

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. pursuant to Section 36(1) of the *Ontario Energy Board
Act, 1998*, S.O. 1998, for an order or orders approving its
Demand Side Management Plan for 2022-2027.**

Enbridge Gas Inc. 2022-2027 Demand Side Management Framework & Plan

**Energy Probe Submission
Approval of 2022 Base DSM Budget and Programs**

July 6, 2021

Enbridge Gas Inc. 2022-2027 Demand Side Management Framework & Plan

Energy Probe Submission on Approval of 2022 DSM Base Budget and Programs

Background

This Application is for approval of a proposed DSM Plan is for a six-year term which EGI states allows for long term planning and program continuity, stability for the utility to commit to energy conservation efforts, as well as certainty for customers and other market participants of sustained DSM support across Ontario.

In order for Enbridge Gas to maintain DSM program continuity into January 2022 and the 2022 program year, the Company would need to receive final approval from the OEB for this Application by August 31, 2021.

This is not possible. Accordingly EGI is requesting early approval from the OEB on a stand-alone final basis of the budget proposed for 2022 as the “base budget envelope” for the 6 year DSM Plan and the escalation methodology which it has proposed which will increase the budget envelope in each subsequent year of the 5 year plan formulaically.

Procedural Order #1- Interim Early Approval of 2022 year Program

The Board indicated that the first priority in this proceeding is to consider the request for interim approval by August 31, 2021, of Enbridge Gas’s 2022 DSM program year plan.

To ensure program continuity, limit market disruption and confusion amongst potential participants and vendors, the OEB will consider Enbridge Gas’s request for interim early approval of the 2022 program year and provide parties an opportunity to make submissions on this request.

This is the limited submission on these issues on behalf of Energy Probe Research Foundation (Energy Probe). Energy Probe has major issues regarding the proposed EGI DSM Framework and 2022-2027 Programs, which it will address in submissions on the Issues List and in the Hearing.

DSM Framework

The OEB DSM Direction Letter to EGI states¹:

1. “the **primary objective** of ratepayer-funded natural gas DSM is assisting customers in making their homes and businesses more efficient in order to help better manage their energy bills.”
2. “In working towards the primary objective, Enbridge Gas’s future ratepayer-funded DSM plan should also consider the following **secondary objectives**:

¹ EB-2019-0003, OEB Letter Post-2020 Natural Gas Demand Side Management Framework (Dec1, 2020), p. 2/3.

- Help lower overall average annual natural gas usage
 - Play a role in meeting Ontario’s greenhouse gas reductions goals
 - Create opportunities to defer and/or avoid future natural gas infrastructure projects”. And:
- 3 “These secondary objectives balance input received from stakeholders and refine the objectives included in the former 2015-2020 DSM framework.”

Procedural Order #2

Procedural Order#2 indicates:

“The OEB is of the view that Enbridge Gas’s request to approve its proposed DSM budget as the first step in this proceeding is premature. The 2022 DSM budget has been proposed to act as the base budget of the proposed 6-year DSM plan with the 2023 to 2027 budgets escalating from that which is in place for 2022. The OEB requires a more comprehensive review of the proposed DSM plan, one that cannot be afforded before the requested approval date of July 30, 2021. Ultimately, the OEB’s decision on Enbridge Gas’s new DSM budget will be directly related to the proposed programs, and the overall level of natural gas savings and impact the programs will aim to achieve. The OEB is of the view that the effectiveness of the proposed programs and the reasonableness of the proposed budgets for those programs should be assessed at the same time.”

Energy Probe Submission

The Primary Goal of the EGI DSM Program is clear *saving customers \$ on their gas bills*. Energy Probe supports this Goal. However it does not support the secondary goals, except as collateral considerations that should **not** be funded by ratepayers through DSM rates or charges.

Under the Federal Carbon Tax Program (FCCP) all Ontario gas customers must pay the Federal Carbon Tax on their gas consumption volumes. These Federal tax funds should be used to reduce the cost to ratepayers of the EGI DSM programs by **co-funding** and only collaterally, address other national and provincial actions related to Climate Change.

Ratepayer Funding of 2022 DSM and 2023-2027 Programs

The OEB letter indicates the appropriate level of ratepayer funding expended for DSM programs must weigh the cost-effective natural gas savings to be achieved against both short-term and long-term customer bill impacts²

EGI states in its evidence that to be responsive to the OEB’s direction, the DSM Plan proposes a 2022 base year budget with a 2.95% increase over the OEB approved 2021 budget, balancing near-term COVID-19 related bill impacts with modest increases to assist customers in managing their energy bills. Thereafter, proposed program budgets formulaically increase by 3% over inflation,

² Ibid 1

The OEB DSM Letter also states: “The OEB expects that all requests for ratepayer funding to support DSM programs be accompanied by detailed evidence that shows how the programs will benefit Ontario’s natural gas customers, help reduce overall natural gas usage and costs, and contribute towards meeting the Government’s goals to reduce greenhouse gas emissions.”

EGI States that “The proposed DSM Plan continues the majority of existing programming with refinements and enhancements and includes expanded programming for retrofit opportunities. In addition, a new program for new co construction to align with advancing building codes has been introduced, as well as a Low Carbon Transition program aligned with the aspirational goals of the Pan Canadian Framework which is driving toward greater than 100% efficiency heating equipment”.

Energy Probe Submission

As Procedural Order #2 indicates, it is premature for EGI to request approval of the DSM Funding Envelope for 2022 and subsequent years. It is equally premature to consider the proposed programs.

There is an issue how funding for 2022 should be addressed by the OEB – whether interim rates should be ordered or no direction in this regard until the final decision.

Energy Probe submits that pending a full regulatory review of its Application, EGI must manage its 2021 and 2022 DSM Program based on **current approved resources**. That applies to all ratepayer funded costs including OM&A, including staffing costs.

This does not mean that amendments to programs and measures cannot be made, but the onus is on EGI to support and justify these changes to programs and measures in the full regulatory review.

Energy Probe has previously made several submissions regarding to the effectiveness of certain Market Transformation programs. EGI responded to these submissions that this was a matter to be addressed in this EB-2021-0002 Proceeding. The Board agreed with EGI in its EB-2020-0072 Decision.

Energy Probe notes that the Board’s final decision and order in this proceeding may result in changes (perhaps as late as March or April) to the 2022 DSM Program, either restricting some of the proposed activities, modifying them, or adding more, as well as considerations of potential impacts on targets/shareholder incentives, The Board has not definitively indicated whether such changes will be prospective, but in its Procedural Orders the Board is acknowledging that it recognizes Enbridge’s concern with retroactive changes to the approved DSM activities.

One of the Guiding Principles is.

- Enbridge Gas should not have a disincentive to coordinate DSM efforts with external energy conservation and carbon reduction initiatives. Enbridge Gas should endeavor, where appropriate, to coordinate its DSM activities with other external parties such as government partners, to achieve efficiencies and maximize

results³.

Energy Probe submits that considerations related to the review of the proposed 2022 DSM Budget and Programs **must include**

**Coordination with IESO Programs; and
Co-funding by the Federal Government⁴.**

The latter can take one of several forms:

- Bilateral Agreement for co funding all/specific EGI DSM Programs⁵
- Sectoral agreement(s) based on the approved menu of program measures
- Federal Cost sharing for certain measures.(direct to customer)

The co-funding goal must be maximize the recycling of Federal Carbon Tax dollars into Ontario DSM Programs to reduce ratepayer costs, as an offset for Carbon Tax paid by Ontario gas customers.

Negotiating a co-funding agreement will take time to complete. The goal should be to undertake and complete this in parallel with completion of the review of the EB-2021-0002 Application.

The existence of Federal Support will have a major influence on the funding paid by EGIs ratepayers for implementing approved EGI Gas DSM Programs and Measures.

Concluding Energy Probe Submission

In Summary, Energy Probe requests the OEB to reject EGI's Request for Interim Approval of the 2022 Budget and Programs. It should direct EGI to set the 2022 Global Budget at the current level and then proceed expeditiously to review EGI's Application with appropriate procedural steps that will ensure a full review and input from stakeholders.

The OEB should direct EGI to work with the Ministry of Energy (formerly Ministry of Energy Northern Development and Mines) to negotiate with Federal Agencies for inter-government cost sharing/co-funding for the 2022-2027 EGI DSM Program.

Respectfully Submitted on behalf of Energy Probe Research Foundation:

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³ Exhibit C Tab1 Schedule 1 Page 8

⁴ Greener Homes Canada Program and CMHC Retrofit Loan Program (Announcement May 27, 2021).

⁵ Federal-Provincial Bilateral Agreements for Conservation Programs between the Ontario Ministry of Energy and Energy Mines and Resources Canada in the 1980s (Canada Ontario Bilateral Agreement)

Appendix: EGI Proposed DSM Budgets 2022-2027

	2022	2023	2024	2025	2026	2027
Resource Acquisition (incl. all but market transformation)	\$108,720,594	\$110,871,656	\$113,065,739	\$115,327,055	\$117,633,596	\$119,986,266
Percent Increase		2%	2%	2%	2%	2%
Market Transformation	\$9,279,406	\$13,028,344	\$17,029,261	\$21,272,696	\$25,796,143	\$30,614,958
Percent Increase		40%	31%	25%	21%	19%
Total Program	\$118,000,000	\$123,900,000	\$130,095,000	\$136,599,751	\$143,429,739	\$150,601,224
Portfolio Overhead	\$18,000,000	\$18,360,000	\$18,727,200	\$19,101,744	\$19,483,779	\$19,873,455
Total	\$136,000,000	\$142,260,000	\$148,822,200	\$155,701,495	\$162,913,518	\$170,474,679