

Ms. Christine Long
OEB Registrar
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

September 13, 2021

**Re: EB-2021-0106 Updating the CDM Guidelines for Electricity Distributors
Pollution Probe Letter of Comment**

Dear Ms. Long:

In accordance with the OEB Request for Comments dated August 5, 2021, please find below Pollution Probe's comments on the OEB Staff discussion paper (Discussion Paper) pertaining to the Conservation and Demand Management (CDM) Guidelines.

Pollution Probe applauds the OEB and IESO intention to enhance CDM opportunities and outcomes for consumers and communities in Ontario. CDM is the most valuable energy resource Ontarians have and it needs to be maximized and prioritized as Ontario's first option for energy planning and delivery. Unfortunately achieving this goal will not be easy since status quo planning and decision making is deeply engrained in the industry¹. It is recommended that once the OEB has had an opportunity to assess comments received, that it either publish a draft of the updated CDM Guidelines for review and comment, and/or convene a group of value-added industry stakeholders to provide advice on final adjustments required to achieve the desired CDM outcomes in Ontario.

Context and Importance

"Meaningful change is not random. It is not coincidental. It is deliberate and disciplined, well planned and well executed. It requires very specific goals and measures, along with a clearly articulated process for reaching those goals and mechanisms for course correction when necessary." [OEB Strategic Plan, Page 3]

Meaningful change, innovation and delivering Ontario's clean energy future is not a status quo activity. Pollution Probe believes that the OEB understands that. The OEB has a goal to modernize regulation and facilitate innovation to meet the needs of Ontario energy consumers and communities. CDM (and the natural gas equivalent of DSM²) provides the most cost-effective and cleanest energy³ resource Ontario has available to meet its future energy needs. Ontario consumers and communities do not want silos in

¹ In addition, the current regulatory approach in Ontario incentivizes capital spending over more cost-effective solutions.

² In many jurisdictions programs are delivered jointly since they are synergistic, delivered at a lower combined cost and produce greater overall results.

³ Every dollar invested in energy efficiency results in 2 to 3 dollars of benefits for Ontario consumers. Also, CDM results in negative carbon emissions to help Ontario meet its Environment Plan objectives.

energy planning and delivery, they need an integrated menu of choices that provide long-term, reliable clean energy at a competitive cost. This is where CDM and related options (e.g. distributed energy resources or DERs) excel. COVID-19 has also had a significant impact on Ontario electricity consumers, the electricity system and Ontario's economy. Ontario has recognized that electricity CDM programs help consumers manage their energy costs, help cost-effectively meet system needs and are an important contributor to Ontario's economy⁴.

The 2019 Integrated Ontario Electricity and Natural Gas Achievable Potential Study ("Potential Study") highlights significant incremental opportunity for the residential, commercial and industrial sectors in both electricity and natural gas energy efficiency and demand management. This study is a conservative assessment and there are many more incremental opportunities for CDM beyond those outlined in the study⁵. Currently IESO is not directly pursuing the residential CDM opportunities outlined in the Potential Study and Pollution Probe recommends that either the IESO expand its offering to reach this critical part of the market and/or the OEB enable local distribution companies (LDCs) to fill the gaps.

Ontario consumers and communities count on several sources of information (including the OEB, IESO and their local utility and municipality) to help them make effective long-term energy and building retrofit choices. Even entities that do not have their own CDM programs can be a conduit for customers to all programs available (plus site specific technical advice in the case of utility Key Account staff). The current approach in Ontario provides significant opportunity for improvement to deliver the CDM (and gas DSM) Ontario consumers and communities deserve. In most cases, local utilities (gas and electric) fail to provide comprehensive and timely information on the full range of programs⁶ available (including from all levels of government) and in almost all cases program funding is significantly below that needed to meet the goals outlined in the Ontario Environment Plan. For electricity, every unit of electricity avoided through CDM reduces the need for a more expensive and higher emission⁷ unit of electricity that would otherwise need to be generated. The cleanest and most cost-effective unit of energy is the one never needed. Fortunately for Ontario there is lots of untapped CDM potential available across all sectors.

Climate benefits from CDM over incremental electricity generation and distribution are essential to meet policy objectives, including energy and emission objectives of Ontario municipalities. IESO has recognized the foundational value of CDM in meeting Ontario's electricity needs through programs and inclusion of CDM in its auction processes. CDM is also an important component of DER solutions (more on this under the definition section). Still more is needed, particularly with increased needs from electrification and the global needs to move away from higher emitting energy sources⁸.

⁴ Ministerial Directive to IESO [2021-2024 Conservation and Demand Management Framework \(ieso.ca\)](https://www.ieso.ca/2021-2024-Conservation-and-Demand-Management-Framework)

⁵ For example, buildings were assessed by individual measure rather than integrated building solutions that provide deeper savings and most cost-effective solutions when delivered in an integrated manner. Delivering multi-fuel programs (e.g. gas and electricity) further increases the level of incremental opportunity and cost-effectiveness.

⁶ Some gas and electric utilities highlight their own programs, but fail to partner effectively to offer information on the full suite of programs in the market.

⁷ Often fossil fuel generated at the margin.

⁸ [Net Zero by 2050 – Analysis - IEA](#)

The OEB Staff Discussion Paper indicates that the “OEB endorsed a formalized regional planning process involving transmitters, distributors, and the IESO that has been implemented across the province, where CDM is considered first among the alternative potential solutions to address a regional need.” CDM has been proven time and time again to be the most prudent, cost-effective and cleanest energy option, so what do more costly capital investments still prevail? Alignment with CDM-first must be firmly integrated into all OEB policies, guidelines and decisions. Some progress has been made, but the OEB is not currently on track to deliver all cost-effective conservation and demand management⁹ for either natural gas or electricity.

Definition of CDM

The IESO definition of CDM is inclusive of activities aimed at reducing peak electricity demand and/or electricity consumption from the electricity system. Examples of CDM include energy efficiency replacements whereby similar output is achieved with less electricity, and behind-the-meter consumer generation¹⁰.

CDM can't be done successfully in a silo and it relates to many other utility and industry activities (e.g. DER, planning, customer service, etc.). It is critically important to support CDM through the complimentary initiatives and proceedings being conducted by the OEB (e.g. DER related initiatives). The following is an industry definition for DER that was developed by the National Energy Screening Project (NESP), which is a stakeholder organization that is open to all organizations and individuals with an interest in working collaboratively to improve cost-effectiveness screening practices for energy efficiency (EE) and other DERs. A growing list of over 30 utilities across North America have already adopted this best practice approach. The National Standard Practice Manual¹¹ for DER defines DER as:

Distributed Energy Resources (DERs) are resources located on the distribution system that are generally sited close to or at customers' facilities. DERs include EE, DR, DG, DS, EVs, and increased electrification of buildings. DERs can either be on the host customer side of the utility interconnection point (i.e., behind the meter) or on the utility side (i.e., in front of the meter). DERs are mostly associated with the electricity system and can provide all or some of host customers' immediate power needs and/or support the utility system by reducing demand and/or providing supply to meet energy, capacity, or ancillary services (time and locational) needs of the electric grid.

OEB adoption of this DER definition and a strong linkage to CDM would firmly support both DER and CDM objectives at the OEB. Clearly including CDM as a component of DER and broader integrated resource planning (IRP) options is important to its success. If it is treated as a siloed activity, the outcomes will be meager in comparison to broader energy needs in Ontario.

Integrated Resource Planning (IRP) and related Initiatives

⁹ [Directive to the OEB 20140326 CDM](#)

¹⁰ Ministerial Directive to IESO [2021-2024 Conservation and Demand Management Framework \(ieso.ca\)](#)

¹¹ [NESP National Standard Practice Manual \(nationalenergyscreeningproject.org\)](#)

Recently, the OEB launched several initiatives in an attempt to break down barriers and make tangible progress on modernization and innovation. These include the Future of Energy Innovation (FEI) and Regional Planning Process Advisory Group (RPPAG) and others. Pollution Probe is supporting several of these initiatives and is committed to helping achieve tangible outcomes. Effective governance and coordination is needed to ensure all these activities are integrated in an effective manner. If they are conducted in silos, they will not achieve their intended outcomes.

There is no logical or practical way of separating local CDM from other related electricity planning and delivery. CDM is a tool for system planners, local utilities, consumers and municipalities to leverage to meet consumer energy needs. To the extent that programs through IESO meet the local needs, these options can be leveraged. However, more is needed across Ontario.

Effective IRP requires assessing all relevant options, including energy efficiency and demand response. Pollution Probe agrees that best practice IRP principles (including CDM/DSM first) are needed for effective planning and to break down electricity and natural gas regulatory silos. Wise long-term energy decisions transcend energy silos. The OEB has indicated a need for greater collaboration and partnerships in alignment with the Directives to IESO and the OEB¹² from the Province. The OEB has the ability to require that all DSM programs be designed and delivered jointly, unless there is a specific reason for taking a siloed approach.

Municipalities across Ontario have developed energy and emissions plans to help enable cost-effective integrated energy solutions that also meet emission reduction goals¹³. Current energy planning for natural gas and electricity infrastructure is not aligned with community energy and emissions plans and does not meet the long term needs of Ontario consumers and communities. One example is outlined in a letter from the City of Ottawa to the OEB¹⁴ highlighting some of the disconnects in current planning and approvals. The same issues apply to both electricity and natural gas. Requirements for energy efficiency and effective IRP have been mandated by the OEB and some utilities continue to ignore those requirements in their infrastructure applications to the OEB. If the OEB rejected applications that do not comply with these requirements, this would result in lasting change. As mentioned in the CDM Discussion Paper, the recent EB-2020-0091 (gas IRP) OEB Decision, the OEB has attempted to further move toward the requirements needed to modernize energy planning. This OEB Decision was evolutionary rather than revolutionary, but was a step in the right direction. Much more is needed to offset status quo capital biases and meet future energy needs of Ontario consumers and communities. The outcomes of the gas IRP Decision, FEI, RPPAG and other related OEB initiatives are still yet to be seen and there is significant opportunity to advance effective solutions for both electricity and natural gas.

¹² <https://www.oeb.ca/sites/default/files/OC-378-2019%20signed.pdf>

¹³ Refer to Appendix A for two examples from Ontario municipal plans. Municipal plans are supported by Provincial policy and funding through the Municipal Energy Plan (MEP) program.

¹⁴ Attached as Appendix B.

Challenges and Barriers

Chapter 5 of the CDM Guidelines describes the OEB's evaluation criteria for material distribution system investments, and the supporting evidence that distributors should file for proposed projects. This includes several evidentiary requirements that are specific to CDM activities - an assessment of the project benefits to customers relative to cost impacts, the intended duration of the CDM activity and the length of time by which infrastructure investments would be deferred, and a description of how advanced technology has been incorporated (if applicable). The Discussion Paper indicates that distributors have made limited use of this ability to seek distribution rate funding for CDM activities. This is not from lack of opportunity or interest from some LDCs, but appears to be due to unintended complexity and related bias of existing regulatory proceedings (and often related biases of some stakeholders) to put forward short-term status quo solutions in lieu of more innovative and cost effective CDM or IRP alternatives. In the case of related natural gas planning, the OEB has recently modernized expectations requesting that Enbridge review other IRP alternatives (including energy efficiency)¹⁵ before coming to the OEB for status quo incremental pipelines. Some of those activities are also underway through FEI and RRPAG. Time will tell if this approach will be successful.

During utility proceedings it has often been the case that some stakeholders understood (incorrectly) that LDCs were not able to consider, support or pursue CDM solutions. Account management staff at utilities that help customers assess energy options and find related programs support are also often scrutinized more than staff supporting traditional wires solutions. There appears to be a misinterpretation that avoiding duplication with IESO programs, excludes the ability to consider or pursue other CDM options. Once those additional barriers are put in front of an LDC, it is easier to just retreat to traditional short-term solutions than fight for what is a better long-term solution. There is an inherent incentive for utilities to invest capital in old school infrastructure solutions and that bias will not change without OEB intervention and action, including through rates and facility proceedings.

Page 10 of the Discussion Paper suggests "The Updated CDM Guidelines should indicate that distributors would be expected to provide evidence as to why the CDM activity is the preferred approach to meeting a system need. This is consistent with the guidance for "Material Investments" in Chapter 5 of the Filing Requirements regarding the OEB's investment evaluation criteria and evidentiary requirements, including the requirements specific to distribution rate-funded CDM activities. OEB staff does not propose any specific changes to this requirement." It is important that this wording does not create an unintended barrier to CDM. LDCs often default to capital solutions, even when CDM or IRP alternatives are more appropriate for the long term. Many LDCs do not have experience in presenting CDM alternatives (vs. traditional wires solutions and some old school stakeholders push back when LDCs bring forward options different than old school wire solutions. It also appears that some OEB staff and Commissioners may be more knowledgeable and accepting of CDM or IRP options. Pollution Probe recommends that the OEB adjust the requirements in favour of CDM options and provide guidance or examples that LDCs can leverage. This would help remove the inherent biases and level the playing field for CDM and related IRP options. Including incentives for the LDCs to avoid capital investment in lieu of CDM should also be considered (e.g. share of the net benefits or capital treatment consideration).

Providing funding from IESO's Local Initiatives Program is encouraged and establishment of a new LIP Deferral Account to enable LDCs to track LIP partnership costs and seek recovery of these costs through

¹⁵ References include OEB Decisions for EB-202-0192 and EB-2020-0091.

distribution rates is also very positive. It is also important that Ontario utilities can support CDM directly¹⁶. Some of this can come through direct customer information and account support. There could also be a role for the local utility and/or municipality to support development of local aggregators to participate in the IESO CDM auctions¹⁷. Additional planning requirements and coordination at the local utility is also essential to success. It is common for Ontario municipalities to identify CDM needs for the local community that are not included in the utility distribution asset plan or rate filing. One option is where an LDC does not proactively integrate CDM into its plans and applications, program funding access could be opened up to local municipalities to pursue related CDM results for consumers in their community. This will nudge action and remove a barrier from less innovative and proactive LDCs.

The Discussion Paper indicates that the FEI initiative is also expected to play a key role in providing clarity on who is responsible for the costs where a non-wires solution addresses a regional need and is not fully owned by a distributor. Only focusing on costs and ignoring local and system benefits automatically puts both CDM and DER at a disadvantage and therefore disincentivizes CDM. Narrow thinking is less beneficial than systems thinking. CDM has been traditionally assessed by the Societal Cost Test (SCT) or Total Resource Costs (TRC) test to compare overall benefits and costs. The OEB leverages the TRC Plus test for natural gas DSM to account for additional benefits. Pollution Probe recommends that the OEB use the TRC Plus test for comparison of CDM options until a full assessment of CDM/DER benefits can be conducted.

Proposed Approach

Pollution Probe has regularly promoted an integrated approach across initiatives at the OEB and in the industry overall (e.g. coordinated with IESO initiatives). In the case of DER, the OEB set an over-arching initiative (now FEI, replacing two previously joint proceedings) and it was helpful to have an over-arching initiative to ensure that the sum of all activities covers the full scope of what is needed to make progress. Other sub-initiatives (e.g. DER Connections) had a more limited scope and fed up to the over-arching initiative. There are too many (direct and indirect) synergies between OEB and IESO initiatives to treat them as silos and if there is no over-arching coordination, it results in overlap or gaps and limits the ability to achieve the desired outcomes. CDM is the same in that if it is treated as a silo initiative it will be less effective than being linked to IRP, regulatory proceedings (e.g. rate cases and facility proceedings).

Pollution Probe proposes a carrot and stick approach similar to what is being used for natural gas IRP in Ontario. The carrots should include requirements from the OEB to leverage CDM and IRP alternatives to deliver long-term costs effective energy solutions to customers and communities in Ontario. This could also include incentives to utilities that meet customer needs with non-wire alternatives that meet local (energy and emission) objectives. The OEB should also make it a clear requirement prior to utility

¹⁶ Where IESO programs exist, they can be promoted locally by the LDC. Where IESO program gaps exist, LDCs should attempt to fill those gaps. In general, the local utility should provide information and account management support to customers to support CDM and knowledge of other program funding available from any partner or level of government. Funding to support those activities are part of the core utility mandate to serve customers and should be included in rates.

¹⁷ The OEB has often provided assistance in the early stages of market transformation initiatives to get a foundation established.

proceedings that CDM and IRP alternatives must be considered and applications must include options assessed and justification where those options were not selected.

Section 2.2. of the Discussion Paper indicates that OEB staff proposes that the Updated CDM Guidelines support an approach to infrastructure planning, at the regional and local levels, that requires consideration of the role of CDM in meeting system needs. Including requirement for electricity distribution system planning is a positive step. Mere consideration of CDM will not change the status quo. The OEB gave clear direction to consider DSM first for new infrastructure projects in its EB-2020-0192, but this direction had no impact¹⁸ so far and change will only be successful if it is reinforced by the OEB. Pollution Probe recommends requiring CDM/DSM options to be included as the first option (to avoid or reduce demand) for all large (e.g. Leave to Construct) projects and requiring inclusion of detailed analysis in a utility's distribution system plan or equivalent. To further support this direction, all utilities should be required to consider municipal energy and emissions plans and other relevant government policy in the development and delivery of their distribution system plan (or equivalent). These requirements should also be clearly specified for utility rate proceeding filing requirements. This clear leadership and direction from the OEB would have the highest chance of success in meeting Ontario consumer and community needs in a cost-effective manner that also aligns with public policy¹⁹.

As mentioned above, CDM can't happen in a silo. It needs to be the first option considered and OEB policy, guidelines and decisions need to reinforce that fact consistently. Some OEB decisions appear to send different messages. Recently in EB-2021-0002 the OEB issued an interim decision rolling over the Enbridge DSM plan for another year, when there is significant low hanging fruit far above what is currently covered by Ontario's DSM budget or programs. Many stakeholders have interpreted that the OEB does not support incremental DSM/CDM. Enbridge has also taken this as a signal from the OEB that change is not needed²⁰. This appears to suggest that pursuing all cost-effective CDM/DSM²¹ is not a priority for the OEB. CDM and DSM are synergistic and complimentary. Approving status quo programs ignores the Provincial policy Directive to partner²² across programs and delivery mechanisms. Interpretation of these OEB decisions by the industry can undermine the stated goals to support CDM/DSM as the first energy option in Ontario. Serving Ontario consumers and communities effectively will require breaking down these silos and mandating effective coordination to meet all cost-effective CDM/DSM.

Pollution Probe also supports removing all barriers including the OEB Staff proposal that distributors should have the option of requesting an LRAMVA (at the time of rebasing or through a stand-alone application) if necessary, so there is no disincentive to these planning options or supporting CDM.

¹⁸ Following the EB-2020-0192 OEB Decision a Leave to Construct (EB-2020-0293) was filed and accepted by the OEB even though it did not consider any DSM options.

¹⁹ Including the Ontario Environment Plan and municipal energy and emission plans.

²⁰ EGI_LTR_EB-2021-0002_20210901_esigned

²¹ [Directive to the OEB 20140326 CDM](#)

²² <https://www.oeb.ca/sites/default/files/OC-378-2019%20signed.pdf>

Respectfully submitted on behalf of Pollution Probe.

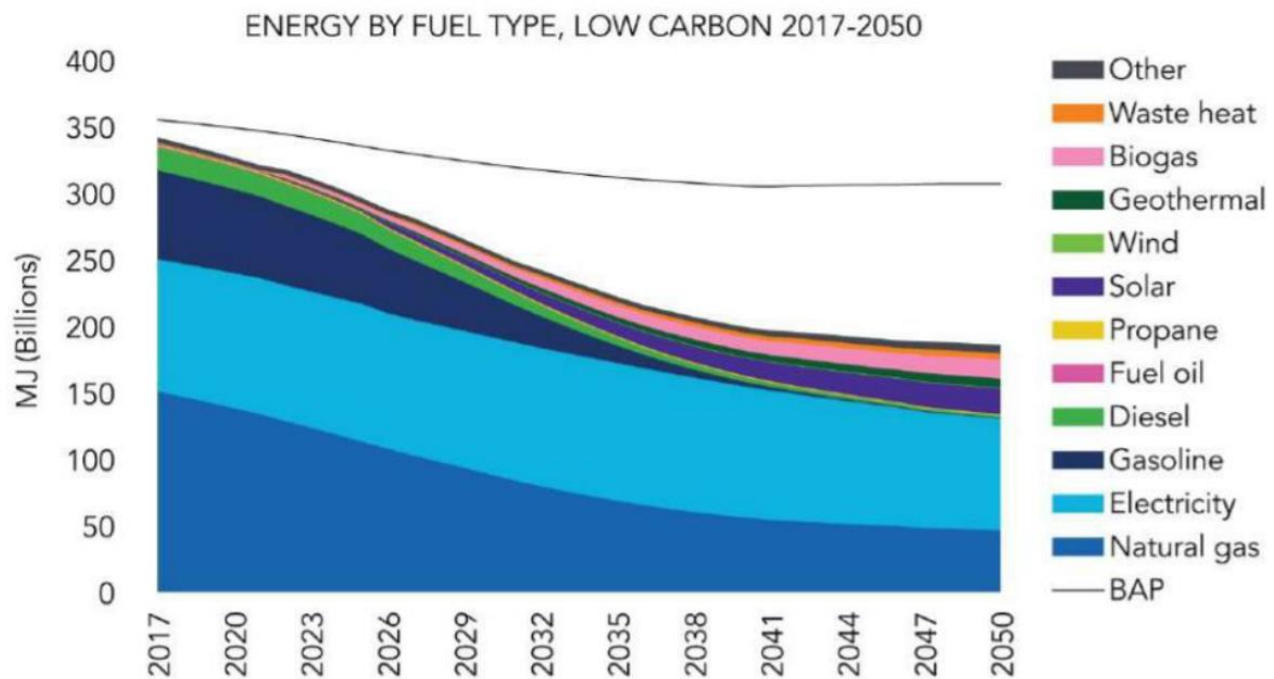


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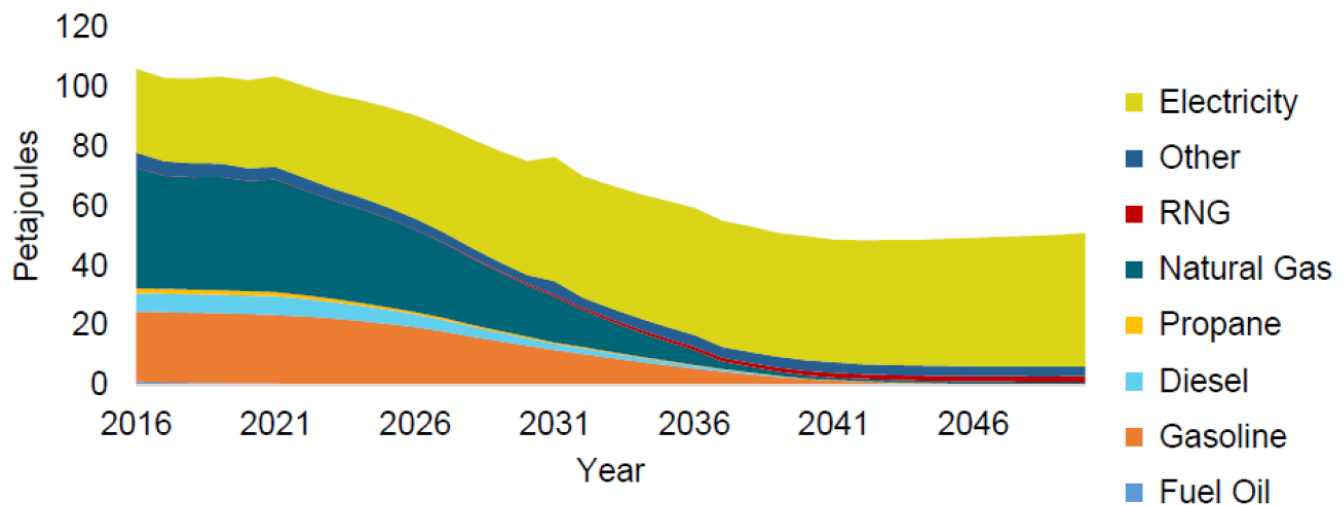
cc: Michael Parkes OEB Case Manager (via email)
Michael Millar, OEB Counsel (via email)
Richard Carlson, Pollution Probe (via email)

Appendix A: Samples from Ontario Municipal Energy and Emission Plans

City of Toronto Transform TO Report, Figure 33



City of Ottawa Energy Evolution Report, Figure 23





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Dear Ms. Long:

**RE: EB-2020-0091 Enbridge Gas Integrated Resource Planning Proposal
City of Ottawa Letter of Comment**

The City of Ottawa is Canada's fourth largest municipality comprised of rural and urban areas. The City declared a climate emergency on April 26, 2019, and on October 28, 2020, Energy Evolution, the City's community energy transition plan, was passed unanimously by Ottawa City Council. Energy Evolution discusses the importance of energy conservation in helping the City achieve zero emissions by 2050 on a timeline which respects Ottawa doing its part to avoid global heating in excess of 1.5°C.

Although not a direct participant in the proceeding noted above, the City of Ottawa has taken an interest in the Enbridge Gas Integrated Resource Planning (IRP) Proposal. Recently, we were heartened to see Enbridge Gas Distribution's commitment to undertake two pilots where IRP alternatives such as demand side management (DSM) will be used to meet demand forecasts. As this approach aligns with Energy Evolution's stated conservation goals, the City of Ottawa hereby expresses interest in being a community which could be home to one of these pilots. We note that a leave to construct application for an expansion of the gas distribution system in the St-Laurent Blvd area of Ottawa (EB-2020-0293) has been filed and is currently on hold. This appears to provide an excellent candidate for one of the pilot projects. We would like to suggest this project be considered as one of the proposed IRP pilot projects. Ottawa's Energy Evolution plan includes energy efficiency (including DSM), renewables and other elements that align specifically with the gas IRP alternatives being considered by the OEB. This would enable the pilot to assess a comprehensive menu of options that has the best opportunity for success and value to energy consumers in the City of Ottawa. Once the OEB has determined the future direction for gas IRP, we would be interested to explore this opportunity in greater detail.

If you have any questions or concerns, please feel free to contact **Mike Fletcher**, Project Manager – Environmental Program, at Mike.Fletcher@Ottawa.ca

Sincerely,

Don Herweyer
Director, Economic Development & Long-Range Planning (EDLRP)
Planning, Infrastructure and Economic Development (PIED)
City of Ottawa
Cc: Mike Fletcher