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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 PP Interrogatories

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

Sincerely,

Cc: All parties

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GEC/ED Responses of Energy Futures Group to PP Interrogatories

5-PP-1-GEC/ED.1
Reference: Page 13
"Enbridge's 2023- 2027 planned level of savings are slightly below even the constrained potential forecast by the study – despite the fact that Enbridge is forecasting to spent roughly double (on average, over five years) the potential study's constrained budget level."

a) Please describe the key contributing factors leading to these DSM portfolio efficiency issues (e.g. increased O/H, fixed costs, incentives, etc.).

b) Please highlight what controls could be included in the DSM Framework and/or EB-2021-0002 decision to structurally fix the issue of declining performance (e,g. cap fixed costs as a ratio of incentive costs, link to incentive payment, outsource delivery to another delivery agent such as IESO, etc.).

c) Previous DSM plans approved by the OEB included a set of metrics/rules that the portfolio needed to comply with (e.g. variable to fixed costs ratio). Would going back to that approach be a step forward or backwards? Please explain.

Response

a) There was an error in the statement. Please see EFG's response to 6.OEB Staff.1.GEC/ED.1.
b) Our principal critique of the expected level of savings from Enbridge's proposed plan is that the level of ambition is inadequate. The best DSM Framework policy for addressing that would be to tie the maximum shareholder incentive that the Company can earn to the level of savings it targets. See our response to 6.OEB Staff.2.GEC/ED.1 and Section III(8) (pp. 32-33) of our report for further discussion of this topic.
c) EFG generally is not supportive of such controls. They are blunt instruments that are unlikely to achieve desired objectives and may actually harm efforts to maximize DSM performance. The reality is that different types of program spending – some considered "fixed" like marketing and others considered "variable" like financial incentives – can work well in different markets. It is much better to give the utility flexibility on decisions regarding program design and spending and to focus DSM framework policies on the ways goals are set and rewarded. Tying the maximum shareholder incentive to the level of savings targeted is one example. Particularly in the current context in which the economy needs to make dramatic shifts away from burning fossil gas in order to meet climate policy goals, clearly emphasizing longer-term energy savings goals and precluding market transformation type investments (by a fuel-specific utility) that involve customer fuel choices is another. Addressing our other critiques of the Enbridge's shareholder incentive structure would also help.

5-PP-2-GEC/ED.1
a) Would amortizing DSM costs make them more comparable to traditional pipeline capital investments? If no, why not.

b) Would amortizing DSM costs make them more aligned with proposed IRP alternative treatment under the recent gas IRP Decision in EB-2020-0091? If not, why not.

c) If the OEB decides that amortizing DSM costs makes sense, would it be better to use a proxy average measure life for the portfolio like is done for pipelines (e.g. pipeline amortization is typically 40 years even though specific pipeline life may be longer or shorter)?

Response

a) Yes.
b) Yes.
c) Yes, the weighted average measure life would be a better metric by which the costs should be amortized.

5-PP-3-GEC/ED.1
If the Enbridge DSM plan is not able to meet the policy objectives of the OEB and Province of Ontario, what options does the OEB have to mitigate those gaps?

Response

One option would be for the OEB to reject the proposed DSM Plan in its entirety and require Enbridge to very quickly propose a new plan which meets and provides evidence that it can fulfill the OEB and Province of Ontario's policy objectives. If there are concerns about timelines, a second option would be for the OEB to approve, with modifications, just the first year (2023) of the proposed plan and require Enbridge to propose a new plan with more fundamental changes in early 2023 for 2024-2028. The modifications required for 2023 should address the specific program design and budget changes recommended in Section IV of our report and the changes to the shareholder incentive mechanism proposed in section III or our report. For further recommendations on how to address policy shortfalls, please see GEC's response to interrogatory 6.OEB.Staff.2.GEC/ED.1. The Board may also wish to indicate that it's decision in regard to 2023 DSM is interim so that it can be revisited sooner if needed – for example, in light of proposals for the coordination of DSM with the Federal Greener Homes programs.

5-PP-4-GEC/ED.1
Reference: Page 13
"Enbridge's proposal to support the development of gas heat pumps, as part of its Low Carbon Transition program, should be rejected"

a) Is EFG recommending that the OEB include a condition in the DSM Framework excluding gas fired heat pumps from DSM funding in 2023-2027 or a condition that it be excluded from DSM consideration in general?

b) If the OEB accepts that gas heat pumps not be included within DSM funding, where should the current funding be allocated to produce the best DSM benefits?

Response

a) EFG is recommending that the Board direct Enbridge not to invest DSM resources in gas fired heat pumps during its 2023-2027 DSM plan cycle. Given concerns about the extent to which gas sales will need to decrease in the future to meet climate goals, it is inappropriate to invest in development of any gas-consuming technology that is not both commercially available today and reasonably well "tested" in the market (by trade allies and consumers). It makes no sense to invest in technology that is speculative (at best) in terms of likely market acceptance, especially given that it is likely to take a decade or more before even modest market penetration is possible. While we fully expect it to be just as problematic (if not more so) to invest in gas heat pumps in future DSM plan cycles, such decisions could be deferred until future plans are considered.
b) EFG has recommended that Enbridge increase savings by increasing spending on low income programs (for both savings and equity reasons) and commercial and industrial programs (because substantial additional savings can be achieved at lower costs than in the residential sector; in addition, there is a substantial federal program now in the residential sector). Such increases are warranted regardless of whether the increases come from reallocations of budgets other proposed initiatives (such as gas heat pumps), from increases in total spending or a combination of the two.

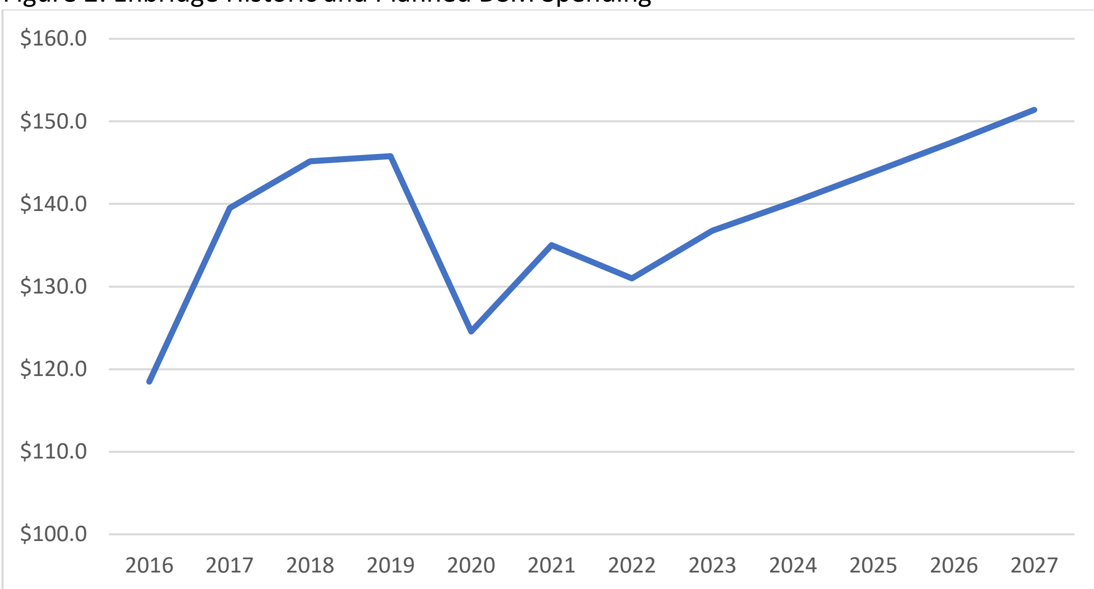
5-PP-5-GEC/ED.1

Reference: Figure 2: Enbridge Historic and Planned DSM Spending

Please provide a copy of the Figure 2 graph with the y-axis truncated to show the range $100 million to $160 million.

Response

Figure 2: Enbridge Historic and Planned DSM Spending



5-PP-6-GEC/ED.1

Reference: Figure 1: Figure 1: Enbridge Historic and Forecast Annual Gas Savings

Please provide a copy of the Figure 1 graph with the y-axis truncated to show the range 80 million m3 to 120 million m3. EB-2021-0002 Pollution Probe Interrogatories to GEC & ED (Energy Futures Group Evidence)

Response

Figure 1: Enbridge Historic and Forecast Annual Gas Savings (Million m3)