

**Ontario Energy
Board**
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'Énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY EMAIL

June 12, 2020

Ms. Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Long:

**Re: 2021 Demand Side Management Plans
OEB Staff Submission
Enbridge Gas Inc. – EB-2019-0271**

In accordance with Procedural Order No. 4, please find attached OEB staff's submission.

Sincerely,

Original Signed By

Josh Wasylyk
Project Advisor, Application Policy & Conservation



ONTARIO ENERGY BOARD

OEB STAFF SUBMISSION ON ENBRIDGE GAS INC. 2021 DEMAND SIDE MANAGEMENT PLANS

EB-2019-0271

June 12, 2020

Background

On January 20, 2016 the Ontario Energy Board (OEB) issued a Decision and Order (the DSM Decision) that approved the current Demand Side Management (DSM) plans submitted by Enbridge Gas Distribution Inc. (now Enbridge Gas Inc.) and Union Gas Limited (now Enbridge Gas Inc.).¹ The DSM plans were approved for the years 2015 to 2020.

On November 29, 2018 the OEB issued a report that documented its Mid-Term Review of the DSM Framework.² Within the Mid-Term Report the OEB concluded that the approved programs and overall DSM plans administered by the gas utilities remained appropriate and effective. The OEB made several minor updates to the DSM Framework and the gas utilities' DSM plan, including adding carbon costs to the cost-effectiveness test and approving 2019 and 2020 performance scorecards.

With the DSM plans set to expire on December 31, 2020, the OEB issued a letter on May 21, 2019 initiating a policy consultation to develop a DSM framework beginning in 2021.³ This post-2020 DSM policy consultation is on-going.

Application

On November 27, 2019, Enbridge Gas Inc. (Enbridge Gas) submitted an application for an OEB order effective January 1, 2021 that approves its 2021 DSM Plans – one each for the legacy Enbridge Gas Distribution (EGD) rate zone and the legacy Union Gas Limited (Union) rate zones.

Within its application, Enbridge Gas proposed to treat the 2021 program year as an extension of the 2020 program year and roll-forward the OEB's 2015-2020 DSM Framework and OEB-approved 2020 DSM Plans including all programs, scorecards and other parameters with no changes (i.e., budgets, targets, and performance incentive structure).

¹ EB-2015-0029/0049

² EB-2017-0127/0128

³ EB-2019-0003

More specifically, Enbridge Gas requested the OEB approve the following:

1. A DSM budget for 2021 that is the same as approved by the OEB for 2020:

a)	EGD rate zone 2021 DSM budget	\$67,757,376
b)	Union rate zones 2021 DSM budget	\$64,349,541
	Total 2021 DSM Budget	\$132,006,971

2. Program scorecard targets for 2021 that are the same as approved in the DSM Decision and modified in the Mid-Term Report;
3. The same annual DSM shareholder incentive amounts and methodology relative to each approved 2020 DSM plan for 2021; and
4. The same cost-effectiveness screening to be undertaken in 2021, consistent with the OEB's direction in the Mid-Term Report.

Scope of the Proceeding

Within Procedural Order No. 1 the OEB provided guidance on the scope of the proceeding. The OEB indicated that it does not expect material changes to the programs and no increase to the overall DSM budget to take place during the transition period from the current OEB-approved DSM plans, as a comprehensive policy consultation to review the DSM policy framework is currently underway.

The OEB directed parties to focus their participation during this proceeding on ensuring that the OEB's previously-approved 2020 DSM plans will continue to deliver cost-effective savings in 2021, consistent with the OEB's January 20, 2016 [Decision and Order](#) and [DSM Mid-Term Report](#). Further, the OEB indicated that it expected that submissions from parties should be directed to the best alignment of Enbridge Gas resources and effort available within the existing plan in order to maximize results.

OEB staff's submissions focus on key recommendations, considerations and specific changes to optimize the utility DSM plans in 2021 and deliver programs more cost-effectively to provide greater value to customers.

Summary of OEB Staff Submission

OEB staff submits that the OEB should approve Enbridge Gas' request to roll-forward its 2020 DSM plans into 2021 with minor variations from the approved 2020 plans.

The OEB should make two discrete changes related to the residential home retrofit program participant metric within the Resource Acquisition performance scorecard. In response to updated furnace efficiency standards, the definition of a participant should be updated and the 2021 target for the participants metric revised. Additionally, the OEB should direct Enbridge Gas to consider further alterations to the measure mix and incentive levels of its residential home retrofit program, as well as targeted marketing to neighbourhoods with older houses in order to maximize savings achieved by the program.

Enbridge Gas should also continue to explore different options to engage its small commercial customers as they have always been difficult to reach and many are struggling due to the COVID-19 pandemic. OEB staff has also suggested a number of forward looking recommendations for Enbridge Gas to consider in the lead up to its next multi-year DSM plan.

OEB staff expects Enbridge Gas to continue to refine its program screening criteria in order to limit the number of free riders. The cost of natural gas savings through Enbridge Gas' DSM programs has risen continually from 2015 to 2019. Limiting the number of free riders and critically reviewing the mix of energy efficiency measures offered and related customer financial incentive levels in all programs should help maximize results and use rate payer funds more effectively.

OEB staff cautions that the 2021 program year is likely to be similar to 2020 with many unknowns and much uncertainty due to the on-going COVID-19 pandemic. Although Enbridge Gas will provide the OEB with evidence related to its final spending amounts as part of the proceeding to dispose of various DSM variance accounts, due to this extreme and unpredictable situation, the OEB should require Enbridge Gas to provide quarterly reporting updates throughout the remainder of the 2020 program year and the entirety of the 2021 program year. The progress reports should, at a minimum, document spending, participation levels, and a discussion of any concerns Enbridge Gas may have in its ability to deliver its approved DSM plan.

The details of OEB staff submissions are discussed below.

1. 2021 Budget Request

Enbridge Gas has proposed that its 2021 program year budget for both the EGD and Union rate zones be approved at the same level as the budget that the OEB approved for 2020. Enbridge Gas has not proposed any increases for inflation.

OEB staff supports holding the 2021 program year budgets constant and the same as the 2020 year budgets, with no increases for inflation. Although rate impacts for a typical residential are slightly below the upper threshold of \$2/month for residential customers established in the 2015-2020 DSM Framework, maintaining the current budget levels of approximately \$130 million for 2021, which result in monthly rate impacts of approximately \$1.60⁴ for a typical residential customer, provides Enbridge Gas with ample funding to deliver its DSM programs and mitigates additional costs for residential customers, many of which are managing uncertain economic circumstances due to the COVID-19 pandemic.

In its submission, Energy Probe recommended that the OEB limit the budget flexibility allowed for in the DSM Guidelines⁵ during 2021, at least related to spending on the residential home retrofit program.

As shown in the table below, actual spending has fluctuated regularly relative to approved budgets.

⁴ Exhibit I.ED.7

⁵ EB-2014-0134, Section 6.6 allows for funding transfer of up to 30% between approved programs and Section 11.2 allows the gas utility to increase spending on a program up to 15% of the programs budget if the program has achieved 100% of its weighted scorecard targets on a pre-audit basis.

*Figure 1 – Average Actual Spending Compared to Approved Budget*⁶

EGD Rate Zone	Average Spending Compared to Budget 2015-2018	Union South Rate Zone	Average Spending Compared to Budget 2015-2018
Rate 1	131%	M1	138%
Rate 6	75%	M2	76%
Rate 9	87%	M4	163%
Rate 110	82%	M5	57%
Rate 115	38%	M7	157%
Rate 125	85%	T1	100%
Rate 135	82%	T2	94%
Rate 145	16%	Total Union South	116%
Rate 170	35%	Union North Rate Zone	
Rate 200	87%	Rate 01	69%
Rate 300	87%	Rate 10	58%
TOTAL EGD Rate Zone	100%	Rate 20	56%
		Rate 100	39%
		Total Union North	61%
		Total Union Rate Zones	102%

Namely, the residential home retrofit program has consistently exceeded the approved budgets in the EGD and Union South rate zones, whereas several commercial and industrial rate classes, as well as the entire Union North rate zone, have had significantly lower funds directed to them on average than was originally approved.

OEB staff suggests that the OEB retain the budget flexibility allowed in the DSM Guidelines. The flexibility allows Enbridge Gas to transfer up to 30% of approved funds across programs in order for Enbridge Gas to respond to fluctuating participation levels and market conditions during the program year, and also the ability to access additional funds, up to 15% of an approved program's budget should a program achieve 100% of its performance metrics on a pre-audit basis. Removing or limiting the budget flexibility could result in lower overall program delivery due to the COVID-19 pandemic which would not be favourable to customers. In order for Enbridge Gas to be responsive to market conditions and have the ability to direct approved funding to areas where they can be used to maximize overall results requires the funding transfer policy to remain in effect. However, OEB staff is concerned that it appears that the Union North rate zone is consistently underserved. The OEB should direct Enbridge Gas to make best efforts to expend all approved funding in the Union North rate zone should opportunities to do so exist. Ultimately, if the funding transfer provisions are maintained, Enbridge Gas will

⁶ Exhibit I.SEC.1.Attachment 1

be required to support its decisions to transfer funding within its DSM portfolio at the time of its DSM variance account disposition application.

2. 2021 Performance Scorecards

Enbridge Gas has proposed to carry forward the performance scorecards and metrics as originally approved in the DSM Decision and updated to include 2020 targets in the Mid-Term Report. OEB staff has had the opportunity to review GEC's submission in this proceeding and supports GEC's recommendation of making two changes to the performance scorecards. GEC proposes that the OEB modify the definition of a participant and the participant metric of the residential home retrofit program within the Resource Acquisition scorecard.

Similar to GEC, OEB staff supports the continued delivery of the home retrofit program. However, Enbridge Gas should be considering how to innovate its home retrofit program for the next multi-year DSM plan. Currently, as shown in the figure below, furnace installations are the main driver for the program.

Figure 2 – Residential Home Retrofit Program Leading Measures⁷

EGD					Union				
Measure	2017	% of homes	2018	% of homes	Measure	2017	% of homes	2018	% of homes
Furnace	9,860	87%	13,335	93%	Furnace	11,880	87%	14,339	89%
Air Sealing	11,121	98%	11,960	83%	Air Sealing	11,725	86%	12,753	79%
Attic Insulation	2,002	18%	1,997	14%	Windows/Door	4,448	32%	5,178	32%
Water Heater	1,136	10%	2,399	17%	Attic Insulation	3,174	23%	2,720	17%
Windows/Door	687	6%	1,721	12%	Basement Ins.	2,055	15%	3,328	21%
Basement Ins.	498	4%	2,087	14%	Water Heater	1,907	14%	1,834	11%
Wall Insulation	182	2%	270	2%	Wall Insulation	1,134	8%	1,080	7%
Exposed Floor	33	0%	45	0%	Participants	13,729		16,118	
DWHS	9	0%	9	0%					
Participants	11,390		14,413						

OEB staff understands the importance of providing a financial incentive related to furnace replacements as it can lead to a general discussion of energy efficiency and the potential for other upgrades. For most home owners, the furnace is the largest source of natural gas energy costs. However, as outlined in GEC's submission, the gap between the minimum efficiency level for a new furnace (95%) and the efficiency level of a new furnace within Enbridge Gas' program (97%), consistent with the OEB's Technical Resource Manual, is quite small.⁸ OEB staff notes the TRM was updated on January

⁷ Exhibit I.GEC.4, Table 2 and Table 3

⁸ [Natural Gas Demand Side Management, Technical Resource Manual, Version 4.0, January 10, 2020](#)

10, 2020 to reflect the 95% baseline. The OEB's evaluation contractor verifies each year that utilities have adhered to the applicable TRM input assumptions, and therefore no change is required.

As part of Enbridge Gas' 2019 draft annual DSM report, it acknowledges that the home retrofit program requires changes and that it has started to alter to the program mix to encourage upgrades of more than just the furnace and air sealing.⁹ OEB staff supports these sorts of adjustments and recommends that the OEB accept GEC's submission on changes to the participant definition and metric description.

If these change are directed by the OEB, the 2021 residential home retrofit participant targets will also require updating. OEB staff supports GEC's proposal to set the 2021 residential home retrofit participant metric targets as the mid-point between the overall 2018 participants total (inclusive of those customers that upgraded their furnace) and what the 2018 participant total would have been had heating systems not been allowed to count toward the minimum of two major measures installed. This results in 2021 residential home retrofit participant metric targets of 9,558 for EGD and 11,429 for Union.

The changes to the participant definition and performance metric recommended above recognize updated efficiency standards related to furnaces since the beginning of the 2015 to 2020 DSM term. OEB staff submits that in order to help ensure ratepayer funding for DSM programs is used as effectively as possible, the OEB accept GEC's proposed changes for implementation in the 2021 program year.

3. 2021 Shareholder Incentive

Enbridge Gas has proposed to carry forward the shareholder incentive methodology and amounts, for each the EGD and Union rate zones. OEB staff submits that this is appropriate. Any changes to the shareholder incentive methodology should be considered as part of the policy consultation to develop a post-2020 DSM framework.

4. 2021 Cost-effectiveness Screening

Enbridge Gas has not proposed any changes to the cost-effectiveness screening tests. As part of the Mid-Term Report the OEB updated the TRC-Plus cost effectiveness test

⁹ [Enbridge Gas Inc. Draft 2019 Demand Side Management Annual Report, May 29, 2020, p. 29](#)

to include the cost of carbon. OEB staff submits that the cost-effectiveness screening test remains appropriate and should continue to apply to 2021 programs.

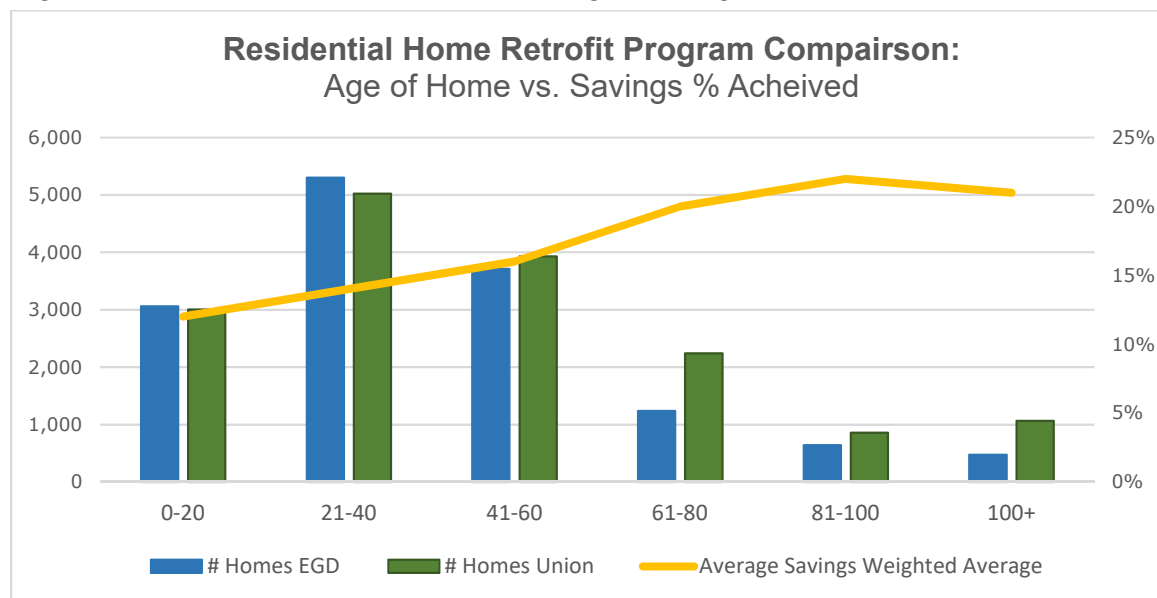
5. Specific Program Changes

OEB staff has proposed some suggestions to the design and delivery of some of Enbridge Gas' programs below. These suggestions are provided in an effort to increase the cost-effectiveness of the programs, help generate higher natural gas savings and increase customer participation.

Programs for Residential Customers

In addition to the submission above related to the participant definition and performance metric related to the residential home retrofit programs, OEB staff suggests that Enbridge Gas also review how it markets and delivers the residential home retrofit program. In reviewing 2018 program data¹⁰ OEB staff confirmed a general assumption that the age of a home plays a significant role in the percentage of savings that are achieved, as shown in the figure below.

Figure 3 – Residential Home Retrofit Program – Age of Home Review



¹⁰ Exhibit.I.GEC.1.Updated Attachment 2. OEB staff's analysis is based on a z-test difference of means between the entire population data of EGD's and Union's 2018 programs to confirm that older homes achieve higher savings. Additional analysis was completed to understand the distribution of savings by age of home. Based on this, the average savings by age of home is weighted based on the number of participating homes from each of the EGD and Union rate zones.

Based on recent program data, houses that are 40 years and older have a much greater potential for natural gas savings. If not doing so already, Enbridge Gas should be strategically marketing the program to neighbourhoods with older homes, enabling a good opportunity to maximize natural gas savings for residential customers and better position the utility in its efforts to meet its performance metrics. OEB staff appreciates that many participants in the program self-identify and enroll through the utilities' website. However, when devising sales strategies, it seems as though targeting houses that are 40 years and older will yield positive results.

Programs for Commercial & Industrial Customers

OEB staff observed that low-flow showerheads are still being installed as part of the Commercial and Industrial Prescriptive program.¹¹ While the low-flow shower head is a measure approved in the OEB's TRM, OEB staff encourages Enbridge Gas to focus more program installations on measures that help its customers achieve higher savings.

OEB staff appreciates that Enbridge Gas has identified the difficulty in engaging small commercial customers in its DSM programs.¹² Enbridge Gas should continue to take additional efforts to engage with small commercial customers as this group has historically been a hard-to-reach segment. The COVID-19 pandemic has made operating and maintaining small businesses even more challenging. Although likely not at the highest priority for small businesses, there may be energy efficiency opportunities for these customers that can help them lower operating costs to allow for longer-term viability.

Enbridge Gas indicated that it is considering program design changes to its Run-it-Right and Strategic Energy Management programs for 2020.¹³ As part of its review, Enbridge Gas notes that it will be examining better ways to target customers through data analysis to identify participants with the most significant opportunities to benefit from the programs. OEB staff encourages Enbridge Gas to proceed with its program design review and suggests that Enbridge Gas provide updates on any design changes to the Evaluation Advisory Committee and as part of its draft 2020 DSM annual report.

¹¹ I.Exhibit.GEC.1.Updated Attachment 2

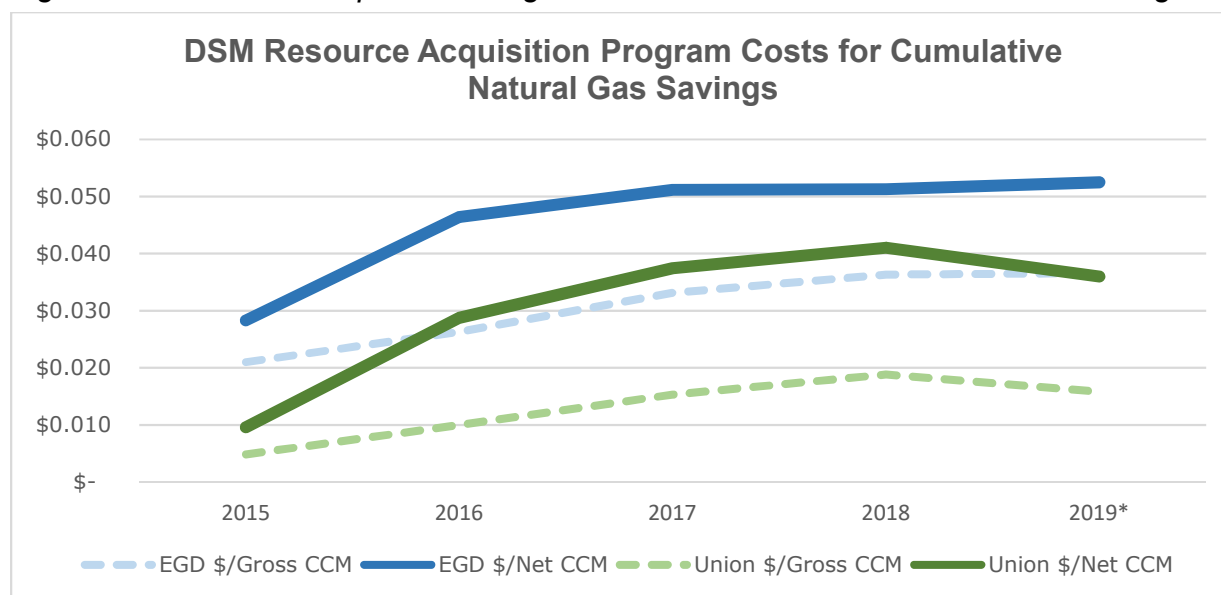
¹² Exhibit I.OSEA.6

¹³ Exhibit I.SEC.14

6. General Areas to Continue Development

The current DSM plans strive to achieve a number of priorities, including high participation from low volume customers, availability of mass market programs, a diverse mix of programs for commercial and industrial customers, no or low cost opportunities for low-income customers and market transformation efforts. However, the OEB also approved materially larger budgets for the utilities' resource acquisition programs. The resource acquisition program's primary objective is to reduce gas consumption. Over the course of the current DSM term the cost to achieve natural gas savings, both gross and net, has continually risen. The figure below shows the trend of spending relative to natural gas savings since 2015.

Figure 4 – Resource Acquisition Program Cost to Achieve Cumulative Gas Savings¹⁴



OEB staff notes that part of the increase in cost from 2016 onwards likely relates to the increased free ridership rates that were assessed by expert evaluators through the OEB's evaluation process. However, gross savings, not impacted by free ridership, have risen at a consistent pace with net savings.

OEB staff appreciates the broad set of priorities and pursuit of different performance metrics, and that some increase in cost in recent years makes sense since many of the less expensive and easier efficiency opportunities have already been addressed. Also, OEB staff acknowledges that the current programs remain cost effective. However, one

¹⁴ Exhibit I.SEC.12.Attachments 1-5

of the primary objectives of the current framework is to help customers manage their energy bills through the reduction of natural gas usage. Enbridge Gas should continue to consider ways it can use ratepayer funding to maximize natural gas reductions in the future.

Enbridge Gas has indicated that it is making efforts to actively screen program participants and seek out customers who can most benefit from its programs, but that screening participants must be balanced with ensuring program administration is not overly restrictive, so not to discourage participation.¹⁵ OEB staff recommends that Enbridge Gas continue to enhance its program screening criteria in order to minimize the level of free riders participating in its programs. There will always be some level of free ridership, however, if fewer free riders are enrolled in programs it will lead to greater net savings for the utility and allow for rate payer funding to be used more effectively. This should then allow for program funds that previously went to a free rider to be used to help those customers that would have otherwise not undertaken energy efficiency upgrades to realize natural gas savings that were truly influenced by the utility program.

It appears that Enbridge Gas is making progress on achieving administrative efficiencies with respect to conservation programs following the merger between EGD and Union.¹⁶ OEB staff expects that as part of its planning efforts for the next DSM plan, Enbridge Gas will continue to assess its administrative structure and requirements so that it is efficient and can add as much value as possible.

Enbridge Gas has indicated it has commenced a process evaluation of its Commercial and Industrial Custom program.¹⁷ OEB staff suggests that Enbridge Gas canvass the OEB's Evaluation Advisory Committee on all process evaluations to ensure the evaluation achieves the best results as possible. OEB staff recommends that the results of the Commercial and Industrial Custom program process evaluation be formally filed with the OEB so that interested stakeholders can review and discuss as part of the post-2020 DSM framework consultation.

¹⁵ Exhibit I.STAFF.1

¹⁶ Exhibit I.STAFF.4 and Exhibit I.OSEA.1

¹⁷ Exhibit I.STAFF.1

7. DSM Monitoring - COVID-19 Pandemic

Enbridge Gas has stopped all customer facing interactions and is adhering to government directives.¹⁸ As part of its argument-in-chief, Enbridge Gas noted that although its DSM program were off to a strong start at the beginning of 2020, the COVID-19 pandemic will make it difficult to maintain comparable results for the duration of 2020. OEB staff appreciates the unknowns related to the pandemic. Considering the unprecedented restrictions, OEB staff recommends that the OEB require Enbridge Gas to file quarterly progress updates with the OEB of its program performance for the remainder of 2020 and throughout 2021. The OEB could then post the quarterly progress updates on its webpage for interested parties to review, subject to any concerns noted by Enbridge Gas in its reply submission.

Within its quarterly updates, Enbridge Gas should provide, at a minimum, the following:

- i) spending to-date
- ii) participation levels
- iii) a discussion of any concerns it may have in its ability to deliver its approved DSM plan
- iv) a discussion of how it is updating its response to the pandemic
- v) a discussion of its outlook for the remainder of the year and highlight any mitigation efforts it is taking to manage its DSM plans until the end of 2021

OEB staff acknowledges that the 2020 DSM plans are not within scope of this proceeding. OEB staff does not propose that the OEB make any decisions related to the 2020 DSM plans as part of this proceeding. However, considering the significant impact of the pandemic, OEB staff submits that it is reasonable that the OEB receive more frequent status updates on DSM efforts in order to monitor the impacts of the pandemic on DSM program delivery.

- All of which is respectfully submitted -

¹⁸ Exhibit I.SEC.16