

ONTARIO ENERGY BOARD

**POLLUTION PROBE COMMENTS IN REGARD TO THE ONTARIO ENERGY
BOARD'S PHASE 1 FOR THE POST-2020 DEMAND SIDE MANAGEMENT
FRAMEWORK**

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Introduction

On May 21, 2019 the Ontario Energy Board (“OEB” or “Board”) invited interested stakeholders to participate in a consultation on the OEB’s approach for development of the Post-2020 Demand Side Management (“DSM”) Framework.

Further to a March 26, 2014 Directive, the OEB developed a framework for the DSM activities of natural gas distributors for the period January 1, 2015 to December 31, 2020, as articulated in the Report of the Board: Demand Side Management Framework for Natural Gas Distributors (2015-2020) (the 2015-2010 DSM Framework). On January 20, 2016, the OEB issued its Decision and Order on the 2015-2020 DSM plans filed by each of Enbridge Gas Distribution Inc. and Union Gas Limited. Subsequent to the merger of these two utilities, the consolidated entity – Enbridge Gas Inc. – will continue to deliver natural gas energy efficiency and conservation programs to customers throughout Ontario until the end of 2020.

More recently, the OEB issued its DSM Mid-Term Review Report and is conducting an Achievable Potential Study in conjunction with the Independent Electricity System Operator that is expected to be completed by September 1, 2019.

The 2015-2020 DSM Framework will expire on December 31, 2020. The Government of Ontario has confirmed, in its November 2018 Environmental Plan, a commitment to cost-effective conservation of natural gas. It is therefore opportune to initiate a consultation to consider the next generation DSM framework, with a view to ensuring that the OEB’s approach remains current, responsive to energy efficiency and conservation market developments and consistent with broader government policy.

The OEB held a half-day Stakeholder Meeting on Thursday, June 13, 2019 to discuss the issues and invited interested parties to provide input by Thursday June 27, 2019 on three specific issues as part of Phase 1:

1. **Principles:** Do the guiding principles from the 2015-2020 DSM Framework remain appropriate? If not, what principles are needed and why?
2. **Goals and objectives:** What should be the primary goal(s) and objective(s) of the post-2020 DSM Framework?
3. **Scope:** Should the OEB undertake major revisions to the 2015-2020 DSM Framework or focus on specific updates that are more minor in nature?

Below are the written comments on behalf of Pollution Probe.

Comments

The Filing Guidelines to the Demand Side Management (“DSM”) Framework for natural gas distributors (the “DSM Guidelines”) is a companion document to the DSM Framework for Natural Gas Distributors (2015-2020) (the “DSM framework”). As such, Pollution Probe suggests that both documents need to be considered for potential updates related to the Post-2020 DSM Framework. There is connection between these documents and it may be an option to update and consolidate both documents into a single document to reduce duplication and enhance simplicity.

Pollution Probe supports a process and timing that would enable continuity of the benefits of DSM programs in Ontario and recommends that the Board set a timeline to finalize updates to the Framework and then enable review and approval of a DSM plan prior to the end of 2020. This urgency was reinforced by the Board’s letter¹ confirming that the Post-2020 DSM Framework will proceed without delay.

Pollution Probe has significant knowledge and expertise related to the Framework components and how these elements can translate to cost-effective DSM programs that optimize consumer benefits and meet policy direction. However, our comments for Phase 1 are largely limited to the scope outlined in the OEB’s letter dated May 21, 2019, specifically to the three questions related to issues in Phase 1. We would like to acknowledge stakeholder coordination under the restricted timelines to avoid duplication to the extent possible. Pollution Probe would like to thank Efficiency Canada, Environmental Defense, CaGBC, TAF, Clean Air Partnership, City of Toronto and GEC for their coordination of issues where possible.

1. Principles: Do the guiding principles from the 2015-2020 DSM Framework remain appropriate? If not, what principles are needed and why?

The existing Framework outlines ten guiding principles which help the gas utilities when designing individual programs, developing their multi-year DSM strategies and assessing the appropriateness of their overall DSM plans for 2015 to 2020. They were also used in reviewing and approving proposals put forth by the gas utilities in their multi-year DSM plans.

Pollution Probe generally supports continuing the use of these principles for use in the Post-2020 DSM Framework with some updates. Outlined below are opportunities to update the principles developed in 2014. Ontario’s long standing policy support for aggressive natural gas DSM to provide consumer benefits and

¹ OEB letter on the “Status of policy initiatives during the transition to a new governance structure” dated June 19, 2019. <https://www.oeb.ca/sites/default/files/OEBltr-Stakeholders-Policy-Consultations-20190619.pdf>

help reduce carbon emissions was recently reinforced in Ontario's Environment Plan² which specifically targets natural gas DSM to deliver planned emission reductions. This policy target set a base to assess DSM opportunities for programs under an updated Framework.

Principle	Comments
1. Invest in DSM where the cost is equal to or lower than capital investments and/or the purchase of natural gas.	Update this principle to reflect current environmental policy (e.g. Ontario Environmental Plan), full net benefits of the TRC Plus (or SCT) and recognition of non-energy benefits and air emissions. Support proposal to focus on "bill" impacts rather than rates to more adequately reflect value to ratepayers.
2. Achieve all cost-effective DSM that result in a reasonable rate impact.	See comments above. Additional consideration of increased DSM compared to the cost to consumers of other options to meet climate change policy goals.
3. Where appropriate, coordinate and integrate DSM and electricity CDM efforts to achieve efficiencies.	Update wording to recognize increased number of other (e.g. climate change) programs and to achieve greater cost-effectiveness, customer value and efficiencies of joint or coordinated programs. Could be enhanced by "Where appropriate, coordinate and integrate DSM, electricity CDM and other program efforts to achieve efficiencies and improve ease of access."
4. Gas utilities will be able to recover costs and lost revenues from DSM programs.	Support continuation of this principle.
5. Design programs so that they achieve high customer participation levels.	Support continuation of this principle. Support increasing efforts to achieve broader reach and longer term market transformation objectives.
6. Minimize lost opportunities when implementing energy efficient upgrades.	Support continuation of this principle and opportunity for greater partnerships. Support wording update to also include new construction.
7. Ensure low-income programs are accessible across the province.	Support continuation of this principle.
8. Programs should be designed to pursue long-term energy savings.	Support continuation of this principle with enhancement to pursue long-term energy savings and related consumer benefits (e.g. non-energy benefits and air emissions).

² Preserving and Protecting our Environment for Future Generations, <https://prod-environmental-registry.s3.amazonaws.com/2018-11/EnvironmentPlan.pdf>, Page 24.

Principle	Comments
9. Shareholder incentives will be commensurate with performance and efficient use of funds.	Support continuation of this principle and improvement to recognize broader net benefits created (TRC or SCT). Assess opportunity for improving scorecard.
10. Ensure DSM is considered in gas utility infrastructure planning at the regional and local levels.	Support continuation of this principle with greater clarity required. Update to enhance connection to community planning and engagement.

2. **Goals and objectives:** What should be the primary goal(s) and objective(s) of the post-2020 DSM Framework?

Pollution Probe recommends that ratepayer funded DSM programs should focus on the following goals (proposed changes identified in italics):

i. **Assist consumers in managing their energy bills through the reduction of natural gas consumption and understanding related energy costs and benefits.** Customers who participate in the DSM programs should see a decrease in their energy bills. *The utility is encouraged to pursue all cost-effective conservation and promote co-benefits of reduced energy use (e.g. reduced costs, reduced carbon/air emissions, increased comfort, etc.).*

ii. **Promote energy conservation and energy efficiency to create a culture of conservation.** DSM programs should advance conservation and energy efficiency, beyond the program participants, to the broader public in Ontario. *Partnerships should be leveraged where practical to optimize results and promote market transformation.*

iii. **Avoid costs related to future natural gas infrastructure investment, including improving the load factor of natural gas systems.** Gas utilities are expected to consider DSM initiatives *and community energy planning* in the context of infrastructure planning so that reducing demand for natural gas also helps avoid or defer future infrastructure costs.

3. **Scope:** Should the OEB undertake major revisions to the 2015-2020 DSM Framework or focus on specific updates that are more minor in nature?

Below are comments on the level of changes required for DSM Framework components.

DSM Framework Component	Comments
Guiding Principles	Updates (minor) as identified above. Annual DSM report should indicate how the utility is operating in alignment with the Guiding Principles.
DSM Targets	Updates required based on new potential study and programs. Expand beyond resource acquisition to achieve longer-term market transformation and behavioral change (aligned with other energy/climate programs). Continue with weighted scorecard approach.
DSM Budgets	Updates required.
Shareholder Incentive	Updates required to align with budget and targets.
Program Types	Updates required. Include collaboration and integration of programs beyond CDM (e.g. climate change). Include additional elements to support market transformation.
Program Evaluation	Updated Plan required.
Input Assumptions	Updates required over time based on updated plan.
Cost Effectiveness Screening	Use Societal Cost Test or continue with TRC-plus test with increase beyond 15% non-energy benefits added to recognize the increase in non-energy benefits and environmental externalities into the future. Benefit-cost ≥ 1.0 at the portfolio level.
Avoided Supply Costs	Update as required. Are there any opportunities to assess updates as part of Enbridge 5 year gas supply plan (EB-2019-0137)?
Deferral and Variance Accounts - Recovery and Disposition of DSM Amounts	No change proposed.
Integration and Coordination of DSM and CDM Programs	Updates required as outlined above.
Future Infrastructure Planning Activities	Updates required as outlined above. Clearer requirements related to IRP and community plan alignment required.
Stakeholder Consultation	No change proposed.
Implementation and Transition	TBD. Depends on material difference from existing framework. Schedule required to ensure DSM program continuity.