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March 5, 2019

Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Attention: Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Ontario Sustainable Energy Association (“OSEA”)  
2016 DSM Deferral and Variance – Written Reply Submissions  
Board File Nos. EB-2018-0300/0301**

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Please find enclosed Ontario Sustainable Energy Association’s (“OSEA”) Written Reply Submissions in the above-noted matters, pursuant to the Procedural Order No. 1 dated January 21, 2019.

Yours truly,

Matt Gardner

Encl.

cc: Dan Goldberger, OSEA

Document #: 1500095

## **ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B), as amended

**AND IN THE MATTER OF** an Application by Enbridge Gas Inc. (formerly Enbridge Gas Distribution Inc. and Union Gas Limited) for an order or orders clearing certain non-commodity related deferral and variance accounts.

### **WRITTEN SUBMISSION OF ONTARIO SUSTAINABLE ENERGY ASSOCIATION**

March 5, 2019

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#### **I. OVERVIEW**

1 Enbridge Gas Distribution Inc. (“EGD”) and Union Gas Limited (“Union”) (collectively the “Utilities”) filed 2016 Demand Side Management (“DSM”) Deferral and Variance Account Clearance Applications (the “Applications”) on December 10, 2018 and November 30, 2018, respectively. EGD and Union amalgamated effective January 1, 2019 to become Enbridge Gas Inc. (“Enbridge”).

2 The Utilities requested the Board’s approval of the final balances for all of their 2016 DSM deferral and variance accounts, and for orders of the Board for final disposition of those balances.

3 Pursuant to the Board's Procedural Order No. 1 dated January 21, 2019, Enbridge filed its Argument-in-Chief on February 27, 2019. The Ontario Sustainable Energy Association (OSEA)'s written reply submission follows.

4 OSEA respectfully requests that the Board, in issuing its decision, require that:

- (a) the Utilities give greater consideration to the Ontario market and climate when creating input assumptions for the Technical Resource Manual
- (b) the Utilities reduce the cost of evaluation under the Evaluation, Measurement and Verification ("EM&V") framework, and
- (c) The Utilities and Board Staff appropriately track and manage EM&V costs on behalf of the Utilities' customers.

## II. **DISCUSSION**

5 OSEA agrees with each of the following items put forward by the Utilities:

- (d) that the proposed adjustments to the Utilities' 2016 DSM targets for certain scorecards are appropriate and are required to comply with prior Board guidance
- (e) the proposed changes to the DSM Variance Account ("DSMVA") accounting orders for the EGD rate zone and Union rates zones
- (f) the proposed approach of rolling forward a portion of the 2016 DSM budget in the Union rate zones related to tracking and reporting system upgrades, and

(g) that the proposed allocation and disposition methodologies for 2016 DSM deferral and variance account balances are reasonable and appropriate.

6 OSEA disagrees with the Utilities' recommendations regarding improvements sought to the Evaluation, Measurement and Verification ("EM&V") Process.

7 OSEA shares the Utilities' concerns regarding the current state of the EM&V process, the 2015 net-to-gross ("NTG") Study and the applicability of NTG to the Large Volume program in the Union rate zones.

8 OSEA respectfully submits that the Utilities' recommendations in their applications and Argument-in-Chief do not go far enough to address the fundamental flaws inherent in the current process; namely, the use of estimates and the lack of cost transparency.

#### A. USE OF ESTIMATES

9 In Interrogatories, OSEA asked about the sources of input assumptions in the Technical Resource Manual ("TRM"). The Utilities' response at Exhibit C.OSEA.EGD.1 illustrates the myriad of input assumptions any of which may contain errors or not apply to Ontario. When combined with the other assumptions, this could easily magnify any errors in any other factors.

*(a) ...As noted in the TRM, sources for the overarching common input assumption used in multiple substantiation documents are provided for the following categories:*

- *Gas Properties*
- *Physics Properties*
- *Conversion factors*
- *Building Use and Occupancy*

- *Weather & Water (Ontario specific)* •
- *Water Heating Assumptions/Set points (Canada specific)*
- *Space Conditioning Assumptions/Set points (American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) principles, or Ontario based studies)*

...

*(b) There are 27 citations referenced in the Common Input Assumptions table, and 340 citations supporting the prescriptive/mass market technologies included in the TRM. It is unclear how much each source file is based on data versus engineering principles, evaluation efforts, or known common data. For example, all weather data underpinning technology savings in the TRM rely on weather data from London, Ontario, while individual ASHRAE standards may or may not be based on actual data. Based solely on the count of the citations listed in the TRM, it would appear that 166 of 367 come from Canadian sources. (Emphasis Added)*

10 OSEA understands that a TRM is a tool used in the screening and evaluation in US jurisdictions, the source of over half of the citations. However, OSEA submits that the Board require the Utilities to give more consideration to the Ontario market and climate for input assumptions in the TRM. The use of weather data from London, Ontario has the impact of under-estimating and valuing savings in more severe climates in Ontario, particularly when space heating is such a large portion of gas use in Ontario.

#### B. LACK OF COST TRANSPARENCY

11 OSEA submits that the Board should require the Utilities to reduce the cost of evaluation under this new framework, and appropriately manage these costs on behalf of their customers.

12 During Interrogatories, OSEA asked for the total cost of the EM&V process for each of the program years between 2008 and 2016. The Utilities' response at Exhibit C.OSEA.EGD.2 shows an upward trend in costs each year.

13 The Utilities' response also includes the following:

*When the evaluation governance fully transitioned to an OEB-led process starting with the 2015 audit, EGD lost the ability to accurately forecast, accrue and track all EM&V related costs as well as to reconcile accrued amounts to invoices received. Sufficient detail is not provided in invoicing to support this and information provided by OEB Staff has been, at times, unreliable. Insufficient information to confirm accrual amounts at the time they are recorded and a lack of supporting documentation to then reconcile accruals to invoices received can impact the reporting of financial results. These same issues have continued to be problematic in 2017 and 2018.*

*Further, Enbridge Gas continues to believe that full transparency in budgets and spend is necessary so that the EAC, in its advisory role, can effectively provide guidance on the proposed cost of audit and work deliverables, the prioritization of other evaluation activities and studies, and cost/benefit improvements for the following year's audit.*

14 OSEA submits that the Board should require Board Staff and the Utilities to implement a process to accurately forecast, accrue and track all EM&V related costs and reconcile accrued amounts to invoices received.