

OEB Staff Presentation

Enbridge Gas Inc.
2022-2027 Natural Gas Demand Side Management Application
EB-2021-0002

March 24, 2022

Overview / Purpose

OEB Staff Perspective

- Highlight important issues
- Flag key considerations for the panel

Summary of Expert Reports

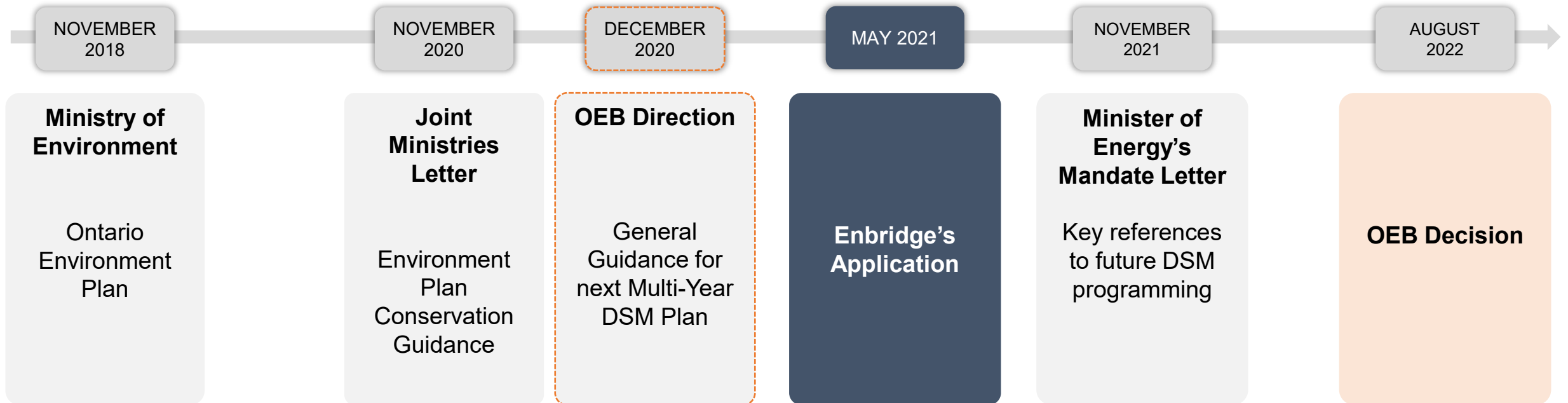
- Cost Recovery & Performance Incentives
- Review and Comparison of Programs

Summary of Key Issues and Considerations

Topic	Key Considerations
Policy / Objectives	<ul style="list-style-type: none"> Is Enbridge's plan responsive to government policy and OEB direction? Does Enbridge's plan achieve the primary and secondary objectives established by the OEB?
Length of Plan	<ul style="list-style-type: none"> Should the proposed plan be approved for 2023-2027, given the objectives of DSM and policy direction? Should a shorter term be considered to consider more significant changes in the near future?
Budget / Cost	<ul style="list-style-type: none"> Are the proposed budget levels over the term of the proposed plan appropriate? Do the proposed outcomes justify the overall costs, particularly to non-participants?
Natural Gas Savings	<ul style="list-style-type: none"> Are the proposed savings levels reasonable? How to best determine future natural gas savings levels?
Programs	<ul style="list-style-type: none"> Are programs designed to provide value to customers? Has the correct weight been assigned to each program area to maximize ratepayer value?
Targets & Incentives	<ul style="list-style-type: none"> Does the proposed target structure appropriately balance utility and ratepayer risk? Will the proposed incentive structure motivate excellent performance?
Verifying Results	<ul style="list-style-type: none"> Do Enbridge's proposed evaluation proposals add value? Will the OEB's evaluation process remain objective, independent and consistent with best practice?

Policy Background

Multiple policy documents issued prior to and during proceeding



Responsiveness to OEB Objectives

OEB'S December 2020 Letter

Primary Objective

Assist customers in making their homes and businesses more efficient to better manage their energy bills

Secondary Objectives

Help lower overall average annual gas usage

Play a role in meeting provincial GHG goals

Create opportunities to avoid capital projects

Enbridge Proposal

Multiple options for all customers segments

Largely relying on core programs + new proposals:

- Low carbon transition program
- GHG reduction metric
- Net Benefits metric

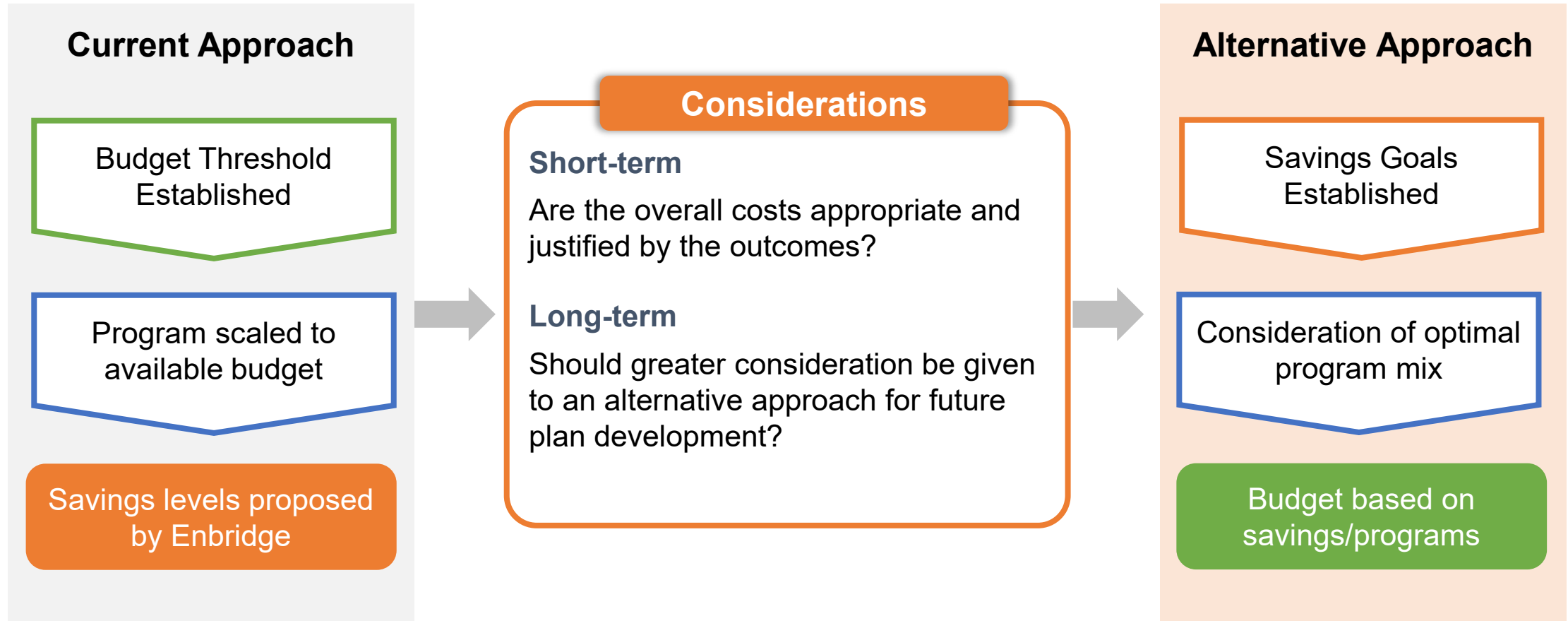
Considerations

- Should additional improvements be implemented based on experts' review?
- Is more required to fully addresses secondary objectives?
 - Greater emphasis on certain programs, measures?
 - Inclusion of performance metric related to average usage?

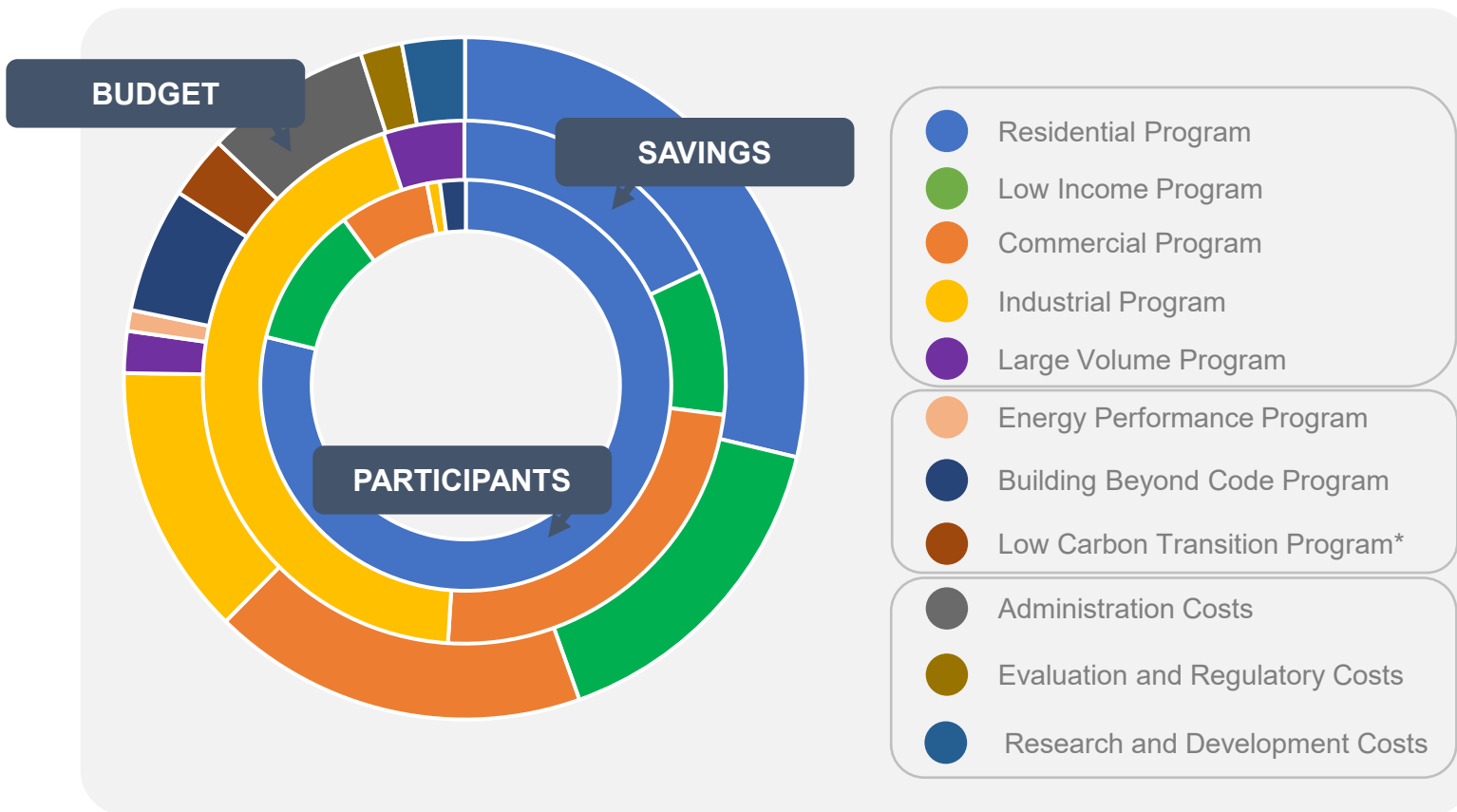
Length of Plan



Natural Gas Savings and Budgets



Plan and Program Overview



Enbridge's Proposal

- Broad sectoral programming
- Budget proportionality
- New proposal: Low Carbon Transition Program

Considerations

- Appropriate mix?
- Best value for costs?
- Ability to address all objectives?
- Merits of new proposals?

Performance Incentive Structure

Past OEB-Approval

Annual maximum of \$20.9M

Annual Target Adjustments

No inflationary increase

Begin Earning at 75% of Target

Net Lifetime Savings Targets

Enbridge Proposal

Annual maximum of \$20.9M

Annual Target Adjustments

Increase Annual Incentives for Inflation

Begin Earning at 50% of Target

Net Annual Savings Targets

Annual Net Benefits Incentive

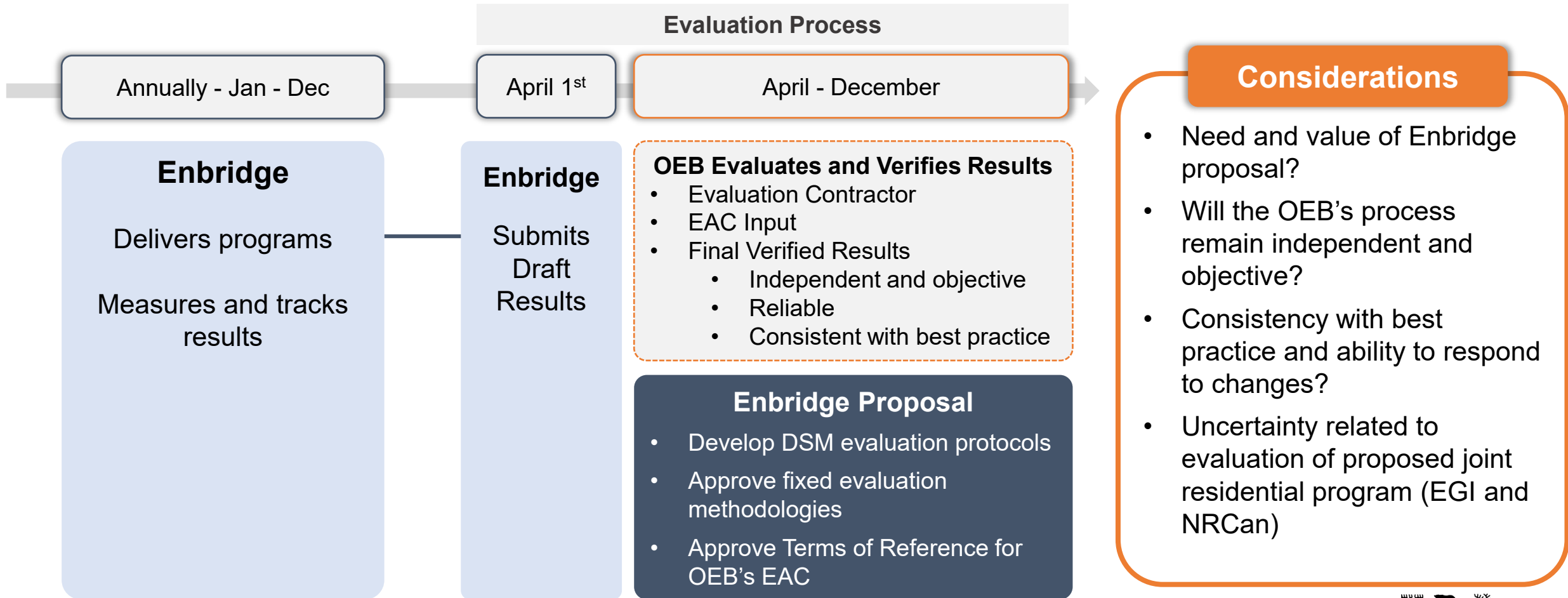
Long-term GHG Target

Low Carbon Transition Scorecard

Considerations

- Is complexity useful?
- Should targets be adjusted based on performance?
- Is it reasonable to begin earning at 50%?
- Do the new metrics add value?

Evaluating and Verifying Program Results



Optimal Report #1 – Cost Recovery & Incentives

Background

- Response to stakeholder interest and input during policy consultation
- Key information for OEB and parties to consider when assessing appropriateness of plan and guidance related to future policy

Cost Recovery

- Amortization may be useful if significant budget increases and rate impact concerns
- Thorough consideration of key variables, including term, interest rate and utility return are required
- Shareholder earnings scaled based on performance, not automatically built into amortization

Performance Incentives

- Enbridge's proposed program scorecard approach has limitations
- Annual target adjustment protects utility from risk of under performance
- Measuring performance based on either Net Benefits or lifetime natural gas savings would be better metrics than annual savings (as proposed by Enbridge)

Optimal Report #2 – Program Review

RESIDENTIAL

Proposal generally compares well with other jurisdictions

LOW-INCOME

Proposal is designed reasonably well

COMMERCIAL & INDUSTRIAL

Proposal largely consistent with other jurisdictions

NEW CONSTRUCTION

Generally, lower incentives and less comprehensive

Overall Recommendation: Greater level of integration with electricity conservation programs

Recommendations

- Eliminate furnace and boilers entirely
- Consider adding a midstream smart thermostat program

Recommendations

- Treat large multi-family buildings holistically
- Consider performance metrics tied to enrolling smaller, 1-4, family low-income rentals

Recommendations

- Reduce incentive caps
- Perform process evaluation to understand free ridership
- Expand the proposed Energy Performance (Whole Building P4P) program to all large C&I.

Recommendations

- Measure industry standard practice baseline, not code minimum
- More financial incentives to help move builders towards net zero homes

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Thank you