

Enbridge Gas 2023-2027 Demand Side Management Application

Presentation to Ontario Energy Board

How Did We Get Here?

➤ *“While we would be supportive of increasing cost-effective ratepayer funding of natural gas conservation in Ontario, it is recognized that the OEB must balance ratepayer interests regarding bill impacts with the level of natural gas savings pursued.”*

- **Joint Letter** from Ministries, November 27, 2020

➤ *“The OEB invites Enbridge Gas to file a comprehensive multi-year DSM plan application for the OEB to review new conservation programs, budgets, and targets for the post-2021 period.”*

- OEB, **DSM Letter**, December 1, 2020

OEB DSM Letter: Objectives

➤ Primary:

- **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.** *[emphasis added]*

➤ Secondary:

- 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 [Note: IRP Framework decision, page 34]

OEB DSM Letter: Direction Provided

➤ Modest budget increases

- *“Over the course of the 2015-2020 term, annual OEB-approved natural gas conservation budgets have doubled from the previous levels.... The OEB anticipates **modest budget increases to be proposed** by Enbridge Gas....” [emphasis added]*

➤ Customer focused

- *“**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.....**” [emphasis added]*

➤ Seek to modify current programs and new programs to optimize results

➤ Propose additional metrics to ensure all segments of market are reached

➤ Where possible, coordinate delivery of DSM programs with CDM programs

2023-2027 DSM Plan Application Summary



- Based on guidance and direction received Enbridge Gas proposed a plan that:
 - Includes a **DSM framework** that builds on the existing OEB approved framework
 - Covers **5-year term** with **mid-point assessment** for plan adjustments required in evolving environment
 - Recognizes economic environment for **gas customers**, limiting base year **bill impacts** to about 2-3% with **formulaic budget increases** thereafter
 - Includes **broad range of programs** to reach diverse set of **gas customers'** needs
 - Integrates and **enhances successful existing programming** elements
 - Introduces **new programming** to help Ontario transition to low carbon future policies and technologies
 - Includes a **strong OEB governance structure** through innovative incentive model

Reference: Exhibit F, Tab 1, Schedule 3 for bill impacts

Proposed Framework – Notable Items

- Largely an extension of 2015-2020 DSM Framework, adjusted to reflect:
 - Feedback received through OEB-led DSM Framework Consultation
 - Updates from subsequent OEB proceedings
 - Changes occurring in the current energy environment

- Standalone document amalgamates multiple documents
 - No end date proposed – OEB Budgetary guidance no longer in framework
 - Extended guiding principle of collaboration with CDM to any other funding entity that has significant overlap in policy objectives

DSM Plan Budget

- Responsive to:
 - DSM Letter
 - Joint Letter
 - Environmental Plan guidance
 - Mandate Letter
- 5-Year Term
- 2023 Base Year: \$142M, approx. 6.5% increase over 2022
- 2024-2027 Proposal:
 - Program Budget: 3% policy growth + 2% inflation
 - Portfolio Overhead: 2% inflation only
 - DSMI: < inflation

Five Year 2023+ DSM Multi Year Plan Portfolio Budget					
	2023	2024	2025	2026	2027
	Base Year				
Program Budget	\$123,900,000	\$130,095,000	\$136,599,750	\$143,429,738	\$150,601,225
	Formulaic increase of 5% (3% policy growth + CPI inflation) over year prior				
Portfolio Admin, Evaluation, Research & Development	\$18,360,000	\$18,727,200	\$19,101,744	\$19,483,779	\$19,873,455
	Formulaic increase of CPI inflation over year prior				
Five Year 2023+ DSM Multi Year Plan Maximum Incentive					
Annual Scorecards and Annual Net Benefits Maximum Incentives	\$19,890,000	\$20,287,800	\$20,693,556	\$21,107,427	\$21,529,576
	Formulaic increase of CPI inflation over year prior				
Low Carbon Transition Scorecard and Long Term GHG Reduction Target*	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000	\$1,400,000
	No increase over year prior				

* These values represent the maximum incentive available pro-rated over 5 years, however the Low Carbon Transition Scorecard is only available in 2027 and 2027, and the Long Term GHG Reduction is only available in 2027.

Reference: Exhibit D, Tab 1, Schedule 1, Table 1; Exhibit D, Tab 1, Schedule 2, Table 1 & 2 (abridged for presentation)

Budget Allocations

- Major Sectors (Res+ LI, Commercial + Industrial) initial budget allocations aligned with modest bill impacts
- Newest programming starts historically low and allocated policy growth to manage ramp up period
- Expect some in-term changes due to emerging policies, to be included in mid-point assessment application

Key Reference:

- I.6.EGI.STAFF.13 c): Sensitivity analysis shows **targets are strongly non-linear with budget increases**

Table 2: 2023-2027 Five-Year DSM Plan

DSM Budget Category	2023 Base Year	2024	2025	
Residential Program	\$40,804,802	\$41,762,686	\$42,597,940	
Low Income Program	\$22,987,685	\$23,447,439	\$23,916,388	
Commercial Program	\$25,262,775	\$25,626,242	\$26,138,767	
Industrial Program	\$17,828,114	\$18,184,676	\$18,548,370	
Large Volume Industrial Program	\$2,766,624	\$2,821,957	\$2,878,396	
Energy Performance Program	\$1,221,656	\$1,222,739	\$1,247,194	
Building Beyond Code Program ¹	\$8,437,503	\$9,546,354	\$21,272,696 to be reassessed	
Low Carbon Transition Program ¹	\$4,590,841	\$7,482,907		
Program Subtotal	\$123,900,000	\$130,095,000	\$136,599,750	

Reference: Exhibit D, Tab 1, Schedule 1, Table 2 (abridged for presentation)

Annual Scorecard Targets

- All scorecard metrics consistent with program offering designs
- Target Adjustment Mechanism (“TAM”)
 - Formulaic adjustment sets future year targets to reflect the best available information and most recent experience at time of adjustment
 - Scorecards definition means target adjustments to now be by sector
- Target-setting challenges:
 - Incrementality/diminishing returns
 - Changing baselines, cost-effectiveness
 - Anticipated/Potential Market Changes

Table 2: 2023 Annual Scorecard Targets

Offering(s)	Metric	Metric Weighting	Lower Band (50%) ¹	2023 100% Target	Upper Band (150%) ¹
Residential Program Scorecard					
Residential Whole Home Residential Single Measure Residential Smart Home	Net Annual Gas Savings (m ³)	100%	6,818,933	13,637,865	20,456,798
Low Income Program Scorecard					
Home Winterproofing	Single Family Net Annual Gas Savings (m ³)	50%	1,436,398	2,872,796	4,309,194
Affordable Housing Multi-Residential	Multi-Residential Net Annual Gas Savings (m ³)	50%	2,507,802	5,015,604	7,523,406
Commercial Program Scorecard					
Commercial Custom Prescriptive Downstream Direct Install Prescriptive Midstream	Large Customer Net Annual Gas Savings (m ³) ²	50%	7,720,641	15,441,281	23,161,922
	Small Customer Net Annual Gas Savings (m ³) ²	50%	4,457,031	8,914,062	13,371,094
Industrial Program Scorecard					
Industrial Custom	Net Annual Gas Savings (m ³)	100%	25,188,449	50,376,897	75,565,346

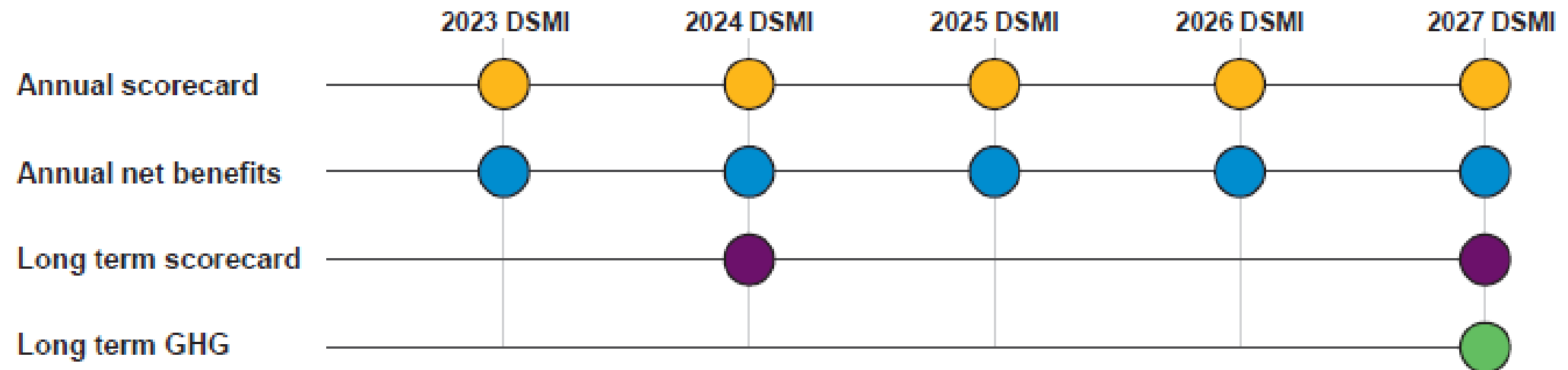
Lower Volume Program Scorecard

Reference: Exhibit D, Tab 1, Schedule 3, Table 2 (abridged for presentation)

Governance Structure – Incentive Mechanism

- Proposed governance structure reflects the OEB's objectives, providing a scorecard structure focusing efforts/incentives where most important

Shareholder incentive schedule



Reference: Exhibit D, Tab 1, Schedule 2

Annual Scorecard Design

- Removed DSMI proportionality to budget and used **fixed weightings** – to reflect OEB priorities
- Mainly defined Annual Scorecards at **Sector** level
- Proposed **Budget** is to hit **100% target**

Key Reference:

- **I.8.EGI.STAFF.18**: Shows ‘back-cast’ of historical results in proposed scorecard structure
- Demonstrates **proposed targets are reasonable**

Table 5: 2023 Annual Scorecards

Annual Scorecard	DSMI Allocation	DSMI below 50% Score	DSMI at 100% Score	DSMI at 150% Score
Residential Program	22.0%	\$0	\$1,458,600	\$2,917,200
Low Income Program	22.0%	\$0	\$1,458,600	\$2,917,200
Commercial Program	22.0%	\$0	\$1,458,600	\$2,917,200
Industrial Program	22.0%	\$0	\$1,458,600	\$2,917,200
Large Volume Program	3.0%	\$0	\$198,900	\$397,800
Energy Performance	1.0%	\$0	\$66,300	\$132,600
Building Beyond Code Program	8.0%	\$0	\$530,400	\$1,060,800
Total	100.0%	\$0	\$6,630,000	\$13,260,000

Reference: Exhibit D, Tab 1, Schedule 2, Table 5 (abridged for presentation)

Annual Net Benefits

- Structured as per feedback received in Mid-term review from stakeholders
- Targets middle of range with proposed budget levels
- Incentive weighted to higher achievement levels (asymmetrical)
- Ensures focus on optimization of all spend through customer lens
- Annual maximum DSMI weighted 1/3 Net Benefits, 2/3 on Annual Scorecards

Table 11: Net Benefits Shared Savings Illustration

Net Benefits	2023 Forecast Estimate		
Max Annual Shared Savings	\$6,630,000		
Forecasted 2023 Net Benefits (\$) Result ^{1 2}	\$364,502,976		
Net Benefit Range	Percentage of Net Benefits Shared	Max Annual DSMI By Range	Forecasted Calculated Incentive By Range
\$0M - \$100M	0.00%	\$0	\$0
\$100M - \$200M	1.00%	\$1,000,000	\$1,000,000
\$200M - \$300M	1.25%	\$1,250,000	\$1,250,000
\$300M - \$400M	1.50%	\$1,500,000	\$967,545
\$400M - \$500M	2.00%	\$2,000,000	\$0
\$500M+	2.50%	\$880,000	\$0
Total		\$6,630,000	\$3,217,545

Long Term Scorecard

- Scorecard structure and calculations consistent with annual scorecards
- Measured over more than one year consistent with the program design goals

Table 12: Long Term Scorecard: Low Carbon Transition Program

2023-2024 Long Term Scorecard	Offering(s)	Metric	Metric Weighting	DSMI below 50% Score	DSMI at 100% Score	DSMI at 150% Score
Low Carbon Transition Program	Residential Low Carbon	Number of Installations (Residential Heat Pumps)	25%	\$0	\$400,000	\$800,000
		Number of Contractors Trained (Residential Heat Pumps)	25%			
	Commercial Low Carbon	Number of Installations (Commercial Heat Pumps)	25%			
		Number of Engineers Trained (Commercial Heat Pumps)	25%			

1. Low Carbon Transition Programs for 2025-2027 to be reassessed at the mid-point assessment.

Long Term GHG Scorecard

- **Responsive to OEB**
encouragement to develop longer term target for term
- Sets **stretch factor** on first year target
- Set as a **binary target** – no DSMI for not hitting the long-term stretch goal

Table 13: Long Term (Five-Year) GHG Reduction Target

Target Development	
2023 Forecast Portfolio Gross Annual m ³	241,639,442
kg CO ₂ e / m ³ of Natural Gas	1.874
Year 1 (2023) Gross Annual GHG (tonnes)	452,832
Years	5
Stretch Factor	15%
Long Term (Five-Year) GHG Reduction Target - (tonnes)	2,603,786

Table 14: Long Term (Five-Year) GHG Reduction DSMI

Long Term GHG Reduction DSMI Scenario Analysis			
	Achieve Less than 100% Target	Achieve 100% of Target	Achieve Greater than 100% Target
Sum of 2023-2027 Gross Annual GHG Reduction Achievement		2,603,786	
Long Term (Five-Year) GHG DSMI Earned	\$0	\$5,000,000	\$5,000,000

Reference: Exhibit D, Tab 1, Schedule 2, Tables 13 and 14

DSM Programming Portfolio

- Enbridge Gas's comprehensive DSM Plan will continue to play an important role in actions related to natural gas conservation and provincial GHG emission policy.
- **Customer-centric** approach, focused **primarily on gas reductions** in:
Residential, Low Income, Commercial, Industrial, Large Volume Industrial
 - Fully integrated in terms of program requirements, processes and accounting practices
 - Enhancements to current programming that is working well
 - Increased choice and flexibility for customers
 - Expansion of core capabilities and resources where necessary

New Construction: Building Beyond Code

- *“Federal, provincial, and territorial governments will work to develop and adopt increasingly stringent model building codes, starting in 2020, with the goal that provinces and territories adopt a “net-zero energy ready” model building code by 2030.”*
 - Pan-Canadian Framework on Clean Growth and Climate Change
 - Canada’s Plan to Address Climate Change and Grow the Economy
- Encouraging new construction sector to **advance construction practices**, meet the needs of municipalities’ GHG reduction targets and **supporting adoption of higher step code** in Ontario



Low Carbon Transition

- NRCan Report – Paving the Road to 2030 and Beyond: Market transformation road map for energy efficient equipment in the building sector
 - Identifies market transformation needs for space and water heating to reduce energy use by at least 35% through next generation equipment technologies
 - Supporting the Pan-Canadian Framework
- Fulfilling **Key Stakeholder Role** for Utilities in fostering adoption and awareness of new technology and energy options to transition Ontario to a low carbon future

Stakeholder	Key Activities						
	R&D for Product Development	R&D for Laboratory and Field Testing	Demonstration	Information & Awareness ⁷⁴	Training	Incentives	Codes & Standards ⁷⁵
NRCan	●	●	●	●	•	•	●
Provincial and Territorial Governments	•	•	●	●		●	●
Federal Laboratories	●	●					
Research Organizations	●	●					
Utilities / Efficiency Organizations	•	●	●	●	•	●	
Manufacturers	●	•	•	•	●		•
Builders / Contractors			•	•	•		
Industry Organizations ⁷⁶	•		•	●	●	•	•
Codes / Standards Organizations				●			●

● denotes leading role and • denotes supporting role for key activities.

Collaboration with CGHG Program

- Company & NRCan negotiating collaboration on province wide residential program based on following principles:
- Duplication with similar programs in the same market is not in the interest of customers/constituents or the entities offering programs
- New programming entering a market should not displace existing programming for the same/similar policy goals
- Customer rebates announced with committed term should not be reduced

Objective: *jointly fund an Ontario wide program providing the ultimate benefit to both participants and achievement of common policy goals*

CGHG – Impact on DSM Plan Proceeding

➤ Enbridge Gas notes:

- Proposed DSM Framework, program portfolio, scorecards **are appropriate regardless of outcome of negotiations**
- Expected **implementation timeline is for 2022**, beyond scope of current application

➤ Outcomes:

- Agreement with NRCan, the Company expects:
 - **No change** to proposed budget or budget flexibility requirements
 - **No change** to the scorecard structure and metrics
 - **Possible change** to Residential target based on final forecast and attribution agreement
- No agreement: no change to proposed DSM Plan, proposed residential program is valid

- **Commitment**: file update with any target adjustments once agreement finalized
(no different from expectations if agreement was reached in middle of a plan term)

Summary

- Enbridge Gas proposed DSM Plan application is responsive, thoughtful, balanced, and appropriate for Ontario gas customers
- Seeking OEB approval of the DSM Plan including:
 - Proposed DSM Framework
 - Formulaically increasing Budget Envelope for 5-year term
 - Limited Mid-point assessment w/Company application for required changes
 - Broad based Program Portfolio, serving Ontario gas customers
 - OEB Governance structure based on innovative incentive mechanism

Q&A
