pursued once the overlap between DSM, GreenON and CDM is better understood.

2. **Union to file results of adaptive thermostat pilot program**

As part of its DSM Plan, Union proposed to use $100,000 of its pilot budget to test an adaptive thermostat technology in coordination with Hydro One with the possibility for both natural gas (heating) and electricity (cooling) benefits for Ontario customers.

[5] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 14
[6] Enbridge Submission 2018-01-15 P 4
[7] Enbridge Presentation Slide 25

In its Decision, the OEB directed Union to file the results of the adaptive thermostat pilot program at the mid-term for consideration of a larger Resource Acquisition program related to this technology.[8] Union filed the Adaptive Thermostat Pilot Study as required.[9]

As part of the Mid-Term Review, Union is requesting OEB approval of an incremental $1.5 million per year, beginning in 2019 to launch a Residential Adaptive Thermostat offering as a new Resource Acquisition offering. Of the incremental $1.5 million per year, Union forecasts to spend $1.3 million on customer incentives, and $0.2 million on promotion. Union is not proposing additional budget for administration or evaluation costs at this time. Union forecasts 13,000 units with $100 rebate/unit and a 2019 natural gas savings target of 34,645,000 m^3. Union proposes that this target be added to 2019 scorecard to account for the new offering.

Union's Residential Adaptive Thermostat Program is consistent with Enbridge's Residential Adaptive Thermostat Program. Enbridge's 2019-OEB approved budget for its program is $2.2 million[10].

VECC supports Union's request for incremental funding for a Residential Adaptive Thermostat offering. This program will assist single-family low- income customers in reducing energy consumption and mitigating bill impacts. If this offering is approved, Union proposes to add 34,645,000 m^3 to the Resource Acquisition scorecard.

3. Union to explore different conservation measures and technologies for a mass-market residential program

With the conclusion of Union's Energy Savings Kit (ESK) at the end of 2015 and available budget, the OEB expects Union to explore different conservation measures and technologies and propose a new, widespread residential program at the mid-term review.[11]

Union indicates its Residential Adaptive Thermostat program meets the OEB requirement to explore different conservation measures and technologies for a mass-market residential program.[12] VECC submits the Adaptive Thermostat pilot was already underway at the time of the OEB's Decision and as such Union has not sufficiently responded to this request. Union has not provided any additional analysis of different conservation measures and technologies it explored and considered for a potential mass-market residential program. As discussed under Section 7, Union has a list of energy conservation opportunities it could have assessed for a mass-market residential program.

4. Gas utilities to provide evidence showing how it has lowered the free ridership rates of its custom programs (Commercial/Industrial)

VECC has no comments.

5. Enbridge to provide the evaluation results of the Small Commercial New Construction pilot program

[8] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 16
[9] Union Submission 2018-01-15 Appendix A
[10] Enbridge Submission 2018-01-15 P Appendix C
[11] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 15
[12] Union Presentation Slide 30

VECC has no comments.

6. Evaluation of the Energy Leaders Pilot Program results

Enbridge's Energy Leaders initiative is new to the commercial and industrial Resource Acquisition program in 2016 to help customers implement new and innovative technologies.

In its Decision, the OEB approved an annual budget of $400,000 for 2016, 2017 and 2018 and expects the pilot's results will be evaluated at the mid-term to determine if the program should be continued in 2019 and 2020.[13]

Enbridge provided evidence on the initiatives where Enbridge has helped customers adopt new and innovative technologies. For the remainder of the current DSM Framework (2018 – 2020) Enbridge indicates it will continue to explore opportunities to generate interest among customers to implement other emerging energy efficient technologies. Two candidates currently under study include demand circulation loops and natural gas heat pumps. Enbridge proposes to continue the current $400,000 budget for the years 2019 and 2020.

VECC supports continued funding in 2019 and 2020 for the Energy Leaders Program to identify innovative and progressive technologies. Union does not have an Energy Leaders Program. VECC submits the Energy Leaders program should assist customers in both franchise areas.

7. Gas utilities to demonstrate that all Low-Income programs have a TRC-Plus results of at least 0.7

The DSM Framework established a screening threshold lower for Low-Income programs than other Resource Acquisition programs. Low-Income programs should have a TRC-plus ratio of at least 0.7 while Resource Acquisition programs should have a TRC-plus ratio of at least 1.0.[14]

In its Decision, the OEB approved all of the Low-Income programs proposed by both Enbridge and Union and stated in aggregate, the Low-Income programs meet the TRC-plus ratio of 0.7. Further, the OEB expects that the gas utilities will continue to improve the cost-effectiveness results of the Low-Income programs throughout the 2015-2020 DSM term. The OEB stated it expects that each Low-Income program will meet the Low-Income TRC-plus ratio of 0.7 at the time of the mid-term review to allow it to proceed. [15]

In their Mid-Term Review submissions, Enbridge and Union screened cost-effectiveness of the Low-Income program at the program level, not at the offering level. Enbridge confirms its Low-Income program has a TRC-plus value of 1.84 (2016 pre-audit).[16] Union confirms its Low-Income program has a TRC-plus ratio of 1.3 (2016 pre-audit).[17]

Enbridge's Low-Income Program includes the following Programs:

- Home Winterproofing
- Low-Income Multi-Residential – Affordable Housing

[13] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 23
[14] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 9
[15] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 24
[16] Enbridge Presentation Slide 21
[17] Union Presentation Slide 27

- Low-Income New Construction

Enbridge further indicates that the Low-Income program components (Part 9 - single family; Part 3 - multi-family) each achieve a value greater than the 0.7 TRC-plus thresholds noting that neither program component has undergone any significant changes since the Board's Decision.

Union's Low-Income Program includes the following four programs:

- Home Weatherization Offering
- Multi-Family Offering
- Indigenous Offering
- Furnace End-of-Life Offering

Union indicates if the Low-Income cost-effectiveness screening level is changed to the offering or measure level, it will directly result in the elimination of offerings such as the Low-Income Furnace End-of-Life offering.[18] The Low-Income Furnace End-of-Life offering allows customers who would not otherwise be able to upgrade their furnace to a high efficiency model to have an opportunity to make that upgrade.

As part of the Mid-Term Review, VECC does not support the elimination of Low-Income offerings with a TRC-Plus ratio less than 0.7. VECC submits there is insufficient evidence to eliminate any Low-Income offerings. Neither Enbridge or Union provided specific TRC-ratios at the offering level. In VECC's view, a more thorough analysis and reassessment of the cost-effectiveness of the Furnace End-of-Life offering and other Low-Income offerings including potential improvements in the offering is required before any changes in the mix of Low-Income offerings is contemplated.

In VECC's view it appropriate and allowable for components of Enbridge and Union's Low-Income programs to screen below the TRC-Plus threshold, as long as the Low-Income program as a whole screens at or above the TRC-Plus threshold of 0.7. VECC submits the gas utilities should be able to offer Low-Income customers the most comprehensive suite of energy conservation offerings possible, while ensuring programs remain cost effective overall.

Low-Income Program Changes

In its Decision, the OEB found that Enbridge and Unions' proposed Low-Income programs offer critical energy efficiency opportunities for vulnerable customers and are important to be delivered at the outset of the new multi-year DSM term. Further, the OEB encouraged the utilities to seek efficiencies in program delivery as they continue to gain experience with these programs.[19]

The merger allows Enbridge and Union to further examine the efficiencies that can be achieved through the delivery of Low-Income program offerings that are similar between the two utilities[20] and whether it

[18] Union Presentation Slide 28
[19] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 24
[20] Home Winterproofing (Enbridge) & Home Weatherization (Union) & Low-Income Multi-Residential (Enbridge) & Multi-Family (Union)

is appropriate and cost-effective for each utility to expand and deliver the Low-Income offerings that differ between the two utilities.[21]

In its Decision, the OEB also stated "as the utilities learn more about this customer segment, new Low-Income program opportunities could be considered at the mid-term review."[22]

Although the Board invited the gas utilities to explore new Low-Income opportunities, Enbridge and Union have not put forward any stand-alone or joint new Low-Income offerings as part of their Low-Income Programs.

VECC wishes to point out that as part of the Cap and Trade Compliance proceeding[23], Union identified an incremental cost-effective greenhouse gas abatement opportunity in the residential sector. Union submitted this opportunity was best addressed through the DSM Framework. In Board Staff interrogatory #31 in that proceeding, Union listed many energy conservation measures (behaviour measures, adaptive thermostats, measures assessed and not prioritized) that were identified in the MACC but not currently included within Union's DSM programs. Union's position was that any reassessment of these measures should be done within the DSM Framework.[24]

The residential adaptive thermostats opportunity identified in the MACC is included in Union's Mid-Term Review submission as a new, widespread residential program with incremental budget (see Section 2). However, Union has not put forward any new Low-Income offerings resulting from an assessment of the following measures (Assessed and Not Prioritized) identified in the MACC and listed in Board Staff interrogatory #31.

[21] Low-Income New Construction (Enbridge) & Aboriginal, Furnace-End-of-Life Upgrade (Union)
[22] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 24
[23] EB-2017-0024, EB-2017-0255, EB-2017-0275
[24] EB-2017-0024, EB-2017-0255, EB-2017-0275, Board Staff IR#31 (a) Page 4

3. **Assessed and Not Prioritized**

   The MACC identified opportunity related to the following residential measures:

   - Draft Proofing Kit;
   - Heat Reflector Panels;
   - Programmable Thermostat;
   - Faucet Aerator;
   - High-Efficiency (ENERGY STAR®) Dishwashers;
   - Low-Flow Shower Head;
   - Pipe Wrap;
   - DHW Tank Insulation;
   - Active Solar Water Heating Systems;
   - DHW Recirculation Systems;
   - Wastewater Heat Recovery Systems;
   - High-Efficiency Gas Clothes Dryers;
   - Sensor for Clothes Dryer;
   - Insulating Pool Covers;
   - High-Efficiency Gas-Fired Pool Heaters;
   - Solar Pool Heaters;
   - Fireplace Intermittent Ignition Control Retrofit; and,
   - High Efficiency Fireplace with Pilotless Ignition.

VECC submits new opportunities to further benefit Low-Income vulnerable customers was missed. VECC proposes that the OEB should require that the utilities undertake further analysis and propose new Low-Income programs as part of the next DSM Framework.

In its presentation, Enbridge identified a challenge in reaching Part 9 customers. VECC believes there are cost-effective options to improve adoption of existing energy efficiency programs among Low-Income tenants and seniors by addressing the barriers to their adoption of energy efficiency technologies. In evaluating existing and new Low-Income initiatives as part of the next DSM Framework, VECC submits Enbridge and Union should include barriers to adoption as a key factor in program design.

8. Gas utilities to provide summary of market needs and demonstration of how Market transformation programs are prioritized

VECC has no comments.

9. Gas utilities to consider the appropriateness of categorizing the Residential New Construction programs as Resource Acquisition programs

Enbridge - Residential Savings by Design Program
Union - Optimum Home Program

In its Decision, the OEB suggests that Enbridge and Union consider categorizing these programs as Resource Acquisition programs at the mid-term, with CCM saving targets similar to prescriptive programs in addition to participant targets.[25]

Enbridge submits that the Residential New Construction Program should not be re-categorised as Resource Acquisition and that its Residential Savings by Design program should remain on the Market Transformation and Energy Management scorecard. The reasons are as follows: Continued strong focus on educational content delivery and long-term transformational efforts; building code updates requires support to builders on the how; and transactional nature of Resource Acquisition is not well suited to transformative nature of Residential New Construction Programs.

Union submits its Optimum Home program is more appropriately categorized as Market Transformation, as opposed to Resource Acquisition. Union submits the design of the offering seeks to change building practices and the primary goal is to address and overcome the barriers that prevent widespread construction of high-efficiency homes in the residential new construction market.[26] If the OEB directs Union to re-categorize the offering as Resource Acquisition, Union submits fundamental changes to the offering's design would be required.

VECC agrees with Enbridge and Union that it is not appropriate to categorize these programs as Resource Acquisition programs at the Mid-Term. VECC submits the current Market Transformation approach is the most effective way of influencing the residential new construction market and driving energy savings given the current barriers and continued challenges to building high-efficiency homes. VECC agrees the current offering appropriately works with builders to examine all aspects of their business to address barriers to building homes at higher efficiency levels. Categorizing these programs as Resource Acquisition programs should be further considered as part of the next DSM Framework.

10. Gas utilities to provide evidence related to an integrated Energy Literacy program

The OEB approved Enbridge's stand-alone Energy Literacy program until the Mid-Term Review. Enbridge was directed to work with Union and the IESO to ensure that the Energy Literacy program is comprehensive, providing customers with gas and electricity energy conservation educational information. The OEB expects Enbridge and Union to propose an integrated program as part of the Mid-Term review with consistent province-wide messaging, using funding from existing DSM budgets.

Enbridge and Union have not put forward an integrated Energy Literacy program as part of the Mid-Term Review as required by the OEB. Enbridge has not demonstrated that it worked with Union and the IESO to ensure that the Energy Literacy program is comprehensive. Rather, Enbridge requests additional funding to continue its stand-alone program. Enbridge proposes that the same level of funding approved for 2016 and 2017 of $500,000 be approved for each of the years 2018-2020.

Union's DSM portfolio does not include a stand-alone Energy Literacy program but submits that energy literacy and education is included throughout Union's existing DSM offerings. To support the development of a new Energy Literacy program Union requests that the OEB approve an incremental

[25] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 36
[26] Union Submission 2017-10-02 P 14

budget of $250,000 per year beginning in 2019.[27] Contingent upon OEB-approval of this incremental budget, Union will file a program outline for the Energy Literacy program to the OEB within three months.

Enbridge and Union have not proposed an integrated program with consistent province-wide messaging, using funding from existing DSM budgets. Rather each utility is requesting stand-alone funding. VECC submits that Enbridge and Union's funding requests should be denied until an integrated program is designed and justified.

11. Gas utilities to move RunSmart and Run-it-Right programs to Resource Acquisition scorecard (Commerical/Industrial)

VECC has no comments.

12. Gas utilities to move Comprehensive Energy Management and Strategic Energy Management programs to Resource Acquisition scorecard (Commercial/Industrial)

VECC has no comments.

13. Gas utilities to develop and expand access to bill for financing purposes related to energy efficiency investments

Open Bill Access

In its Decision, the found that the approach that Enbridge has followed to allow third parties to use the utility bill to charge for services provided to customers is encouraged. The OEB directed Enbridge to expand access to third parties to use the utility bill for conservation related services.[28] Enbridge indicates it has been offering an Open Bill Program since 2009 and accepts new participants annually. Enbridge provides billing and collecting to over 130 HVAC and energy service vendors. In 2016 and 2017, Enbridge added 27 and 15 new participants, respectively. Enbridge does not propose any changes to its Open Bill Program.[29]

The OEB further directed Union to work with Enbridge to establish the same capability on its bills. As part of the mid-term review, the OEB expects that an examination of the status of this initiative and any earned revenues will be undertaken.

Union indicates it has worked closely with Enbridge in order to adapt Unions' system for a similar program. Union expects to launch its program in Q3 2018.[30]

To reduce confusion in the marketplace, VECC submits Union should defer the launch of its program until the Customer Information Systems of both utilities are combined and a single open bill capability is available.

Earned Revenues

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[27] Union Submission 2017-10-02 P 19
[28] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016 P 55
[29] Enbridge Presentation Slide 18
[30] Union Submission 2018-01-15 P11

Union expects that it will take number of years before any net revenues are generated.[31]

14. Gas utilities to provide evidence related to program overhead and portfolio overhead (or administration) costs

The OEB found the evidence regarding administration and overhead (A&O) costs did not fully describe the nature of these costs. The considerable variation, both between overhead costs for all programs and between the two gas utilities, only added to the confusion.

For the mid-term, the OEB directs Enbridge and Union to provide more detailed explanation of the administration and overhead costs associated with the overall DSM plan and indicate what measures have been undertaken to increase the overall efficiency of program overhead and administrative costs. Any DSM-related costs recovered through distribution rates, outside of the DSM budget should also be identified. The gas utilities should also seek and explore all opportunities to deliver programs jointly, in an effort to reduce overhead and administration costs. The impacts of joint program design and/or delivery on overhead costs should also be provided at the mid-term review.[32]

Enbridge and Union jointly engaged an expert, Dunsky Consulting, to assess the consistency and comparability desired by the Board.[33] Enbridge is working with Union to achieve a greater alignment on the definition and reporting of A&O costs. In its September 24, 2018 letter, Enbridge provided information on DSM-related costs recovered through distribution rates, outside of the DSM budget.

Union estimates administrative cost efficiencies due to its partnerships with the government of Ontario via the Green Investment Fund and Alectra.[34] In VECC's view the gas utilities have not explored all opportunities to deliver their respective DSM programs jointly, and in doing so have not identified new opportunities to reduce overhead and administrative costs.

15. Gas utilities to provide evidence related to additional outcome-based performance scorecard metric

In its Decision, the OEB approved Union and Enbridge's proposed 2016-2020 metrics for all scorecards and indicated lifetime natural gas savings should continue to be the primary goal of the gas utilities' DSM program efforts. The OEB stated that additional outcome-based metrics might be included on performance scorecards to ensure that the programs have been designed in an efficient manner and are providing the results that support the primary goal of DSM: to reduce overall natural gas consumption. The OEB suggests that the gas utilities work with stakeholders to develop options for additional outcome-based metrics for consideration at the mid-term review.[35]

In its submission, Enbridge provided a list of Performance Based Metrics (PBM) it considered. However, Enbridge did not link any of these PBMs to its current suite of programs. Outside of before and after billing consumption data as a PBM, Enbridge did not provide any discussion or analytical results of its review of these PBM options nor did it put forward any PBM's with merit for future consideration.

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[31] Union submission 2018-01-15 P 13
[32] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 60
[33] Enbridge Submission 2017-10-02 Appendix 4
[34] Union Submission 2017-10-02 P 31
[35] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 65

For the remainder of the 2015-2020 Plan Enbridge proposes to use its existing metrics, and will revisit new PBMs at the post-2020 Framework.[36]

Union recommends that a more appropriate time to develop options for additional out-come based metrics would be during the development of the next DSM Framework.[37]

VECC submits Enbridge and Union did not satisfy the OEB's requirement to develop options for additional outcome-based metrics for consideration at the Mid-Term Review.

16. Gas utilities to provide suggestions on appropriate changes to the target adjustment formula

In its Decision, the OEB approved a Target Adjustment Mechanism (TAM) where the utilities will continually adjust target metrics for 2017 to 2020 based on actual performance adjusted for the annual level of spending. To promote continued efficiency in program delivery, the OEB added a 2% productivity improvement factor to both lifetime natural gas savings and participant targets over time for the Resource Acquisition and Low-Income programs for both utilities.[38] The OEB has established a 10% productivity improvement factor for all Market Transformation and Performance-Based metrics.[39] The OEB indicated it will reassess the formulaic adjustment mechanisms at the mid-term review.[40] Given the limited experience with formulaic adjustment mechanisms, the utilities should suggest any necessary changes to the approved formulaic targets at the mid-term review, for 2018 to 2020.[41]

Both Enbridge and Union propose a change to the TAM for specific offerings.

Enbridge indicates with the current TAM there is a misalignment between targets and budgets such that incorrect cost-effectiveness values are created. As part of the Mid-Term Review, Enbridge requests that multi-year offers with deferred customer incentive payouts be exempt from the TAM and that targets remain as fixed targets as filed in the DSM Plan, escalated by 10% and subject to a 2% productivity factor.

Enbridge provided examples of how the current TAM misapplies actual spend against targets through the Home Energy Conservation Program[42], the Low-Income New Construction (LINC) program and the Affordable Housing New Construction program.[43]

Further, Enbridge indicates the TAM in its current state gives little to no reason for the Company to spend efforts on the Low-Income portfolio, as the new targets are unreasonable and unsustainable. For the Company to earn DSMI in program offers with unreasonable targets means that the Company's only recourse in a world with TAM is to underperform in one year knowing that it will produce a reasonable target the following year (e.g. low achievement divided by high cost produces a low cost effectiveness value, producing low target for the following year). The result is to shift focus towards other programs. Enbridge indicates it shifted budget in 2016 and 2017 to compensate for a lack of incentive dollars to

[36] EB-2017-0128 Enbridge Submission P 14-15, 2018-01-15
[37] Union Submission 2018-010-15 P 16
[38] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 69
[39] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 70
[40] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 69
[41] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 72
[42] Enbridge Submission 2018-01-15 P 17
[43] Enbridge Submission 2018-09-24 P 5

achieve targets. The outcome of the current TAM as outlined by Enbridge is of great concern to VECC. A scenario that drives Enbridge to underspend on the Low-Income profile is not acceptable to VECC. VECC submits further analysis on this issue is warranted.

Union has the same concern regarding programs that include incentive payments that are deferred across multiple years stating that the erroneous target levels produced by the existing TAMs are not achievable. The TAM self-corrects future year targets relative to prior year results.

For Union, TAMs apply to nine of 14 metrics. Union is proposing changes to five of the nine metrics. Union is proposing two changes for 2018 affecting metric 3, 4, 5 (Performance-Based) and metrics 13 and 14 (Low-Income). Union claims if the TAMs are not adjusted for the Performance-Based Scorecard Union will not be able to provide incentives and will be required to suspend the offering. Union's Performance-Based Programs include RunSmart and Strategic Energy Management. Union proposes to use the previous year's actual achievement as the basis for the following year's target,[44] escalated by 10%. VECC submits further analysis is required to fully understand the impact of the change.

With respect to metrics 13 and 14, Union is not proposing a modification to the TAM but is proposing to combine the Social and Assisted Multi-Family Cumulative Natural Gas Savings (m^3) metric into a Single Multi-Family Cumulative Natural Gas Savings (m^3) metric in order to align the TAM with the budget. Given the evidence provided on this issue, VECC is unable to comment on the proposed change. VECC submits a change of this nature is better suited for consideration as part of a broader review of targets and achievements.

17. Gas utilities to file evidence related to integrated conservation programs developed with the IESO

In the DSM Framework, the OEB identified many benefits associated with the coordination and integration of programs with the electricity and gas distributors. The DSM Framework also recognized the challenge of coordination with many electricity distributors and suggested that the gas utilities work with the former Ontario Power Authority (OPA), now the new IESO.

Despite the direction provided by the DSM Framework, the OEB noted neither Union nor Enbridge offered any major initiatives or coordinated programs and there was no indication that the gas utilities, either together or individually, explored a coordinated effort with the OPA/IESO.[45]

The OEB was concerned with the progress that the gas utilities have made related to collaboration with electricity distributors and stated the following:

"At the mid-term review, the gas utilities should be in a position to report on the progress made in developing integrated conservation programs. The OEB expects at least one jointly offered program to be available in the market by the mid-term review. The utilities should consider using a common "solution provider" for a residential conservation program. In the event that sufficient progress is not made in the area of integrated conservation programming by the mid-term, the OEB will consider prescriptive measures at that time."[46]

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[44] Union Submission 2018-01-15 P 16-21

[45] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 82

[46] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 82

Enbridge and Union entered into separate partnerships with the MOE and the IESO.

Enbridge has one integrated program with the IESO. In the fall of 2016, the IESO engaged Enbridge to coordinate a province-wide delivery of a Whole Home Pilot (WHP) program offering residential consumers combined electrical and gas savings. The IESO leveraged Enbridge's Home Energy Conservation (HEC) program. The pilot launched in Q2 2017 and due to its success, the program has been extended to the end of 2018.[47] To make the pilot province-wide, Enbridge partnered with the Ministry of Energy (MOE) Whole Home Retrofit Program (WHRP) funded through the Ministries' Green Investment Fund (GIF). The IESO is assessing if the pilot will transition to a province-wide program.

The pilot program offered an opportunity for cost-sharing. The IESO contributed program start-up costs to help support program management, marketing, administrative costs, training employees, training Service Organizations, etc. and provide on-going financial support for monthly reporting needs, EMV, etc. The IESO covers the full-cost of marketing materials targeted to electrically heated homes.[48] The evidence does not quantify the cost-sharing split or the resource and financial impact on Enbridge's current program administration process.

In response to the OEB's above concerns, Union developed two integrated natural gas and electricity energy conservation offerings through the Home Reno-Rebate offering, and the Commercial/Industrial Direct Install offering.

Union partnered with the MOE to provide funding through the Green Investment Fund to enhance Union's Home Reno Rebate Offering. The Ontario government funded increased rebate levels and new rebates for air-source heat pumps and adaptive thermostats. New rebates for air conditioners and electric appliances were funded by the IESO.[49] In addition, Union partnered with Alectra to deliver its Commercial/Industrial Direct Install offering.

With the merger there is an opportunity for Enbridge and Union to administer these offerings jointly resulting in cost-efficiencies. A common website is already in place.

18. Gas utilities to file a transition plan to incorporate DSM into infrastructure planning activities

The 2015-2020 DSM Framework requires the gas utilities to provide evidence on whether they considered DSM as an alternative to infrastructure development at the preliminary stage of project approvals to reduce and/or defer future infrastructure investments.

In its Decision, the OEB directed Enbridge and Union to work jointly on the preparation of a proposed transition plan that outlines how to include DSM as part of future infrastructure planning activities to be filed as part of the Mid-Term Review.[50]

Enbridge and Union filed a joint Transition Plan.[51] Enbridge and Union engaged ICF to prepare an

[47] Enbridge Presentation Slide 26
[48] Enbridge Submission 2018-09-24 P 43
[49] Union Submission 2018-01-15 P 25
[50] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 84
[51] Enbridge Submission 2018-01-15 Appendix E

Integrated Resource Planning (IRP) study to inform the transition plan.[52] Although the gas utilities' have made some progress and the completion of a Transition Plan satisfies the OEB's requirement, in VECC's view the Transition Plan is weak, falls short of the OEB's expectations, and demonstrates the utilities are still proceeding very cautiously. In its Decision, the OEB noted the utilities were not optimistic regarding the role DSM might play in the future. Both utilities could not identify any development project that had been affected by conservation activities.

The Transition Plan filed by Enbridge and Union does not outline how to include DSM as part of future infrastructure planning activities as per the OEB requirement. Rather, the Transition Plan provides a roadmap over the next few years to accommodate the desktop review/paper portion of the IRP Study, the anticipated regulatory process and the more time intensive in-field case studies.[53] With respect to case studies, the OEB already determined that although a case study would assist in assessing the merits of a transition plan, the OEB was concerned that the time required to complete a case study would delay the utilities' infrastructure planning activities proposal.[54]

VECC submits Enbridge and Union need to be more aggressive in their pursuit of how to include DSM in infrastructure planning. ICF's initial assessment of the potential to reduce peak hour demand using DSM, concludes it appears possible that some infrastructure investments may be reduced through the use of targeted DSM.

The Transition Plan is described as a starting point for clarity around activity and outcomes, but is anticipated to evolve. In summary, VECC submits that Enbridge and Union's Transition Plan is a start but opportunities are being missed to defer capital spending using DSM to the benefit of customers. VECC submits a more evolved plan is needed and the OEB should require the merged entity to accelerate its progress on how to include DSM as part of future infrastructure planning activities in time for the next DSM Framework.

B. Utility Mid-Term Requests

1. Demand Side Management Participant Incentive Deferral Account (Enbridge)

Enbridge requests that the OEB approve a Demand Side Management Participant Incentive Deferral Account (DSMPIDA) as an accounting tool to manage the multi-year customer incentive payouts for multi-year program offers. Enbridge requests the OEB approve the DSMPIDA for the years 2018 through 2026. The DSMPIDA will hold annual customer incentive payouts until they come due. Due to the multi-year aspect of several of the Company's program offers (i.e. Residential/Commercial Savings by Design and Affordable Housing New Construction), the DSMPIDA would need to remain open until 2026 to accommodate the up to five-year window customers have to earn and collect incentives plus one year to clear any residual balance.

Enbridge submits that in the event the Board does not provide approval of a DSMPIDA, it will need to promptly revise these three offers to exclude those facets requiring the payment of deferred incentives,

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[52] Enbridge Submission 2018-01-15 Appendix D, ICF Canada Natural Gas Integrated Resource Planning: Initial Assessment of the Potential to Employ Targeted DSM to Influence Future Natural Gas Infrastructure Investment, January 2018

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[54] EB-2015-0029/EB-2015-0049, Decision and Order, January 20, 2016, P 84

including supporting building/homes built and removing the metrics related to these objectives from the current scorecard. This would also necessitate re-weighting the Low Income and Market Transformation scorecards accordingly.

Enbridge requested this account as part of its DSM Plan. Enbridge now has the benefit of experience to observe that unpaid incentives are being recorded as underspend on the program and there is currently no mechanism to roll over the amounts unpaid in one year and subsequent years into the year in which the incentive is paid out. Enbridge indicates no additional costs will be incurred by ratepayers.[55]

VECC submits Enbridge's proposal is reasonable and will ensure the continued success of affected Residential and Low-Income offerings.

2. Proposed Updates to Select DSM Program Offers

<u>Proposed Enhancements to Enbridge's Home Energy Conservation (HEC) Program</u>

Enbridge is proposing enhancements to the HEC program to drive increased participation and natural gas savings by aligning the current HEC eligibility with Union's Home Reno Rebate (HRR) program prescriptive incentive model.

VECC supports alignment of the two Residential programs to provide continuity to the benefit of customers.

<u>Proposed Enhancements to Enbridge's Savings by Design (SBD) Programs</u>

Enbridge is proposing to make adjustments to both the Residential and Commercial Savings by Design (SBD) programs with respect to the threshold of energy savings above the new 2017 Ontario Building Code.

Enbridge's most recent proposal for the Residential SBD for customers to qualify for building incentives is a single tier achievement of 15% over 2017 OBC code for the duration of the current Multi-Year DSM Plan.[56] The original objective of the Residential SBD was to build homes to a minimum energy efficiency of 25% better than the 2012 building code. For the Commercial SBD offering, Enbridge proposes to modify the program to require a minimum savings of 15% over the 2017 code. The original objective of the Commercial SBD program as energy efficiency of 25% better than the 2012 Ontario Building code.[57]

VECC submits there is insufficient evidence in this proceeding to make this change. VECC submits further analysis is required and this should be undertaken as part of the next DSM Framework.

<u>Proposed Enhancements to Union's Optimum Home Program</u>

Union proposes to modify the target setting methodology for the Optimum Home offering to 15% above OBC 2017 by participating builders. Within Union's 2015-2020 DSM Plan, the Optimum Home offering was originally designed to help builders achieve energy efficiency levels 20% greater than the OBC 2012.

[55] Enbridge Submission 2018-10-15 P 47-49
[56] Enbridge September 24, 2018 Letter Page 6
[57] Enbridge Submission 2018-01-15 P 59

For the reasons discussed above, VECC submits the OEB should not approve a change in the energy efficiency level better than code from 20% to 15% as further analysis is required. VECC submits this should be done as part of the next DSM Framework.

3. Consistent Productivity Improvement Factors

In its Decision, the OEB applied a productivity factor of 2% in the Resource Acquisition program scorecard and in the Low Income program scorecard, a productivity factor of 2% is applied within the TAM. For offerings within the Market Transformation and Energy Management program scorecard, a productivity improvement factor of 10% is applied within the TAM.

Enbridge requests that the 10% productivity factor applied to the Market Transformation and Energy Management program be reduced to 2% to be consistent with the Resource Acquisition and Low-Income program offerings.

The Board applied the productivity factors to "promote continued efficiency in program delivery."[58] In its Decision, the OEB noted that the productivity improvement factor is more aggressive for the Market Transformation and Performance-Based metrics as these programs tend to be newer programs with more opportunity for improvement. [59]

VECC does not support a change in the productivity factor applied to the Market Transformation and Energy Management program as there is insufficient evidence in this proceeding that there is less opportunity for improvement.

4. Proposed DSM Budget and Shareholder Incentive Reallocation Procedure

Union is requesting the ability to reallocate the OEB-approved budget and shareholder incentive opportunity from the DSM program and scorecard to other existing OEB-approved DSM programs and scorecards to ensures there is adequate flexibility to respond and adapt to changes within the energy conservation landscape, and to shift focus away from duplicative programs and towards programs that better meet its customers' needs.[60]

Given the recent revocation of the cap and trade program and the uncertainty of DSM funding from other sources, VECC submit this mechanism is no longer required.

5. Other Enbridge Requests

In addition, Enbridge proposes the following significant changes:

- increase program budgets by 10% or decrease targets by 10%
- modify the Shareholder Incentive Formula

[58] EB-2015-0029/EB-2015-0049, Decision and Order, January 20th, 2017, P 69
[59] EB-2015-0029/EB-2015-0049, Decision and Order, January 20th, 2017, P 70
[60] Union Submission 2018-01-15 P 50

- change the scorecard weightings for the purpose of calculating Shareholder incentive including the recent proposal to adjust the proposed weightings for the metrics for the Run it Right and Comprehensive Energy Management program offers to 5%.[61]

VECC submits there is insufficient evidence and discovery in this proceeding to make the above changes. VECC submits the above proposals should be reviewed as part of the next DSM Framework.

Summary of VECC's Submissions

- Enbridge should explore an integrated program with electricity utilities related to adaptive thermostats once the overlap between DSM, GreenON and CDM is better understood.

- VECC supports Union's request for incremental funding for a Residential Adaptive Thermostat offering.

- Union has a list of energy conservation opportunities beyond Adaptive Thermostats that it could have assessed for a mass-market residential program.

- VECC supports continued funding in 2019 and 2020 for Enbridge's Energy Leaders Program to identify innovative and progressive technologies in both franchise areas.

- VECC does not support the elimination of Low-Income offerings below the TRC-Plus threshold of 0.7. In VECC's view it appropriate and allowable for components of Enbridge and Union's Low-Income programs to screen below the TRC-Plus threshold, as long as the Low-Income program as a whole screens at or above the TRC-Plus threshold of 0.7.

- In its DSM Decision, the OEB also stated "as the utilities learn more about this customer segment, new Low-Income program opportunities could be considered at the mid-term review." Enbridge and Union have not put forward any stand-alone or joint new Low-Income offerings as part of their Low-Income Programs. VECC submits the OEB should require that the utilities undertake further analysis and propose new Low-Income programs as part of the next DSM Framework.

- In evaluating existing and new Low-Income initiatives as part of the next DSM Framework, VECC submits Enbridge and Union should include barriers to adoption as a key factor in program design.

- Categorizing Enbridge's Residential New Construction program and Union's Optimum Home program as Resource Acquisition programs should be further considered as part of the next DSM Framework.

- Enbridge and Union's separate funding requests for Energy Literacy should be denied until an integrated program is designed and justified as requested by the OEB in its DSM Decision.

[61] Enbridge Letter 2018-09-24 Appendix B

- Union should defer the launch of its Open Bill program until the Customer Information Systems of both utilities are combined and a single open bill capability is available.

- Enbridge and Union have not explored all opportunities to deliver their respective DSM programs jointly, and in doing so have not identified new opportunities to reduce overhead and administrative costs.

- Enbridge and Union did not satisfy the OEB's requirement to develop options for additional outcome-based metrics for consideration at the Mid-Term Review.

- Enbridge and Union have proposed changes to multi-year offers with deferred customer incentive payouts some metrics that replace TAMs with fixed targets. In the examples provided, VECC acknowledges that the current TAM appears to misapply actual spend against targets, however, VECC believes further analysis on the issue is warranted before a change is made.

- VECC submits Union's proposal to combine the Social and Assisted Multi-Family Cumulative Natural Gas Savings (m^3) metric into a Single Multi-Family Cumulative Natural Gas Savings (m^3) metric is better suited for consideration as part of a broader review of targets and achievements.

- Enbridge and Union satisfied the OEB requirement to file evidence related to integrated conservation programs developed with the IESO. However, with the merger there more opportunities exist for Enbridge and Union to administer offerings jointly resulting in cost-efficiencies.

- Enbridge and Union filed a transition plan to incorporate DSM into infrastructure planning activities. VECC submits a more evolved plan is needed and the OEB should require the merged entity to accelerate its progress on how to include DSM as part of future infrastructure planning activities in time for the next DSM Framework.

- VECC accepts Enbridge's request for a Demand Side Management Participant Incentive Deferral Account (Enbridge).

- VECC supports alignment of Enbridge's Home Energy Conservation program with Union's Home Reno Rebate program.

- VECC submits Enbridge's proposed change to its Savings by Design programs and Union's change to its Optimum Home program related to the percentage over the 2017 OBC to be achieved should be done as part of the next DSM Framework.

- VECC does not support a change in Enbridge's productivity factor applied to the Market Transformation and Energy Management program from 10% to 2% as there is insufficient evidence in this proceeding that there is less opportunity for improvement.

- Given the recent revocation of the cap and trade program and the uncertainty of DSM funding from other sources, VECC submit Union's request for DSM Budget and Shareholder Incentive Reallocation Procedure this mechanism is no longer required.

- VECC submits there is insufficient evidence and discovery in this proceeding to make the following changes requested by Enbridge. VECC submits these changes should be reviewed as part of the next DSM Framework.

    - Increase program budgets by 10% or decrease targets by 10%
    - modify the Shareholder Incentive Formula
    - change the scorecard weightings for the purpose of calculating Shareholder incentive including the recent proposal to adjust the proposed weightings for the metrics for the Run it Right and Comprehensive Energy Management program offers to 5%.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 30th DAY of SEPTEMBER.