

# Elson Advocacy

December 9, 2019

**BY COURIER (2 COPIES) AND RESS**

**Ms. Kirsten Walli**

Board Secretary

Ontario Energy Board

2300 Yonge Street, Suite 2700, P.O. Box 2319

Toronto, Ontario M4P 1E4

Dear Ms. Walli:

**Re: EB-2019-0271 – Enbridge Gas 2021 DSM Plan**

We are writing on behalf of Environmental Defence to respond to Enbridge's request that its 2021 DSM plan be approved without a hearing. Enbridge's 2021 Demand Side Management ("DSM") plan is contrary to government policy in the Environment Plan and government directives made under the *Ontario Energy Board Act*. Binding directives and government policy require an increase in energy efficiency savings in 2021 whereas Enbridge proposes no increases in savings levels. A hearing is required to determine how Enbridge's plan can be made compliant with binding directives and policy.

Recognising that the proposed plan is for one year, Environmental Defence asks the Board to direct Enbridge to resubmit an application that increases the proposed savings as much as is possible without making fundamental changes to the structure. It makes little sense to launch a proceeding with an application that is clearly contrary to binding directives and government policy. This would also ensure the application can be approved and implemented within the regulatory and other timeframes.

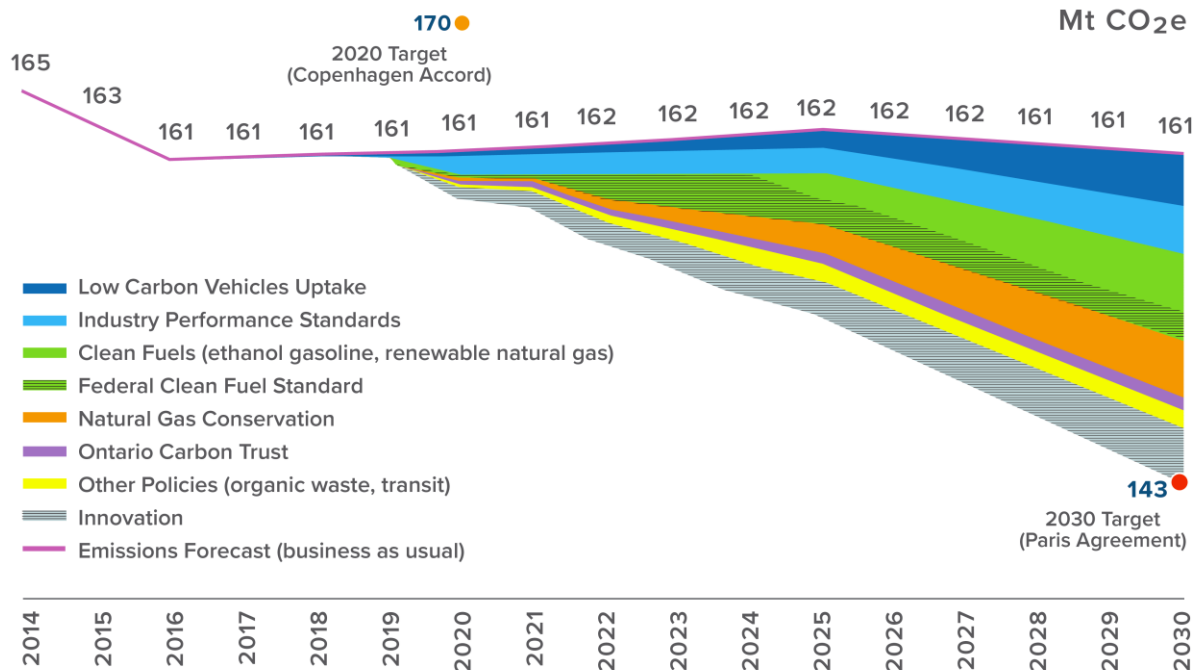
Environmental Defence also requests intervenor status and costs eligibility in this proceeding as a leading environmental organization that represents both the public interest in environmental protection and the interests of consumers whose energy bills can be reduced through increased energy efficiency (see Schedule A for details).

## **Plan Conflicts with Environment Plan**

Enbridge's plan for 2021 would not increase energy efficiency savings even one cubic meter over the status quo, contrary to government policy. In contrast, the Environment Plan calls for significant incremental savings from DSM in 2021. This is a major component of the Government of Ontario's plan to meet its 2030 emissions reductions target. The savings from

natural gas energy efficiency are illustrated in orange in the below excerpt from the Environment Plan.

*Environment Plan: Path to Meeting Ontario's 2030 Emission Reduction Target*



If savings levels do not increase, Ontario will be missing the 2021 savings level called-for in the Environment Plan and it will be much more challenging to meet the final, 2030 target. The start of the 2021 plan is still a year away. There is plenty of time to make progress in line with government policy.

The recent report of the Auditor General of Ontario makes it clear that expanded natural gas energy efficiency starting in 2021 is an essential part of the Environment Plan. For example, it stated as follows:

The Plan estimates 3.2 Mt in emissions reductions from Natural Gas Conservation programs. These programs provide incentives to customers, including residential, commercial and industrial customers, to reduce their natural gas use. In estimating these reductions, the Ministry based its calculations on a study that modelled various future potential scenarios. The Ministry selected a scenario that assumes that **all cost-effective natural gas conservation would be funded and achieved.**<sup>2</sup>

<sup>1</sup> Ontario, *Preserving and Protecting our Environment for Future Generations: A Made-in-Ontario Environment Plan*, November 29, 2018, p. 23.

<sup>2</sup> Auditor General of Ontario, *2019 Annual Report (December 4, 2019)*, p. 125.

The Auditor General's report also makes it clear that the Environment Plan calls for additional investments in natural gas energy efficiency *in 2021*.<sup>3</sup> It also shows that energy efficiency is by far the most significant provincial government action in the Environment Plan when it comes to reducing carbon dioxide emissions (see the figure below). Success of the Environment Plan hinges on natural gas energy efficiency. Approving Enbridge's status quo plan would condone non-action and delay on the most important item in the Environment Plan, contrary to government policy.

**Figure 2: Emission-Reduction Areas in Plan to Reach 2030 Target**

Prepared by the Office of the Auditor General of Ontario

Plan Area	Description	Ministry Estimate (Mt) <sup>1</sup>	OAGO Revised Estimate (Mt)	Section References in This Report
<b>"Business As Usual" Emissions Forecast</b>	<b>Ontario's 2030 emissions if no new emission-reduction actions taken</b>	<b>160.9</b>	<b>163.6<sup>2</sup></b>	<b>S. 4.3</b>
<b>Emissions Reductions</b>		<b>Reduced By</b>		
Low Carbon Vehicles Uptake	Increased uptake of electric vehicles	2.6	0.0	S. 4.4.1
	Increased uptake of compressed natural gas-powered freight vehicles	0.2	0.0	S. 4.4.2
Clean Fuels	Increased renewable content in gasoline	1.0	1.0	No issues noted
	Increased renewable natural gas supply	2.3	0.0	S. 4.4.3
Federal Clean Fuel Standard	Proposed federal standard that would require fuel suppliers to reduce the carbon intensity of their fuels	1.3	0.0-6.5	S. 4.4.4
Natural Gas Conservation	Natural gas conservation and efficiency programs delivered by utilities	3.2	3.2	S. 4.4.5
Industry Performance Standards	Facility- or sector-specific standards for industry to pay a price for emissions that exceed set levels	2.7 <sup>3</sup>	1.0	S. 4.4.6
Emission Reduction Fund	Loans to pay for the capital costs of energy-efficiency projects for buildings	0.5	0.3	S. 4.4.7
	Reverse auction (funding projects with the lowest cost emission reductions)	0.1	0.0-0.1	S. 4.4.8
Other Policies	Improved diversion of food and organic waste from landfills	1.0	0.7	S. 4.4.9
	Implementation of the GO Regional Express Rail across the GO Transit network	0.1	0.1	S. 4.5
Innovation	Increased energy storage capacity	0.3	0.0	S. 4.4.10
	Cost-effective fuel switching (from high-carbon heating to electricity in buildings)	0.2	0.0	S. 4.4.10
	Future Innovation (other future market-developed technologies)	2.2	0.0	S. 4.4.11
<b>Net Emissions Reductions<sup>4</sup></b>		<b>17.6</b>	<b>6.3-13.0</b>	
<b>Net Emissions</b>		<b>143.3</b>	<b>150.6-157.3</b>	

4

<sup>3</sup> *Ibid.* at p. 151.

<sup>4</sup> *Ibid.* at p. 123.

## **Plan Conflicts with Binding Ministers Directive**

The Government of Ontario, through a binding directive from the Minister of Energy, requires the “achievement of all cost-effective DSM.”<sup>5</sup> The current provincial government reaffirmed this requirement in the March 20, 2019 Minister’s Directive. This updated directive stated that the requirement to achieve all cost-effective DSM “shall remain in full force and effect.”<sup>6</sup>

The proposed 2021 DSM plan is very far away from achieving all cost-effective DSM.<sup>7</sup> It conflicts with the binding directives from the Minister of Energy.

## **Plan Conflicts with Past Board Decisions**

In its decision on the 2015-2020 DSM plans, the Board directed Enbridge to do certain things for 2021 and onward. For example, Enbridge was directed to provide transparent avoided costs calculations and to submit detailed analysis on a “net rate impact” approach that would include both the benefits and costs of DSM programs in the same calculation.<sup>8</sup> Enbridge has not yet done these things as directed by the Board in 2016.

In its decision in the DSM Mid-Term Review, the Board directed Enbridge to take further steps with respect to integrated resource planning:

Stakeholders indicated reservations in the usefulness of the transition plan provided by the natural gas utilities. The OEB agrees that although the progress made is at an early stage, the transition plan does not advance the understanding of the role and impact that energy conservation can play in deferring or avoiding capital projects. Currently, leave to construct applications do not include a description of the DSM alternatives considered to help avoid and/or defer the proposed capital project. The natural gas utilities should continue to develop rigorous protocols to include DSM as part of their internal capital planning process. This should include a comprehensive evaluation of conservation and energy efficiency considered as an alternative to reduce or defer infrastructure investments as part of all leave to construct applications.<sup>9</sup>

The proposed DSM plan for 2021 would not make any additional investments to defer or avoid any infrastructure projects. Continuing with status quo savings levels for 2021 may mean we miss an opportunity to use energy efficiency to further reduce energy bills through deferred or avoided supply-side investments.

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<sup>5</sup> Minister’s Directive, March 26, 2014, para. 4(i).

<sup>6</sup> Minister’s Directive, March 06, 2019, para. 5.

<sup>7</sup> Navigant, *2019 Integrated Ontario Electricity and Natural Gas Achievable Potential Study*, September 13, 2019.

<sup>8</sup> EB-2015-0029/0049, Decision and Order, January 20, 2016, p. 87.

<sup>9</sup> EB-2017-0127/0128, *Report of the Ontario Energy Board Mid-Term Review of the Demand Side Management (DSM) Framework for Natural Gas Distributors (2015-2020)*, November 29, 2019, pp. 20-21.

## Lost Savings and Opportunities

Natural gas energy efficiency programs lower gas bills. For each dollar invested, much more than a dollar is saved, primarily through natural gas savings. Consumers benefit. Collectively, the utilities have achieved over \$5 billion in net savings for their consumers through energy efficiency programs.<sup>10</sup> These are net benefits, after subtracting the cost of the conservation measures and reducing the gross benefits by an assumed free rider rate.<sup>11</sup> These benefits have also been audited through the Board's rigorous processes.<sup>12</sup> Major savings and bill reductions are at stake.

Some DSM opportunities arising in 2021 will be lost for decades if they are missed.<sup>13</sup> For example, if equipment is purchased without upgrading to the most efficient option, the customer must wait until the end of life of the equipment before an efficiency upgrade is cost-effective again. Similarly, if a house is renovated or built without efficiency upgrades, those improvements may not ever be cost-effective. These are instances where higher-than-necessary gas bills will be "locked in" for decades because of insufficient DSM levels in 2021.

## Conclusion and Request

Environmental Defence asks the Board to direct Enbridge to resubmit an application that increases the proposed savings as much as is possible without making fundamental changes to the structure. If Enbridge is unsure how to increase savings levels for 2021, Environmental Defence would be happy to provide high-level suggestions.

In the alternative, Environmental Defence requests an oral hearing to address the issues outlined above. Environmental Defence also requests intervenor status and costs eligibility (see Schedule A for details).

The current plan is clearly contrary to binding directives, government policy, previous Board decisions, and the interests of consumers in lowering their energy bills. A revised plan with increased DSM would be rare a win-win-win. It would support government policy, reduce carbon emissions, and lower energy bills.

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<sup>10</sup> EB-2017-0224/0255/0275, Union Exhibit B.ED.22; Enbridge Exhibit I.1.EGDI.ED.22; Transcript vol. 3, p. 133, lns. 5-9.

<sup>11</sup> OEB, *Filing Guidelines to the 2015-2020 DSM Framework*, p. 26-31.

<sup>12</sup> *Ibid.*

<sup>13</sup> Ontario Energy Board, *Filing Guidelines to the 2015-2020 DSM Framework*, EB-2014-0134, p. 14 ("Lost opportunity markets refer to DSM opportunities that, if not undertaken during the current planning period, will no longer be available or will be substantially more expensive to implement in a subsequent planning period. An example of preventing a lost DSM opportunity would be improving the thermal envelope of a building at the time the building is undergoing unrelated major renovation work.").

Please do not hesitate to contact me if anything further is required.

Yours truly,

A handwritten signature in blue ink, appearing to read 'K. Elson', with a stylized, cursive script.

Kent Elson

## **Schedule A – Details re Intervention and Costs Eligibility Request**

### **Nature and Scope of Intended Participation and Interest in Proceeding**

Environmental Defence wishes to file interrogatories, participate in the hearing, review and test the evidence, make submissions, and seek a cost award. Environmental Defence's interest in this proceeding is in promoting both the public interest in environmental protection and the interests of consumers whose energy bills can be reduced through energy efficiency. Environmental Defence wishes to address important issues relating to this mandate. Environmental Defence may wish to submit evidence.

### **Environmental Defence**

#### *A. Mandate and Objectives of Environmental Defence*

Environmental Defence has been working since 1984 to protect Canadians' environment and human health. Environmental Defence's mandate and objective is to challenge, and inspire change in government, business and people to ensure a greener, healthier and prosperous life for all. Its vision is to create a world Canadians are proud to pass on to their children.

#### *B. Membership and Constituency*

Environmental Defence is supported by many thousands of donors across the province and country. It sees its constituency as Canadians who are concerned about the environment and the legacy that we will pass on to our children.

#### *C. Types of Programs and Activities that Environmental Defence Carries Out*

Environmental Defence has been highly successful in its public interest advocacy on energy issues. Environmental Defence's environmental work, on issues ranging from toxic chemicals to clean beaches, has led to concrete improvements in the lives of Canadians. For example, the dangerous chemical Bisphenol A ("BPA") is now banned in baby bottles in Canada due to concerns first raised by Environmental Defence in 2007. For many years, Environmental Defence has participated in the federal government's Chemicals Management Plan.

Environmental Defence is also the coordinator of Blue Flag Canada, which certifies beaches so that Ontario families can enjoy this public resource. It also co-founded Blue Green Canada with the United Steelworkers, which promotes green energy initiatives that have positive employment and economic impacts.

Environmental Defence also publishes reports and guides in the area of energy conservation, efficiency, and policy. For example, it has created an interactive online tool to help energy consumers reduce their bills through energy efficiency initiatives. Some further publications include:

- *Building an Ontario Green Jobs Strategy*

- *Ontario's Electricity System, a Backgrounder*
- *Canada's Methane Gas Problem: Why strong regulations can reduce pollution, protect health, and save money*
- *Powering up efficiency to get the conservation framework right*
- *The \$2 Billion Question - How Can Ontario Reinvest Cap-and-Trade Proceeds to Meet its Climate Challenge and Grow the Economy?*
- *What to Look for in the Canadian Energy Strategy*
- *Backgrounder - Coal and Renewable Energy in Ontario*
- *Building Ontario's Green Economy: A Road Map*
- *Ontario Feed-In Tariff: 2011 Review*
- *The Global Clean Energy Jobs Race: Ontario's Opportunity*
- *Blowing Smoke: Correcting Anti-Wind Myths in Ontario*
- *Faces of Transformation: Jobs, economic renewal and cleaner air from Year*
- *One of Ontario's Green Energy Act*
- *Falling Behind: Canada's Lost Clean Energy Jobs*
- *Greening Canada's Building: Report Card*

These and other reports can be found at <http://environmentaldefence.ca/reports/>.

### **Requests for Evidence and Addresses of Representative**

Environmental Defence requests that electronic copies of the pre-filed materials and all other documents in the proceeding be delivered to the following consultant and counsel:

Electronic copies to:

**Jack Gibbons**

Ontario Clean Air Alliance  
160 John Street, Suite 300  
Toronto, Ontario M5V 2E5  
Tel: (416) 260-2080 ext. 2  
E-mail: [jack@cleanairalliance.org](mailto:jack@cleanairalliance.org)

Electronic copies to:

**Kent Elson**

Elson Advocacy  
1062 College Street, Lower Suite  
Toronto, Ontario M6H 1A9  
Tel: (416) 906-7305  
Fax: (416) 763-5435  
E-mail: [kent@elsonadvocacy.ca](mailto:kent@elsonadvocacy.ca)

We also request that the above individuals be listed on the intervenors' list under Environmental Defence.



### **Address of Environmental Defence**

Environmental Defence's full name and address is:

**Environmental Defence Canada Inc.**  
116 Spadina Avenue, Suite 300  
Toronto, Ontario M5V 2K6  
Tel: (416) 323-9521  
Fax: (416) 323-9301

However, please send correspondence and any other materials to both Jack Gibbons and to counsel as the authorized representatives.

### **Service on other Parties**

Environmental Defence requests the Board's directions as to whether this letter should be served on any other parties.