

# OEB Staff Presentation

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Enbridge Gas Inc.

2022-2027 Natural Gas Demand Side Management Application

EB-2021-0002

March 24, 2022

# Overview / Purpose

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

# 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

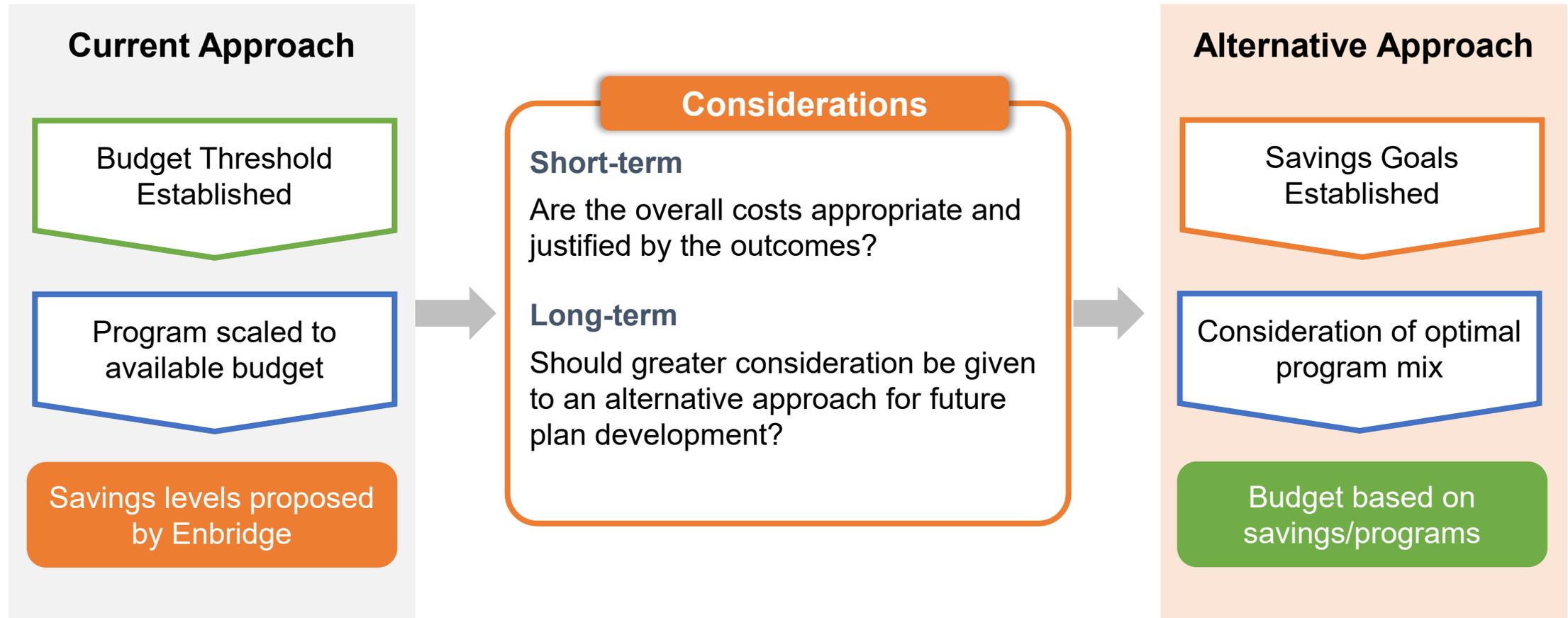
## Considerations

- 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?

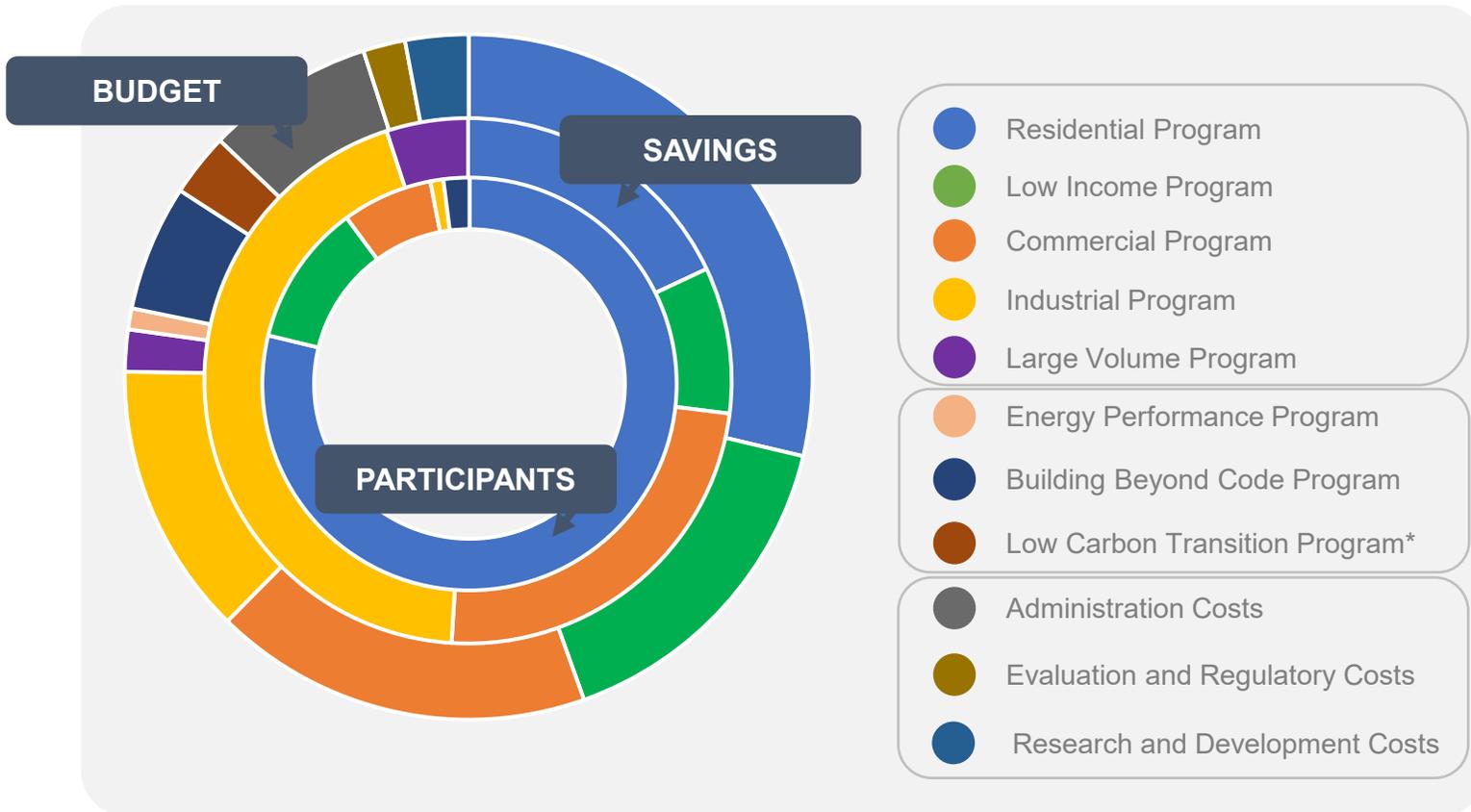
# Length of Plan



# 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

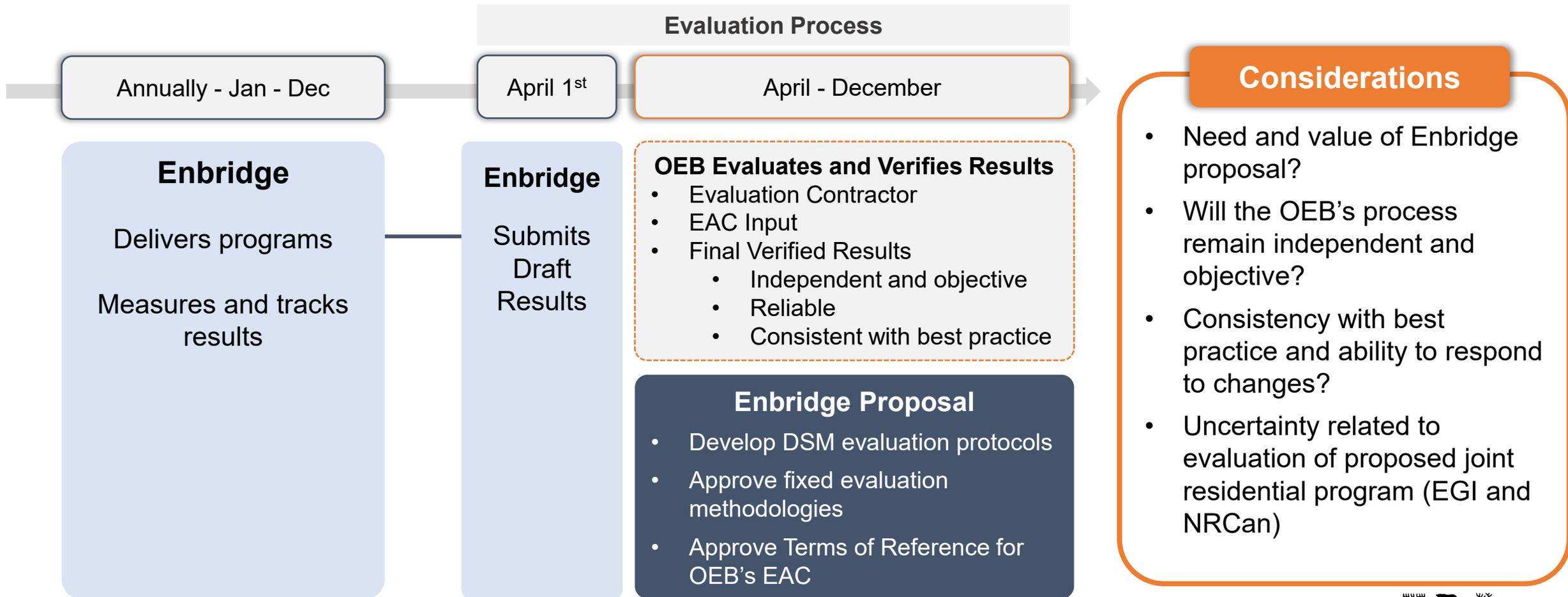
Long-term GHG Target

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

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## 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