

19 January 2022

Nancy Marconi, Registrar
Ontario Energy Board

VIA RESS AND EMAIL

Dear Ms Marconi:

Re: EB-2021-0002 – EGI 2022-2027 DSM – GEC/ED IRRs to FRPO Interrogatories

Please find interrogatory responses filed by GEC-ED in response to IRs from FRPO on the evidence of Energy Futures Group.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Poch', with a stylized flourish at the end.

Cc: All parties

GEC/ED Responses of Energy Futures Group to FRPO Interrogatories

3-FRPO-1-GEC/ED.1

Ref: Exhibit L.GEC.1, pg. 24

Preamble: GEC/ED's evidence provides perspectives on EGI's move to first-year savings including the "potential coordinated or collaborative program delivery...with municipalities or the IESO". We are interested in understanding the pros and cons of have an independent third-party contracted to administrate and deliver the programs on a P4P basis.

1. In the experience of GEC/ED's evidence author, please provide any examples of a jurisdiction that has a third-party contracted to administrate and deliver the programs.
 - a. Based on that/those examples, what are the pros and cons of such a model?
 - b. Notwithstanding if examples are provided, in the opinion of the evidence author, please comment on the pros and cons of a third-party administrator/delivery model.

Response:

A number of jurisdictions across North America have either assigned or contracted responsibility for both design and delivery of electric and/or gas efficiency program portfolios to a non-utility party. Examples include Manitoba, Nova Scotia, Vermont, Maine, Oregon, Hawaii and Wisconsin. In some additional jurisdictions, such as New York, New Jersey and California, a portion of programs are delivered by non-utility parties (i.e., some programs are delivered by non-utility parties and some by utilities).

Generally-speaking, the advantages of the non-utility design and delivery model can include:

- The ability to objectively approach consideration of efficiency options from both a multi-fuel perspective (focusing on all forms of energy savings) and a fuel-neutral manner (because the providers do not have a vested interest in the sales of electricity, gas, or other fuels, they can more objectively advise customers on fuel choices);
- An exclusive focus on the merits of efficiency, eliminating potential for internal management conflicts and obviating the need to care about the "brand" under which programs are marketing (utilities can sometimes place disproportionate emphasis on advancing and/or protecting their corporate brand name);
- The potential to be viewed as more "neutral", objective advisors by customers;
- The potential ability to be more creative, innovative and cost-efficient – because there are typically fewer internal constraints on what can be done, potentially fewer layers of

management approval required and the perceived need to show innovation and cost-consciousness in order to retain a delivery contract when it is rebid; and

- Performance incentives can be smaller because third party administrators do not need to offset losses of profits from selling energy.

Generally-speaking, the relative advantages of utility design and delivery of DSM programs can include:

- Instant and on-going access to customer billing data, which can be used for both target-marketing of efficiency programs and services and for on-going assessment or program performance;
- Existing relationships with customers, particularly larger customers (an advantage when those relationships are good and the utility is trusted);
- Existing name/brand recognition (an advantage when the name/brand is viewed positively in the market).

Note that many of these advantages of each model will be location-specific. For example, the ability to be more creative and innovative will be at least partly a function of the level of flexibility permitted by regulators. For example, Efficiency Vermont is given significant flexibility to introduce new ideas, shift budgets between programs, etc., with regulators focusing largely on the extent to which pre-established multi-year goals are being met. In contrast, New Jersey regulators were often hamstrung by state procurement practices that made it difficult to change – at least in a timely way – the delivery strategies that third party administrators initially proposed in their winning bids. Similarly, the utility administration advantage of access to customer billing data will exist in jurisdictions where utilities are not required to share such data with third party administrators and not an advantage in jurisdictions (like Vermont) that have required that the data be shared (with strict confidentiality requirements) with the Efficiency Vermont administrator.

Note also that consistency and stability in the market are critical to the long-term success of either non-utility or utility management of DSM programs. Among other things, that means that it is important than any non-utility model (as with utility models) be funded through charges on utility customers' bills, with oversight from energy regulators, rather than through government budget allocations. Experience in different jurisdictions suggest government funded programs are more susceptible to quick changes in direction as different political parties take power and/or as different demands for budgetary resources outside of the energy sector wax and wane.