

Ms. Nancy Marconi  
Registrar  
Ontario Energy Board  
P.O. Box 2319, 27th Floor  
2300 Yonge Street  
Toronto, ON M4P 1E4

May 19, 2022

**Re: EB-2021-0002 Enbridge Multi-Year Demand Side Management Plan  
Pollution Probe Argument**

Dear Ms. Marconi:

In accordance with OEB direction for the above-noted proceeding, please find attached Argument on behalf of Pollution Probe.

Respectfully submitted on behalf of Pollution Probe.



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Michael Brophy, P.Eng., M.Eng., MBA  
Michael Brophy Consulting Inc.  
Consultant to Pollution Probe  
Phone: 647-330-1217  
Email: [Michael.brophy@rogers.com](mailto:Michael.brophy@rogers.com)

cc: Enbridge (email via [EGIRegulatoryProceedings@enbridge.com](mailto:EGIRegulatoryProceedings@enbridge.com))  
Dennis O'Leary, Aird & Berlis (via email)  
All Parties (via email)  
Richard Carlson, Pollution Probe (via email)

**ONTARIO ENERGY BOARD**

**Enbridge Gas Inc. Application  
Multi-Year Demand Side Management Plan (2023 to 2027)**

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**POLLUTION PROBE ARGUMENT  
RELATED TO THE PROPOSED DSM PLAN  
AND DSM FRAMEWORK**

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**May 19, 2022**

**Submitted by: Michael Brophy  
Michael.brophy@rogers.com  
Phone: 647-330-1217  
28 Macnaughton Road  
Toronto, Ontario M4G 3H4**

**Consultant for Pollution Probe**

The format of this document is broken into the following three major sections:

1. Background and Context
2. Key Over-arching Issues
3. Issue List Responses (in order of the OEB Issue List)

### Background and Context

Enbridge Gas Inc. (Enbridge) filed a multi-year natural gas demand side management (DSM) plan application with the Ontario Energy Board (OEB) on May 3, 2021 and filed an updated version on September 29, 2021 with minor administrative updates primarily to remove 2022, resulting in a proposed 2023 to 2027 DSM plan and related recommendations for the OEB DSM Framework update. Enbridge is seeking approval of a new natural gas DSM policy framework, effective January 1, 2023 in addition to approval of a new multi-year DSM plan, inclusive of budgets, programs and targets from January 1, 2023 to December 31, 2027.

Since EBO 169, cost-effective DSM programs have been available to Ontario consumers from the mid-1990's. DSM programs have always considered the benefits of reduced costs to consumers and the broad societal benefits such as reduce greenhouse gas emissions through the Societal Cost Test (SCT) or the current proxy, the Total Resource Cost (TRC) Plus Test. These benefits have become even more important since the 1990's and energy bill reductions plus reductions in greenhouse gases from natural gas is an integrated essential component of DSM to help Ontario consumers and communities meet their energy needs in a low carbon and cost-effective manner. This also aligns with all levels of government policy and the direction reinforced in the OEB's most recent Mandate Letter. DSM is the most cost-effective tool available in Ontario to meet customer energy needs and has the added benefit of delivering reduced greenhouse gas emissions.

It is important to remember the purpose of DSM is to<sup>1</sup>:

- Reduce costs
- 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

This is no longer the 1990's or even 2015<sup>2</sup>, so innovation and modernization is needed to keep pace with best practice and the DSM outcomes that Ontario consumers and communities need. Enbridge is no longer the only program delivery agent serving Ontario and a siloed approach without effective stakeholder consultation and partnering is not acceptable or effective going forward. Change is needed and the status quo approach

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<sup>1</sup> EB-2019-0003, OEB Letter Post-2020 Natural Gas Demand Side Management Framework (December 1, 2020), page 3.

<sup>2</sup> Context of the previous DSM Framework.

included in the Enbridge 2023-2027 DSM plan is insufficient to meet the needs of Ontario consumers and communities. Adjustments are urgently needed beginning in 2023.

### Key Over-arching Issues

The OEB DSM decision from this proceeding will have a significant impact on access to what is universally acknowledged as the best and most cost-effective energy and climate change mitigation resource Ontario has to offer, that is, energy reductions through DSM. It is not only policy directive<sup>3</sup> and OEB mandate<sup>4</sup>, but also a core element in community energy and emission plans designed to meet consumer energy needs across Ontario. The most current policy direction to the OEB indicates that “every dollar spent on natural gas DSM has resulted in up to \$3 in participant and social benefits” and also indicates a “strong interest in a framework that delivers increased [emphasis added] natural gas conservation savings and reduces greenhouse gas emissions”<sup>5</sup>. The net benefits are even higher than what is outlined in the Mandate Letter when looking at the recent OEB audited results.

Pollution Probe is not intending to recap all the relevant information and issues brought forward during this proceeding and has limited the material in this submission to a targeted and representative subset of relevant information. The process used by the OEB for this proceeding was comprehensive and provided an opportunity for Pollution Probe and others to share evidence and best practice information to help inform the OEB. The OEB should be proud of the open, transparent and inclusive process used in this proceeding. Pollution Probe also thanks the OEB for the opportunity to participate during the Presentation Day which enabled a good foundation prior to the oral hearing to share key information and issues.

Enbridge took a very narrow<sup>6</sup> policy view during the proceeding in order to maintain a status quo DSM portfolio approach. There was not a single update to Enbridge budget or programs since the original Enbridge proposal was developed and file in the Spring of 2021. It is like a time capsule locked away from reality and every recommendation provided by consumers, municipalities, OEB Staff, experts and other stakeholders through the proceeding has been flat out ignored by Enbridge. The proposed DSM plan and Framework recommendations were Enbridge-focused, rather than being consumer or community focused. That can easily happen when a plan is developed in a vacuum without effective consultation or reality checks. The OEB has the ability to ensure that the 2023-2027 DSM plan and Framework updates reflect reality and meet the needs of Ontario consumers and communities.

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<sup>3</sup> Included in multiple policies at every level of government. Also, the MENDM letter sets the increased DSM goals in the Ontario Environment Plan as Provincial policy which is several times what is proposed in the DSM Plan filed by Enbridge - [Microsoft Word - 2020-11-24 MC-994-2020-1084--Joint ENDM-MECP letter to OEB -JTYa1 \(005\)\(1\)](#)

<sup>4</sup> mandate-letter-from-the-Minister-of-Energy-20211115-en

<sup>5</sup> Ibid. Page 3.

<sup>6</sup> Focusing solely on its interpretation of one word “modest” in what is now an old and outdated policy letter.

The OEB panel itself also recognized the challenge with Enbridge's lack of flexibility since the DSM plan was filed in Spring 2021<sup>7</sup>. This is hardly a best practice approach and Ontario deserves better. So why did Enbridge not come forward with an innovative, modern and best practice DSM plan to meet Ontario's needs? It appeared during the proceeding that the OEB Panel and stakeholders believe it is at least partially based on the conflicts of interest that the monopoly gas utility has between their interesting to grow/maintain gas infrastructure and providing the level of DSM Ontario requires<sup>8</sup>. It was also suggested that status quo is easy and that doing the same old levels of DSM has resulted in significant shareholder incentives. In the most recent procedural direction from the OEB for this proceeding<sup>9</sup>, the OEB also acknowledged the issues raised by the Enbridge job posting<sup>10</sup> filed by Environmental Defense which outlined that DSM funds are being use for non-DSM purposes to support natural gas use and to mitigate municipal energy and emission plans. Use of DSM funds are strictly intended for DSM purposes and if they are used for other non-DSM activities, this undermines the DSM results that are needed.

Pollution Probe has also received significant outreach from stakeholders across Ontario that have indicated a strong interest in increased DSM funding and more efficient, innovative and modern DSM programs that serve all consumers sectors. Pollution Probe has coordinated effectively with stakeholders during the proceeding in an efficient manner and has also partnered with consumers, communities and other stakeholders throughout the proceeding. Some of these stakeholders have also submitted letters<sup>11</sup> directly to the OEB and we ask that the OEB review those letters in addition to the submissions from participating parties in the proceeding. Pollution Probe also held multiple sessions to collect input and provide details related to the DSM proceeding<sup>12</sup>.

Enbridge has filed a status quo DSM plan that does not meet the needs of Ontario consumers and communities. In fact, the plan is worse than status quo since it will result in a decrease in DSM activity<sup>13</sup> and DSM investment<sup>14</sup> on a real basis. Meaningful change, innovation and meeting the needs of Ontario's energy future is not a status quo activity. The OEB clearly understands this. There is a misalignment between what was filed and what is needed. It is disappointing that the proposed multi-year DSM Plan and proposed DSM Framework provides little to no innovation or program enhancements from the most recent multi-year plan. It appears that rate payer investment over the past 6 years under

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<sup>7</sup> Final Transcript EB-2021-0002 EGI DSM Presentation Day Mar 24 2022. Page 39 line 19 to page 40 line 1.

<sup>8</sup> Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022, Page 157 line 6-15 and Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022. Page 182 lines 16-23.

<sup>9</sup> OEB\_Ltr\_EGI\_DSM\_ED\_20220428\_signed

<sup>10</sup> ED\_LTR\_20220421

<sup>11</sup> Including: CAC\_Ltr of comment\_20220323 and CityofOttawa\_LtrComment\_DSM\_October\_2021

<sup>12</sup> For example, a session with 55 stakeholders from 26 municipalities is documented in [TAF-Report.pdf \(pollutionprobe.org\)](https://pollutionprobe.org/TAF-Report.pdf)

<sup>13</sup> GEC\_ED\_Evidence\_revised\_20211202. Page 8, Section 4.

<sup>14</sup> GEC\_ED\_Evidence\_revised\_20211202. Page 9.

the current DSM Framework had little focus on improvements, innovation and best practice preparation for the challenges ahead.

Analysis and recommendations are provided by issues per the Issue List later in this submission. However, there are some foundational elements that should be considered, such as:

- Enbridge confirmed<sup>15</sup> and there is a stakeholder consensus that the OEB will continue to own, update and publish the DSM Framework. Pollution Probe agrees that this is an appropriate approach. Enbridge's provided their update recommendations and other stakeholders are also providing their recommendations. This will require the OEB to make updates to the current DSM Framework and for the updated DSM Framework to be published for use starting in 2023. Enbridge proposed that there be no expiry to the DSM Framework. This does not mean that the DSM Framework should not be reviewed and updated over time, but that it becomes an "evergreen" document that the OEB can modify as appropriate. This approach is consistent with the approach used for other OEB guidelines, policies and procedures.
- The Framework is not a standalone document and the implementation of DSM requires adherence to several other references including the Filing Guidelines, past decisions, etc.<sup>16</sup>. Those documents were not the focus of this proceeding, but are equally important. The OEB will need to consider how those will be updated when issuing its decision for this proceeding.
- A status quo DSM Plan and the proposed DSM Framework does not align with the needs of Ontario consumers, Ontario municipal energy and emissions plans<sup>17</sup>, the recent Mandate Letter or the OEB 2021-2025 Strategic Plan<sup>18</sup>.
- Enbridge conducted no stakeholder consultation with impacted stakeholders before finalizing and filing the proposed DSM plan and Framework updates. This puts the entire onus on the OEB to ensure that adjustments are made based on stakeholder and expert input in the best interest of Ontario consumers and communities.
- DSM partnering and partnerships has been abysmal recently and the proposed DSM plan ignores partnerships across almost every sector and program. Effective partnerships are not rocket science and have been done before, including with the IESO and Ontario municipalities. This gap will only be closed through specific OEB

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<sup>15</sup> Final Transcript EB-2021-0002 EGI DSM Presentation Day Mar 24 2022. Page 37 lines 1-9.

<sup>16</sup> Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022. Page 70 line 3 to 20.

<sup>17</sup> Sample of trends in municipal plans included in

PollutionProbe\_SUB\_AppendixB\_PollutionProbePresentationIRP\_20210706

<sup>18</sup> Includes modernization and innovation to unlock greater benefits for Ontario energy consumers and to deliver public value through prudent regulation and independent adjudicative decision-making, which contributes to Ontario's economic, social and environmental development.

conditions and directions for the DSM plan and related documents such as the DSM Framework. The proposed DSM plan also ignores the Provincial policy, including the Directive to partner<sup>19</sup> across programs and delivery mechanisms. This is not only policy direction, but is common sense to reduce overhead costs and increase overall results in a consumer-centric manner. Delivering siloed programs that compete against each other, fail to reduce overheads and confuse consumers is not considered best practice.

- DSM plans can no longer occur without alignment with municipal energy and emissions planning. Municipalities and all broader public sector organizations including school boards are mandated by the Province to create energy conservation plans (under O. Reg. 397/11) and report on energy and emissions results related to these plans. Provincial policy and funding support municipal energy and emission plans<sup>20</sup>. Similar requirements exist for large building operators<sup>21</sup>. Leading municipalities also has energy and emission plans<sup>22</sup> supported by Provincial policy. The proposed DSM Plan has no targeted DSM programs to help municipalities reach their energy and emissions goals directly or for their communities. Leading program providers such as IESO have already recognized their role in helping municipalities achieve their community energy and emission goals in an integrated manner through targeted programs and market transformation. This has resulted in enhanced communications, programs and infrastructure planning to meet consumer and municipal needs. As part of the gas IRP proceeding, Enbridge indicated it is waiting for OEB direction before it commences what IESO has been doing for years.

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<sup>19</sup> <https://www.oeb.ca/sites/default/files/OC-378-2019%20signed.pdf>

<sup>20</sup> [Ontario's Municipal Energy Plan Program \(MEP\) | Government Grants Canada](#)

<sup>21</sup> For example Energy and Water Reporting and Benchmarking as identified in EB-2021-0002, Exhibit E, Tab 1, Schedule 4, Attachment 1, Page 30 of 74

<sup>22</sup> Sample for Ottawa and Toronto are referenced in PollutionProbe\_SUB\_AppendixB\_PollutionProbePresentationIRP\_20210706, slides 8-10.

## **General Issues**

### **Issue 1: Does Enbridge Gas's 2023-2027 DSM Framework and DSM Plan adequately respond to previous OEB direction and guidance on future DSM activities (e.g., DSM Mid-Term Review Report, 2021 DSM Decision, OEB's post-2021 DSM guidance letter)?**

No. The proposed 2023-2027 DSM plan and Framework recommendations do not adequately respond to previous OEB direction and guidance on future DSM activities.

Enbridge declined stakeholders request to list all the directives and policy it was required to consider when developing its DSM plan<sup>23</sup>. The problem is that the Enbridge's evidence did not scratch the surface on the direction it has previously received on DSM. This is likely why the proposed DSM plan and Framework is not responsive to past direction or current policy. One simple example is the London Line Decision<sup>24</sup> which directed Enbridge to do a better job identifying and implementing DSM. The OEB went even further in its expectations for DSM, IRP options and consultation when it declined Enbridge's request for St. Laurent<sup>25</sup>.

There is significant cost-effective potential highlighted in the Ontario Environment Plan and DSM Achievable Potential Study that far exceeds the budget and programs proposed by Enbridge. The OEB's Mid-Term and related direction sought to enhance DSM over the previous term so that the next plan could deliver the innovative and modern DSM portfolio that Ontario needs. The Directive<sup>26</sup> remains in place today for the OEB requiring the pursuit of all costs effective DSM. Pollution Probe supports the request from communities across Ontario in a doubling of DSM funding from 2022 levels for the 2023-2027 DSM plan.

One dollar invested generates \$3.32 in net benefits for Ontario consumers<sup>27</sup>. It is important to note that these net benefits are now under-estimated since Enbridge did not include the proposed increase to the carbon price in those calculations. When applying best available information, rather than the most conservative assumptions, the net benefits would be many times that amount. If that value is not leveraged for the 2023-2027 DSM Plan, those benefits will be lost at a time when they are most needed in Ontario communities.

It is also important to note that the most current direction to the OEB indicates a "strong interest in a framework that delivers increased natural gas conservation savings and

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<sup>23</sup> EB-2021-0002, Exhibit I.1.EGI.PP.1

<sup>24</sup> EB-2020-0192

<sup>25</sup> EB-2020-0293

<sup>26</sup> [Directive to the OEB 20140326 CDM](#)

<sup>27</sup> EB-2021-0002, Exhibit D, Tab 1, Schedule 4, Page 2.



reduces greenhouse gas emissions”<sup>28</sup>. The OEB Mandate Letter was issued November 2021 and the Enbridge DSM Plan developed in Spring 2021 was not updated to reflect current policy direction. The Enbridge plan also ignored previous OEB direction and focused narrowly on status quo DSM funds which would not meet any interpretation of “increased natural gas conservation savings and reduces greenhouse gas emissions”.

**Issues 2: Does Enbridge Gas’s 2023-2027 DSM Framework and DSM Plan adequately support energy conservation and energy efficiency in accordance with the policies of the Government of Ontario, including having regard to consumers’ economic circumstances?**

No. Enbridge Gas’s 2023-2027 DSM plan and Framework recommendations do not adequately support energy conservation and energy efficiency in accordance with the policies of the Government of Ontario. Enbridge proposes to decrease DSM results<sup>29</sup> and spending<sup>30</sup> on a real basis starting in 2023. Policy direction is opposite to the Enbridge plan trajectory from both an energy efficiency and emission reduction focus across all levels of government policy.

Communities across Ontario have developed energy and emission plans that link the need for incremental DSM to meet consumer energy needs and reduce emissions in support of net zero<sup>31</sup>. DSM and greenhouse gas reductions are synonymous<sup>32</sup> and Enbridge needs to shift its focus on DSM to leverage these synergies<sup>33</sup>. DSM is one of the most cost-effective tools for decarbonization and should be leveraged to its maximum given that it creates economic net benefits for consumers<sup>34</sup>.

The Ontario Environment Plan identified a goal of reducing Ontario’s GHG emissions by 18 million tons of CO<sub>2</sub>e by 2030, with 18% of that reduction coming from “natural gas conservation”<sup>35</sup>. As Enbridge itself has noted in quoting the 2019 Energy Conservation Progress Report produced by the then Environment Commissioner, the 3.2 million tons of emissions reductions ‘are incremental to what would be achieved by existing gas conservation programs continuing at their current level of spending’<sup>36</sup>.

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<sup>28</sup> Ibid. Page 3.

<sup>29</sup> GEC\_ED\_Evidence\_revised\_20211202. Page 8, Section 4.

<sup>30</sup> GEC\_ED\_Evidence\_revised\_20211202. Page 9.

<sup>31</sup> Examples include Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022, page 62 line 25 to page 94 line 16 to page 96 line 11.

<sup>32</sup> 16-PP-SBUA-6 and Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022, Page 27 lines 2-7.

<sup>33</sup> 2-PP-SBUA-1

<sup>34</sup> Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022, Page 27 lines 12-14.

<sup>35</sup> Incremental to status quo DSM levels.

<sup>36</sup> GEC\_ED\_Evidence\_revised\_20211202. Page 14, Section 7.

**Issues 3: Is Enbridge Gas's 2023-2027 DSM plan consistent with energy conservation industry best practices in Ontario and other relevant Canadian and U.S. jurisdictions?**

No. Enbridge's 2023-2027 DSM plan is not consistent with energy conservation industry best practices in Ontario and other relevant Canadian and U.S. jurisdictions.

Enbridge did not support its DSM Plan and application with any benchmarking on energy conservation industry best practices in Ontario and other relevant Canadian and U.S. jurisdictions. Thankfully evidence and experts were brought forward to the OEB by other stakeholders during the proceeding. Pollution Probe also coordinated a review of relevant best practice information and submitted several documents for the OEB to consider as it modernizes the DSM approach in Ontario. Only after stakeholders brought forward best practice information did Enbridge file a report from First Tracks conducted by Mr. Weaver. It was determined through discovery that First Tracks had produced its evidence in the summer 2021<sup>37</sup>, but it was not included in Enbridge's updated filing on September 29, 2021. Mr. Weaver confirmed that his expertise and scope was specifically related to amortization and performance incentives<sup>38</sup> and that was the scope of his contract filed in evidence. It appears that Mr. Weaver to did a rush job to add elements in discussion with Enbridge following the OEB Staff and stakeholder's expert evidence filed in early 2022. That scope is not documented, but that appears to be the only logical conclusion. It may have been more efficient if Enbridge has filed a more fulsome set of best practice evidence with its application.

Given the absence of best practice information in the Enbridge DSM plan and proposed Framework changes, the OEB is advised to implement the best practice recommendations from the OEB Staff and stakeholder experts, plus the complimentary best practices filed by Pollution Probe. Details are included in the issues below.

**Issue 4: Is Enbridge Gas's proposed DSM Plan term of 2023-2027 appropriate?**

Yes, as long as additional information and updates are provided during the mid-point review. A five-year plan is in the range of multi-year DSM plans previously approved by the OEB. Five years is a long period of time, particularly with the pace of energy, emissions and technology change underway. However, if the right elements are in the DSM Framework, DSM Plan and mid-term review, the OEB can ensure that the 2023-2027 DSM plan delivers what Ontario needs over that period.

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<sup>37</sup> Final Transcript EB-2021-0002 EGI DSM TC March 01 2022 - Day 2. Page 205, lines 12-16.

<sup>38</sup> Final Transcript EB-2021-0002 EGI DSM TC March 01 2022 - Day 2. Page 205, lines 12-16.

### **Specific Issues within Enbridge Gas' 2022-2027 DSM Application**

#### **Issue 5. Is Enbridge Gas's proposed DSM policy framework, including guiding principles and guidance related to budgets, targets, programs, evaluation, and accounting treatment appropriate?**

No. Enbridge Gas's proposed DSM policy framework, including guiding principles and guidance related to budgets, targets, programs, evaluation, and accounting treatment is not appropriate.

Firstly, there is common agreement that the OEB will continue to maintain the OEB DSM Framework and make adjustments over time based on best practices and stakeholder consultation. The Framework is not a stand-alone document and Enbridge confirmed that there are many other documents and references beyond the DSM Framework that need to be considered. Enbridge recommended that the OEB try to consolidate all these references into one spot to the extent possible<sup>39</sup>. This would be great, but is too difficult for the OEB to achieve in this proceeding. Pollution Probe supports the spirit of the OEB trying to consolidate as many references as possible into a single document in the future. OEB Staff may need to initiate a stakeholder consultation to ensure that all the relevant items are identified.

**For now, Pollution Probe recommends that the OEB update the DSM Framework based on best practices from this proceeding (e.g. adding the Stakeholder Engagement Principles, etc.) and recognize in the Decision that there are other reference documents and decisions that need to be considered in implementing DSM such as the DSM Guidelines and previous decisions.**

There are also contextual updates required to the Framework. For example, the Framework should include the direction DSM delivers increased natural gas conservation savings and reduces greenhouse gas emissions"<sup>40</sup>.

A doubling of budget over the current DSM investment is in line with stakeholder expectations<sup>41</sup> and aligns more closely with achievement of all cost-effective DSM identified in the OEB Potential Study. It will be important to include the ongoing condition that DSM funding is strictly to deliver effective DSM programs to reduce the use of natural gas and related greenhouse gas emissions. DSM funds should not be used for non-DSM purposes such as adding or retaining natural gas demand including natural gas marketing and technology promotion.

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<sup>39</sup> Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022. Page 70 line 12 to Page 71 line 11.

<sup>40</sup> In alignment with the OEB Mandate Letter. Page 3.

<sup>41</sup> Clearly outline in CAC\_Ltr of comment\_20220323 and Pollution Probe has received this feedback consistently from stakeholders.

Many of the existing elements in the current DSM Framework remain relevant and should be retained. These include:

- DSMVA remains relevant as-is and with all the rules and conditions that apply to the DSMVA (e.g. must be for results above target and also used to return funds to rate payers not used for DSM). It is important to note the DSMVA is meant to be a safety valve and not a routine source of core DSM funding. Due to under-funding of DSM it has become routine to access the DSMVA for routine program expenditures. Once the DSM budgets are increased this issue should self-correct.
- LRAMVA
- Shareholder Incentive (commencing at 75% of target) and DSMIDA
- Programs must be available to all customer types (including large volume customers as previously reviewed and decided by the OEB)
- Market Transformation
- EM&V / Evaluation
- Attribution, Free ridership, Spillover and Persistence
- TRC Plus test (although the 15% adder is conservative and could easily be doubled or tripled based on non-energy benefits)
- Societal real discount rate should be updated to 2% which is the range recommended by the experts during the proceeding<sup>42</sup>.
- Audit & Evaluation – although this needs to be more structured to ensure the audit process covers all the elements needed to support account clearance. A more structure and comprehensive evaluation plan should be developed and published with stakeholder input. It is also recommended that the OEB EAC publish an opinion after each audit to indicate what they agree with and what gaps still remain.

**Stronger wording and direction is required on partnerships and collaboration.** This needs to be stated as a base expectation for program, portfolio and plan design. The goal is cost-effective partnerships with all relevant partners and delivery organizations (e.g. IESO and Ontario municipalities) for 100 percent of DSM programs. One or two partnerships across the portfolio is simply not best practice and is not acceptable. The OEB could also consider outsourcing of DSM elements where Enbridge is not able to effectively deliver on the OEB's expectations or where there is a conflict of interest.

**DSM must strive to minimize lost opportunities. New construction, community expansion and prospective gas users needs to be proactively targeted to maximize DSM opportunities at the time of construction, renovation or equipment selection.** This omission in the current Framework has resulted in confusion and lost opportunities for DSM results. Enbridge confirmed that there has been issues with utility silos resulting in

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<sup>42</sup> Aligns closely with the range by EFG and Optimal. Sample reference is GEC\_ED\_Evidence\_revised\_20211202, page 42.

DSM not being leveraged fully for new construction, community expansion and prospective gas users<sup>43</sup>. Clear direction will help close this gap.

**A sentence should be added to the DSM Framework to ensure clarity that no barriers to DSM participation should exist to maximize DSM program participation and results. This includes prohibitive program conditions requiring the use of natural gas as a primary fuel.** Although this may seem to be common sense, clear direction is needed to remove some recent practices that have emerged and to remove the potential for a monopoly conflict of interest that would decrease access to DSM programs.

There are significant issues with the current OEB audit and evaluation process. These have been recognized by OEB panels<sup>44</sup> and we all agreed that this proceeding is the time to start fixing those gaps and issues. Many of the problems relate to operational issues rather than what the Framework dictates. Overall, there is a lack of transparency and stakeholder engagement during the audit and evaluation process. Stakeholders do not have visibility into the audit and evaluation plan, related costs or what is conducted<sup>45</sup>. Greater transparency would have the potential to enhance areas of focus, evaluation synergies and ensure that activities leverage the budgets available.

Similar to recent years, for 2020<sup>46</sup> the OEB conducted an audit related to only portions of information underlying some of the DSM accounts<sup>47</sup> and leveraged a small group of industry experts and intervenor stakeholders via the Evaluation and Audit Committee (EAC) to oversee audit and evaluation activities. The DSM account clearance process represents the only public consultation, review or input into the DSM results, account clearance and the related DSM portfolio information (e.g. cost-effectiveness, energy and emissions reductions. Unfortunately, the largest portion of accounts (i.e. DSMVA) have not been included in recent OEB audits or EAC review, despite it being defined in the DSM guidelines as part of the process. This gap needs to be closed.

According to the DSM Guidelines the DSM audit should include the following<sup>48</sup>:

“At a minimum the independent third party auditor should be asked to:

- Provide an audit opinion on the DSMVA, LRAM and incentive amounts proposed by the natural gas utilities and any amendment thereto;
- Verify the financial results in the Draft Evaluation Report to the extent necessary to express an audit opinion;
- Review the reasonableness of any input assumptions material to the provision of that audit opinion; and

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<sup>43</sup> Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022. Page 85 line 26 to Page 88 line 12.

<sup>44</sup> EB-2022-0007 Dec\_Order\_EGI 2020 DSM\_DVA\_20220505. Page 8.

<sup>45</sup> EB-2022-0007 Exhibit I.PP.6

<sup>46</sup> Most recent audit and account clearance through EB-2022-0007.

<sup>47</sup> EB-2022-0007 Exhibit I.PP.4, Attachment 1.

<sup>48</sup> Demand Side Management Guidelines for Natural Gas Utilities (EB-2008-0346) page 41.

- Recommend any forward-looking evaluation work to be considered.”

It is unclear why the OEB audit process has failed to include the DSMVA which is the DSM account with the largest potential impact for Ratepayers. It is recommended that the OEB close these gaps through their audit process (i.e. retaining a financial auditor or requiring Enbridge to retain an independent third party financial auditor to review and report to the OEB on the validity of the DSMVA annually. The detailed scope will need to be updated in the DSM guidelines by OEB Staff with input from stakeholders. The current EAC has been in place for approximately five years’ worth of audits and has likely exhausted the fresh ideas they have to contribute to the process. OEB Staff should consider refreshing the EAC to get some fresh eyes on the gaps that need to be closed. Perhaps a term of 5 years should be considered for EAC members before updating membership. This does not mean that some current members could be carried over for continuity, but provides a timely process for refreshing the committee.

Governments, consumers and other stakeholders rely on the outcome of the audit and processes established by the OEB to ensure that all the DSM results are thoroughly reviewed, accurate and reasonable. For example, Ontario uses the OEB approved values as a basis for setting policy (e.g. Ontario Environmental Plan and recent OEB Mandate letter) and reporting internationally, for comparison progress against the Ontario Environment Plan or climate goals and to reference net benefits and emissions reductions at large.

**Wording needs to be added to the Framework to recognize the synergies between DSM and IRP and require coordination to ensure maximum results and cost-effectiveness through coordinated cost sharing (e.g. research, program development, marketing and communications, etc.). Details of these activities should be included in each annual DSM report.** More details are included under Issue 15 below.

Pollution Probe recommends removing automatic inclusion of addition DSM funds for capital projects. DSM capital projects (e.g. IT) can be planned and submitted specifically for OEB consideration and approval. The last few years of automatic budgeting for DSM capital has resulted in no spending in that category.

**Issue 6: Does Enbridge Gas’s proposed budget, including program costs and portfolio costs result in reasonable rate impacts while addressing the OEB’s stated DSM objectives in its letter issued on December 1, 2020, including having regard to consumers’ economic circumstances?**

No, the Enbridge proposal would under-invest in DSM for the next five years, losing hundreds of millions per year in energy bill reductions and related net benefits for Ontario

consumers and communities. It would be irresponsible to strand these benefits at a time when they are needed most. The most current direction to the OEB indicates that every dollar spent on natural gas DSM results in up to \$3 in participant and social benefits and also indicates a strong interest in a framework that delivers increased natural gas conservation savings and reduces greenhouse gas emissions<sup>49</sup>.

It is clear that DSM investment needs to increase over the five-year term and even if the OEB is not able to achieve all cost-effective DSM over that period, a doubling of the DSM budget would help mitigate the lost benefits for consumers and align more closely with what has been identified as needed to serve Ontario communities<sup>50</sup>. The urgency and importance of increased levels of DSM is a core theme in the OEB Mandate Letter and the timing is even more important to help consumers post-COVID with the increase in energy costs<sup>51</sup>.

**Pollution Probe recommends a doubling of the DSM budget during the 2023-2027 plan. The incremental programs outlined in this submission (Issues 9 & 10 and specifically the BOMA, SBUA and municipal support programs) can be funded through that increase and the remaining amount should be applied to the customer facing program costs (such as incentives and external capacity building) on a prorated basis. Targets for programs with prorated increases should have their scorecards also prorated<sup>52</sup> in the same proportion to the budget increase<sup>53</sup>.**

The total DSM investment must not ignore where the funding goes. Overheads have become a significant proportion of DSM spending<sup>54</sup>. In the past the OEB set specific limits on the amount of programs and internal overheads allowable, but that was not included in the latest DSM Framework development. This is the first multi-year DSM plan with the merged utility and there will be economies of scale and efficiencies to reduce program costs and overheads from the previous siloed multi-year DSM plans. Increasing the Enbridge overheads beyond the 169 DSM full-time equivalent staff (FTEs)<sup>55</sup> will not result in greater DSM results. Allocating more funding external to Enbridge will provide greater cost-effective synergies with partners such as the IESO and Ontario municipalities. Enbridge should coordinate through organizations like the Clean Air Council<sup>56</sup> to start with the most proactive municipalities in a targeted manner that will produce results.

**Pollution Probe recommends that the OEB require Enbridge to file its updated budget keeping internal overhead costs fixed and allocating the budget increases to**

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<sup>49</sup> Ibid. Page 3.

<sup>50</sup> CAC\_Ltr of comment\_20220323

<sup>51</sup> Final Transcript EB-2021-0002 EGI DSM Presentation Day Mar 24 2022. Page 39 line 19 to page 40 line 1.

<sup>52</sup> Prorate after adjusting for the other factors outlined in this submission first.

<sup>53</sup> Adjustments are incremental after application of the other adjustments recommended below.

<sup>54</sup> Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022. Page 56 lines 7-12.

<sup>55</sup> Final Transcript EB-2021-0002 EGI DSM TC March 01 2022 - Day 2. Page 130 lines 12-18.

<sup>56</sup> A best practice hub for municipal coordination.

**customer facing programs and incentives, including outsourcing DSM program partnerships with organizations like IESO and Ontario municipalities.**

**Issue 7: Is Enbridge Gas's proposed cost recovery approach appropriate while addressing the OEB's stated objectives in its letter issued on December 1, 2020?**

The Discount Rate section would need to be updated to align with the Optimal Energy proposal (e.g. short term borrowing costs ~ 1.2%, if the OEB adopts the amortization approach<sup>57</sup>. Definitely do not use WACC since it duplicates and undermines spending efficiency and the shareholder incentive mechanism<sup>58</sup>). Amortization should be approximately 16 years which is the average measure life for the Enbridge portfolio<sup>59</sup>. If the OEB decides that amortization is preferred to achieve increased DSM budgets in line with Ontario needs, then Pollution Probe supports that direction. If it can be achieved in other ways, then that could also be acceptable.

**Issue 8: Are Enbridge Gas's proposed shareholder incentives appropriate?**

- a. Is Enbridge Gas's proposed annual maximum shareholder incentive, including structure, and amount appropriate?
- b. Is Enbridge Gas's proposed Long Term shareholder incentives appropriate?
- c. Is Enbridge Gas's Annual Net Benefits Shared Savings proposal appropriate?

For a-c, Pollution Probe does not have a separate proposal for the maximum amount of incentives. The structure of the incentive mechanism is more critical and needs to reward DSM excellence and not status quo activity.

**Scorecard metrics should be prorated to start at 75% as a lower band and 150% maximum, consistent with current practice and expert recommendations.**

**Pollution Probe is not opposed to increasing the maximum shareholder incentive by inflation as long as the metrics are set to reward DSM excellence and not status quo results delivery.**

- d. Are there any other incentive mechanisms that should be included in addition to or to replace those proposed by Enbridge Gas?

The OEB could add or reallocate shareholder incentives for the other program recommendations included in this submission.

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<sup>57</sup> Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022. Page 135 lines 6-9 and

<sup>58</sup> Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022. Page 188 line 27 to page 189 line 9.

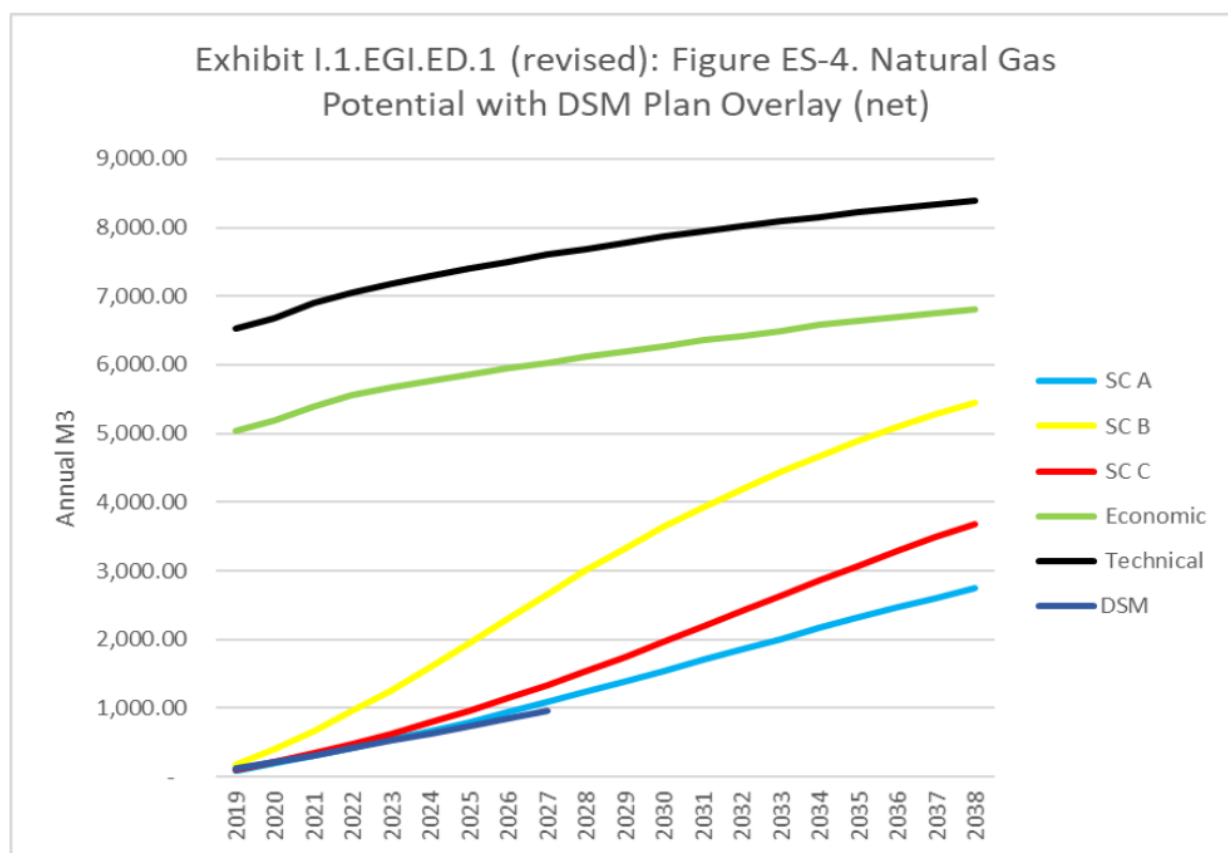
<sup>59</sup> EB-2021-0002 Exhibit JT1.28



**Issue 9: Are Enbridge Gas's proposed scorecards, including performance metrics, metric weightings, and targets appropriate?**

The overarching response to the questions across all program segments is NO. Additional comments and recommendations are also included below by question to the extent that there is something discretely different that needs to be applied. For simplicity, the OEB should be able to update many targets on the same basis at a portfolio level based on the expert testimony and Potential Study guidance.

The DSM Portfolio is a consolidation of Issues 9a through 9j below and the consolidated view is significantly lacking. As confirmed by Enbridge and the experts during the proceeding, the proposed Enbridge DSM plan would produce results below all scenarios in the OEB's DSM Potential Study. This is the hallmark of a substandard plan.



The OEB could adjust sector specific targets to align with the OEB's DSM Potential Study finding or it could be done at a portfolio adjustment level. As illustrated above, the 2023-2027 DSM plan proposed by Enbridge is lackluster in ambition and does not even meet the very lowest level of savings identified in the OEB Potential Study. Setting targets based on

a low estimate of savings may result in shareholder incentives, but it does not target the levels of savings needed by Ontario consumers and communities.

**Pollution Probe recommends that the OEB strive to set DSM targets based on achieving DSM excellence in line with Scenario B of the OEB Potential Study highlighted in yellow above.** The OEB, IESO and all experts including those in the DSM proceeding indicated that the level of savings in the Potential Study are conservative and that the real DSM opportunity exceeds that outlined in the OEB Potential Study<sup>60</sup>. Also, the input values for the Potential Study (e.g. carbon price, energy costs, etc.<sup>61</sup>) are lower than today which enables even more DSM savings for 2023-2027 for the same spending scenarios then originally assessed in 2019. The amount of low hanging fruit for DSM has never been greater, particularly with the significant funding and resources being provided to support decarbonization goals associated with reducing natural gas use.

Enbridge retained Posterity Group to mirror the OEB Potential Study model and as confirmed by Posterity Group, the Posterity mirror model did a good job of mimicking the OEB model<sup>62</sup>. Enbridge requested that Posterity turn off one of the industry best practice assumptions in the OEB model to assume no synergies and reductions in costs going forward including technology efficiencies. This resulted in the Enbridge modelling to estimate that all units of DSM savings would cost double<sup>63</sup> what the OEB Potential Study proposed. Stated another way, the Enbridge DSM plan modeling would produce half the estimated level of DSM savings per level of spending. This model adjustment runs counter to industry best practice and recommendations of experts in the DSM proceeding.

**Pollution Probe recommends that the OEB require Enbridge to base their DSM portfolio cost estimation on the OEB Potential Study modelling without modifications to assumptions to increase the costs for each level of portfolio spending.** All things being equal, this will double the scorecard targets for the base level of spending proposed by Enbridge and all scenarios of increased spending.

**A doubling of scorecard targets puts the proposed Enbridge 2023-2027 DSM plan on the same basis as best available assumptions in the OEB Potential Study<sup>64</sup>. Any additional adjustments such as incremental programs, increased budget and expected efficiencies due to partnering will need to be added by the OEB separately.**

**In order to incent program efficiency and maximize results for Ontario consumers and communities, Pollution Probe recommends that the OEB use a linear adjustment for budget increases translating to target increases.** For example, increase targets by the same percentage of incremental budget provided (above the Enbridge baseline and/or

<sup>60</sup> Examples include: GEC\_ED\_Evidence\_revised\_20211202, Section 6, Page 14 para 1. Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022, Page 21 line 8 to page 22 line 14. Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022, Page 21 line 15-18 and Page 78 line 21 to Page 79 line 4 and Page 171 line 18 to Page 172 line 7 and Final Transcript EB-2021-0002 EGI DSM TC March 02 2022 - day 3, Page 73 lines 9-19 and Page 151 lines 15-24.

<sup>61</sup> Potential Study, Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022, Page 71 line 9 to Page 72 line 23 and JT 2.19

<sup>62</sup> Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022. Page 74 lines 1-11.

<sup>63</sup> Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022, Page 85 lines 4-8.

<sup>64</sup> Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022, Page 85 lines 4-8

per annual increase). Given the amount of partnership and funding collaboration available over the 2023-2027 period<sup>65</sup>, this treatment is not an unreasonable expectation. This would also incent Enbridge look at areas to leverage their budget and Enbridge's resources in the most cost-effective manner.

**Pollution Probe recommends that the OEB consider adjusting scorecard metrics to lifetime savings based on measure life as recommended by the OEB's consultant Optimal and that net benefits calculated by the TRC Plus test would be the closest match to consumer benefits<sup>66</sup>.**

**The OEB could also consider removing the Target Adjustment Mechanism since according to Optimal it causes perverse gaming potential<sup>67</sup>.**

a. Is Enbridge Gas's proposed annual target adjustment mechanism appropriate?

Adjustments noted above apply.

b. Is Enbridge Gas's proposed Residential Program Scorecard, including targets and performance metrics appropriate?

Adjustments noted above apply.

c. Is Enbridge Gas's proposed Low Income Program Scorecard, including targets and performance metrics appropriate?

Adjustments noted above apply.

d. Is Enbridge Gas's proposed Commercial Program Scorecard, including targets and performance metrics appropriate?

Adjustments noted above apply.

e. Is Enbridge Gas's proposed Industrial Program Scorecard, including targets and performance metrics appropriate?

Adjustments noted above apply.

f. Is Enbridge Gas's proposed Large Volume Program Scorecard, including targets and performance metrics appropriate?

Adjustments noted above apply.

g. Is Enbridge Gas's proposed Energy Performance Program scorecard, including targets and performance metrics appropriate?

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<sup>65</sup> Over \$2 billion of funding partnerships was identified during the proceeding.

<sup>66</sup> Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022. Page 101 lines 1-21

<sup>67</sup> Ibid.

Adjustments noted above apply.

h. Is Enbridge Gas's proposed Building Beyond Code Program scorecard, including targets and performance metrics appropriate?

Adjustments noted above apply. Program details are only available until 2024 and should be assessed for the entire term, then reviewed at the mid-term review.

i. Is Enbridge Gas's proposed Low Carbon Transition Program scorecard, including targets and performance metrics appropriate?

The targets in the Low Carbon Transition Program are too miniscule to make an impact, particularly in comparison to the size of the opportunity and the demand from consumers and communities across Ontario. Enbridge's proposed scorecard is<sup>68</sup>:

|                               | Offering(s)            | Metric   | Metric Weighting | Lower Band (50%) <sup>1</sup> | 2023-2024 100% Target | Upper Band (150%) <sup>1</sup> |
|-------------------------------|------------------------|--|------------------|-------------------------------|-----------------------|--------------------------------|
| Low Carbon Transition Program | Residential Low Carbon | Number of Installations (Residential Heat Pumps)       | 25%              | 1,061.5                       | 2,123                 | 3,184.5                        |
|                               |                        | Number of Contractors Trained (Residential Heat Pumps) | 25%              | 30                            | 60                    | 90                             |
|                               | Commercial Low Carbon  | Number of Installations (Commercial Heat Pumps)        | 25%              | 43                            | 86                    | 129                            |
|                               |                        | Number of Engineers Trained (Commercial Heat Pumps)    | 25%              | 8.5                           | 17                    | 25.5                           |

A target of approximately 5% of customers by 2024 is a more appropriate stretch target and is easily achievable if Enbridge partners effectively with municipalities, IESO (even for residential IESO can promote conservation and is willing to do so) and other stakeholders. This scorecard is also directly supporter by the Greener Homes program that Enbridge indicated it plans to coordinate with.

**Additionally, the heat pump training should be outsourced (e.g. HRAI, CIET, etc) and primarily focused on electric heat pumps given that they are the predominantly available technology.** Pollution Probe is not opposed to inclusion of gas heat pumps, but gas heat pumps should make up no more than 10% of the results to avoid a biased focus on retaining gas load over the true purpose of DSM. **It is critically important that consumer choice is enabled by allowing a customer to receive the DSM incentive if they install an electric heat pump in any configuration they choose as long as it can provide DSM benefits.**

<sup>68</sup> EB-2021-0002, Exhibit D, Tab 1, Schedule 3, Page 11, Table 7.

**Proposed 100% values for the scorecard are listed below. These are 2024 values and should be doubled for a 2027 scorecard value in the OEB decision. Not having a 2027 scorecard value is problematic and if the OEB wants to adjust it during the mid-term review it can easily be done. There is urgency now and this can't be delayed until the mid-term review<sup>69</sup>.**

Residential Installations: 200,000<sup>70</sup> installed (max 10% gas heat pumps)

Residential Contractors Trained: 200

Commercial Installations: 10,000 installed (max 10% gas heat pumps)

Commercial Heat Pump Training: 4000 engineers<sup>71</sup> or equivalent (e.g. architect, technologist, etc.)

j. Is Enbridge Gas's proposed Long Term Greenhouse Gas Reduction target appropriate?

Enbridge's proposed five-year proposal for the Long Term Greenhouse Gas Reduction Target is:

| Target Development   |                  |
|--|------------------|
| 2023 Forecast Portfolio Gross Annual m <sup>3</sup>          | 242,805,492      |
| kg CO <sub>2e</sub> / m <sup>3</sup> of Natural Gas          | 1.874            |
| Year 1 (2023) Gross Annual GHG (tonnes)                      | 455,017          |
| Years  | 5                |
| Stretch Factor   | 15%              |
| <b>Long Term (Five-Year) GHG Reduction Target - (tonnes)</b> | <b>2,616,351</b> |

It could be duplicative to have a separate GHG target since DSM is synonymous with GHG emission reductions. The GHG reduction results should definitely be reported annually for the portfolio for transparency. If a GHG reduction target was to be established, it should align with the incremental emission reduction values in the Ontario Environment Plan (reduce GHG emissions by 18 million tons of CO<sub>2e</sub> by 2030, with 18% of that reduction coming from "natural gas conservation"<sup>72</sup>) and/or the Net Zero goals (i.e. annual reductions required to achieve Net Zero). If the OEB agrees, it can direct Enbridge to consult with stakeholders on a proposal to include in the mid-term review.

k. Should there be any other scorecards, targets and/or metrics included in addition to or to replace those proposed by Enbridge Gas?

Yes. Several are outlined below.

The OEB's mandate and direction to increase effective partnering has not been successful. There are less partnership now than previously and at a time when there is more potential

<sup>69</sup> Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022. Page 35 lines 2-7

<sup>70</sup> 5% of 4 million customers.

<sup>71</sup> There are 87,500 licensed engineers in Ontario - [Frequently Asked Questions | Professional Engineers Ontario \(peo.on.ca\)](https://www.peo.on.ca). 4000 is less than 5%.

<sup>72</sup> Incremental to status quo DSM levels.

partners than ever. The only significant partnership included by Enbridge its proposed DSM plan is the planned Greener Homes partnership. **The OEB should implement a scorecard to measure the level of DSM results and related benefits achieved through partnerships and outsourcing to other market agents such as the IESO, Ontario municipalities or related organizations. The ultimate target is 100% cost-effective partnerships for all programs and a series of metrics can easily be put in place to measure the value and success of increase partnerships and outsourcing.** Increasing overheads internally at Enbridge is less likely to provide DSM results to Ontario than partnering or outsourcing to other delivery agents focused on energy efficiency and climate change programs.

**To bridge the gaps identified for achieving DSM results in system expansion and new construction, the OEB should require a scorecard to track DSM success specifically for those areas.**

**System Expansion and new construction metrics should include the following:**

- **Proactive inclusion of DSM consumer information, promotion and contractor awareness for 100% of system expansion projects.**
- **Report DSM results specifically achieved per system expansion project.**
- **Proactive inclusion of DSM consumer information, promotion and contractor awareness for 100% of new construction projects.**
- **Report DSM results specifically achieved for new construction projects.**

**Issue 10: Has Enbridge Gas proposed an optimal suite of program offerings that will maximize natural gas savings and provide the best value for rate payer funding?**

No. The Enbridge proposal is not an optimal suite of program offerings and will not maximize natural gas savings or provide the best value for rate payer funding. During the proceeding it was expert opinion that after reviewing Enbridge's evidence and working on DSM matters in several of the leading jurisdictions that with more budget and better program design and coverage Enbridge could improve its DSM energy savings significantly<sup>73</sup>. Pollution Probe agrees that there are significant opportunities to improve from the status quo program design and to add innovative, modern best practice programs to meet Ontario consumer and community needs. Consumer and community feedback Pollution Probe has received echoes that direction.

a. Are Enbridge Gas's proposed program offers for residential customers appropriate?

b. Are Enbridge Gas's proposed program offerings for low-income customers appropriate?

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<sup>73</sup> Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022. Page 174 lines 22-28 and Page 175 line 21 to Page 181 line 17.

c. Are Enbridge Gas's proposed program offerings for commercial customers appropriate?

The program portfolio proposed by Enbridge leave customers underserved.

**Pollution Probe supports the incremental small business programs and funding put forward by the Small Business Utility Alliance (SBUA) and their expert consultants. SBUA has indicated that they will be providing the recap of those recommendations in their submission, so for the sake of efficiency Pollution Probe has not replicated them here. A short summary can be found at JT3.7 SBUA\_Undertaking Response\_EGI\_20220317.**

**Pollution Probe supports the incremental commercial and large volume P4P program, metrics and incremental budget proposed by BOMA and its expert witness. BOMA has indicated that they will be providing the recap of those recommendations in their submission, so for the sake of efficiency Pollution Probe has not replicated them here. A short summary can be found at JT3.6\_BOMA\_Undertaking\_Responses\_20220316 and was reviewed in detail during cross examination of the panel.**

d. Are Enbridge Gas's proposed program offerings for industrial customers appropriate?

See comments above and under Issue 9. Industrial programs are custom which is appropriate although small industrial may align with the SBUA proposal.

e. Are Enbridge Gas's proposed program offerings for large volume customers appropriate?

As previously determined by the OEB and in alignment with Enbridge and all expert witness's testimony<sup>74</sup>, it is important that large volume customers continue to have access to DSM support and programs. Programs, incentives, best practices and technical support are critical to helping large volume customers pursue cost-effective DSM. Having climate commitments as part of large volume customer public and shareholder commitments should not be confused as having the ability and desire to independently identify and execute on all cost-effective DSM opportunities.

Additionally, Enbridge indicated that an opt-out provision would increase program management and overhead costs to an extent that would outweigh any benefits to participants that wish to opt-out<sup>75</sup>.

As noted previously, Pollution Probe supports the incremental commercial and large volume P4P program, metrics and incremental budget proposed by BOMA and its expert witness. BOMA has indicated that they will be providing the recap of those recommendations in their submission, so for the sake of efficiency Pollution Probe has not replicated them here. A short summary can be found at JT3.6\_BOMA\_Undertaking\_Responses\_20220316 and was review in detail during cross examination of the panel.

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<sup>74</sup> GEC\_Undertaking\_response\_20220408

<sup>75</sup> EB-2021-0002 Exhibit I.10e.EGI.STAFF.59 Page 2

f. Are Enbridge Gas's proposed energy performance program offerings appropriate?

See comments above and under Issue 9.

g. Are Enbridge Gas's proposed beyond building cost program offerings appropriate?

See comments above and under Issue 9.

h. Should there be any other program offerings included in addition to or to replace those proposed by Enbridge Gas?

Yes. Additional programs are required to fill gaps in the Enbridge program portfolio. Included in this submission are specific program recommendations for incremental programs related to small business (SBUA proposal), P4P (BOMA proposal) and municipal support programs. This is incremental to the program updates and changes proposed for the existing Enbridge programs.

**Also, Pollution Probe recommends the OEB require Enbridge to hold open calls for proposal to stakeholders (including customers, industry groups, program delivery agents, etc.) to identify incremental program and/or project opportunities to achieve DSM results not currently captured by the Enbridge programs. This will identify additional gaps and DSM opportunities based on open stakeholder input. Enbridge should report back to the OEB and stakeholders on the open call prior to the mid-term review to ensure these opportunities are not lost.**

i. Are Enbridge Gas's proposed program offerings appropriate for customers in Indigenous communities?

See consultation and proposed recommendations under Issue 17.

j. Is Enbridge Gas's proposed low carbon transition program appropriate?

No. Significant changes are needed to this program to make it effective. See comments above and under Issue 9. The \$2700 incentive for a heat pump should be available for an electric heat pump which the participation for gas heat pumps to be limited to a maximum of 10% of participants to remove the conflict of interest related to promoting gas equipment over more efficient electric equipment. Also, the incentive should be increased to \$7500 for installation of a cold climate heat pump that will have a broader range and save more gas. This only applies to electric heat pumps since a gas equivalent is not available. DSM benefits include customers that go to 0% natural gas use<sup>76</sup> and no program conditions should be allowed that restrict participation by a current customer or bias toward retaining gas load contrary to DSM.

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<sup>76</sup> Both for DSM and targeted DSM through IRP.



Enbridge already uses DSM funds for non-gas equipment including renewable technologies and Pollution Probe supports this continuing. There should be no barrier to restrict funding and development, incenting or use of non-gas equipment<sup>77</sup>.

Also, Enbridge has no dedicated funding for municipalities to support or deliver DSM results in alignment with their energy and emissions plans<sup>78</sup>. Enbridge has only provided funds to support energy and emission plan development and funding targeted for 2023-2027 would only accommodate less than 5% of municipalities to be supported. Enbridge has confirmed that this is a large disconnect and lost opportunity for DSM.

**Pollution Probe recommends that the OEB require Enbridge to provide a formal municipal support and incentive program to provide funding and support to municipalities for energy and emissions plan implementation where DSM can be leveraged in conjunction with community emission reduction activities. At a minimum the program should support one fully allocated staff member at each participating municipality for a minimum period of three years and ideally longer to provide continuity. Program design should leverage simplicity and best practice<sup>79</sup> and be designed in partnership with relevant stakeholders such as the Clean Air Partnership and Association of Municipalities of Ontario. The initial target for the 2023-2027 DSM Plan is participation by 25 leading municipalities which represents a conservative 7% of the municipalities served by Enbridge<sup>80</sup>. This can be increase during the mid-term review if required.**

**Pollution Probe recommends that the OEB require Enbridge implement a municipal incentive program similar to the one previous conducted with the City of Toronto where a municipality can act to deliver DSM results and receive an incentive for achieving those results. Program design should be developed in partnership with relevant stakeholders such as the Clean Air Partnership and Association of Municipalities of Ontario. The initial target for the 2023-2027 DSM Plan is participation by 10 leading municipalities which represents a conservative 3% of the municipalities served by Enbridge<sup>81</sup>.**

### **Issue 11: Are Enbridge Gas's proposed research and development activities appropriate?**

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<sup>77</sup> EB-2022-0007 Exhibit I.PP.7

<sup>78</sup> Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022. Page 106 line 25 to page 107 line 11.

<sup>79</sup> For example, K3.4 - PollutionProbe\_ExhibitA\_BCPowerSmart\_20220325

<sup>80</sup> Estimate annual budget is \$5 million per year or \$200,000 per participating municipality on a fully allocated basis.

<sup>81</sup> Program costs estimated at \$10 million per year or \$1 million average per municipality. Could be ramped up over the plan hitting the full allocation by year 3 prior to the mid-term review. Assumes customer incentives will align with sector programs and be paid through those budgets.

A clear plan is required and current activities have not been sufficient. It is typical for research and development budgets to be underspent or not result in any innovations to enhance the DSM portfolio. Much of these funds appear to go toward membership fees and there should be a stronger correlation to outcomes achieved.

**Issue 12: Are Enbridge Gas's proposed changes to the OEB's evaluation, measurement and verification process appropriate, including the proposed Terms of Reference?**

The terms of reference in the existing DSM Guideline provide a strong foundation. It would be more appropriate for OEB Staff to coordinate updates when the DSM Guideline is updated. Recommendations on improvements for the OEB's evaluation, measurement and verification process have been included earlier in this submission (Issue 5).

Recent OEB audits<sup>82</sup> of Enbridge's DSM programs show that critical fixed costs areas of the budget are being underspent. "Process and Program Evaluation" was underspent by 12% and Union "Research" and "Evaluation" was underspent by 23% and 29%, respectively<sup>83</sup>. Underspending in those areas contributes to an increased shareholder incentive, but moving fixed funds away from innovation, new program development, process and program evaluation and other fixed cost areas undermines the incentive for continuous improvement and results in status quo plans year after year. This areas of potential conflict could easily be fixed in the DSM Framework by setting a specific plan of deliverables by year for each fixed costs area of the budget and potentially adding conditions that restrict significant underspending in important fixed cost areas. A clear multi-year evaluation plan would also help close this gap.

**Issue 13: Are Enbridge Gas's proposed updates to the treatment of input assumptions, cost-effectiveness screening, and avoided costs appropriate?**

Comments provide previously under Issue 5.

**Issue 14: Is Enbridge Gas's proposed accounting treatment, including the function of various deferral and variance accounts appropriate?**

Partially. Many existing elements in the current DSM Framework remain relevant and should be retained. See comments and recommendations on accounts under Issue 5.

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<sup>82</sup>For example EB-2021-0172 related to 2019 DSM audit and clearance of accounts. Tables 1 and 2 indicate that more than 50% of the additional funds requested (DSMVA) were due to program demand that exceeded the annual DSM budget.

<sup>83</sup> EB-2021-0072 Exhibit I.PP.2 f and g.

**Also, Pollution Probe recommends removing the ability to automatically include addition DSM funds for capital projects. To the extent that capital projects (e.g. IT) are required, they can be submitted specifically for OEB consideration and approval.** The last few years of automatic budgeting for DSM capital has resulted in no spending in that category.

**Issue 15: Does Enbridge Gas's proposed 2023-2027 DSM Plan require any changes to be consistent with the OEB's decision and guidance regarding Enbridge Gas's Integrated Resource Planning proposal (EB-2020-0091)?**

Yes. Enbridge created its DSM Plan and recommendations for the DSM Framework as a silo without proper consideration of IRP. Therefore, IRP considerations and synergies were ignored and missing in the Enbridge proposal. It appears that Enbridge may have realized during the oral hearing that DSM and IRP are not silos with no synergies or economies of scale when they are coordinated in harmony. Enbridge highlighted the coordination that will need to occur between DSM and IRP. Enbridge also indicated that DSM staff may be best positioned to deliver IRP with the appropriate accounting transfers in place.

**The DSM Framework must explicitly recognize the synergies between DSM and IRP and require cost-effective coordination between those activities<sup>84</sup>. Additionally, where resources, research, programs and marketing related to DSM historically came only from DSM, the synergies between DSM and IRP now provide an opportunity<sup>85</sup> to share those costs across two portfolios, thereby reducing the amount of funding from DSM and enabling those funds to deliver higher scorecard results.**

On a related note, **the OEB should reinforce though this decision and inclusion in the Framework the previous OEB direction to Enbridge that in-depth DSM analysis and options are to be leveraged for planning and project analysis<sup>86</sup>.**

**Issue 16: Has Enbridge Gas proposed a reasonable approach to ensure natural gas DSM programs are effectively coordinated with electricity conservation programs and other energy conservation and greenhouse gas reduction programs applicable in its service territory?**

No. No consultation was done with utilities and municipalities<sup>87</sup> prior to developing and filing the proposed DSM plan. No meaningful proposals have been included for specific partnerships with IESO, utilities, municipalities or other relevant stakeholders. The OEB's DSM requirements have not been effective in driving the level of coordination and

<sup>84</sup> Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022. Page 78 lines 8 – 15 and Page 79 line 7 -25.

<sup>85</sup> Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022. Page 79 line 21-25 and page 80 line 4-17.

<sup>86</sup> Example: EB-2020-0192 dec\_order\_EGI\_London Lines\_20210128.

<sup>87</sup> CAC\_Ltr of comment\_20220323 and Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022 page 101 line 19 to page 102 line 12 and page and , page 62 line 25 to page 63 line 4

partnership that is possible and needed. This is a persistent issue that requires a more effective approach. The OEB indicated before the last Framework that “the opportunity for collaborative work among the gas and electric utilities, along with the IESO, is expected to result in a number of new joint programs. The OEB expects enhanced joint energy conservation programs will reduce customer confusion and improve the efficiency of program delivery. The OEB expects this to be an area that the gas utilities explore and pursue aggressively over the course of this DSM term, with design details of the joint programs initially provided as part of the midterm review”<sup>88</sup>. No progress has occurred since that OEB direction.

**Pollution Probe recommends that the OEB require Enbridge to proactively and comprehensively partner with the IESO, municipalities, program administrators and other relevant stakeholders to ensure maximum costs-effective coordination and partnerships between DSM, electricity conservation programs and other energy conservation and greenhouse gas reduction programs applicable in its service territory. The goal is maximum coordination, partnership or outsourcing across 100% of DSM programs. Enbridge should report back on the tangible results due to its coordination and partnerships for each DSM program when reporting annual DSM scorecard results, at the mid-term review and when applying for DSM account clearance.**

**Pollution Probe recommends implementation of a third-party consultant review and assessment of the full potential for DSM program coordination, partnership and/or outsourcing potential and benefits, including a gaps analysis and actionable mitigation measures for barriers that Enbridge has not been able to overcome.**

**Issue 17: Is Enbridge Gas’s stakeholder engagement proposal reasonable, including its engagement with Indigenous communities?**

No. Enbridge’s stakeholder engagement proposal and recent performance has been abysmal and significant prescriptive direction is needed in the DSM Framework and Decision to close this gap. During the proceeding experts agreed that it is not a quick fix that will get proper engagement and consultation on track , but all of the proposed recommendations working together that have the best chance of fixing this problem<sup>89</sup>.

No public or stakeholder consultation was conducted by Enbridge prior to completing and filing the proposed multi-year DSM Plan and proposed DSM Framework. Many affected stakeholders did not even know that Enbridge was filing a new DSM Plan and proposed Framework. It is common practice to consult with stakeholders prior to

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<sup>88</sup> EB-2015-0029/0049, Decision and Order, January 20, 2016, p. 87

<sup>89</sup> Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022. Page 32 lines 4-8 and Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022, Page 31 lines 11-18.

finalizing this kind of plan and demonstrating to the OEB how meaningful consultation was held and reflected in the plan filed. Other program providers like IESO go to great lengths to consult and promote meaningful consultations on an ongoing basis. All presentations, decks and materials are publicly catalogued on the IESO website. IESO has just as many (or potentially more) impacted stakeholders to consult with and they are always striving to improve their approach. Simple best practice Stakeholder Engagement Principles from IESO were filed by Pollution Probe<sup>90</sup>. These Stakeholder Engagement Principles were recognized as best practice in the IRP Proceeding and were also re-confirmed as best practice by experts in this DSM proceeding<sup>91</sup>.

**Pollution Probe recommended that the OEB mandate Enbridge to adopt and effectively implement the Stakeholder Engagement Principles<sup>92</sup> and bring forward any proposed improvements in future applications and the mid-term review. It is also recommended that a scorecard metric be added to assess how effectively Enbridge is applying the Stakeholder Engagement Principles.**

The OEB recognized in the IRP proceeding that Enbridge's stakeholder communication and engagement processes significantly lag effective best practice. One requirement the OEB put in place is the development of a website to proactively share real time program, consultation and partnering information and provide another avenue for input. The website should have the ability for stakeholders (including, consumers, municipalities, businesses and interest groups) to sign up to receive automatic email updates when new information is posted to the website. This best practice is effectively used by IESO and was confirmed as best practice by the experts in this DSM proceeding. **Pollution Probe recommends that the OEB require a communication and consultation website be established by Enbridge for DSM, which shall be developed and operated in alignment with the OEB mandated IRP website to capture stakeholder consultation, input and communication synergies (i.e. mailing lists, links, etc.) given the close alignment between DSM and IRP consultation activities<sup>93</sup>.**

**Pollution Probe recommends that OEB Staff establish a Stakeholder Engagement Advisory Group to provide feedback and advice on how to improve its proactive communication, partnership and engagement with stakeholders. This could also be an input for program development.**

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<sup>90</sup> PollutionProbe\_SUB\_AppendixC\_IESOSTakeholderEngagement\_20210706

<sup>91</sup> 17-PP-SBUA-7 and Final Transcript EB-2020-0002 EGI DSM Vol 4 March 31 2022, page 104 line 5 to page 105 line 9 and Final Transcript EB-2020-0002 EGI DSM Vol 5 April 01 2022, page 30 line 14 to page 32 line 8.

<sup>92</sup> PollutionProbe\_SUB\_AppendixC\_IESOSTakeholderEngagement\_20210706

<sup>93</sup> 15-PP-SBUA-5

**Pollution Probe recommends that the OEB require Enbridge to meaningfully consult, engage and partner with relevant stakeholders, including Ontario municipalities and related industry groups to ensure DSM results are optimized for Ontario consumers in conjunction with emission reduction plans<sup>94</sup>.** This systematic gap has not only been present for DSM, but was recently flagged as an issue requiring attention for infrastructure planning and related IRP<sup>95</sup>.

**Pollution Probe also recommends that the OEB direct Enbridge to re-establish the DSM Consultative as an additional tool to enhance stakeholder engagement on a quarterly basis.** This will provide a forum to identify and resolve issues prior to filing DSM applications.

**The OEB should direct Enbridge to align DSM efforts with greenhouse gas emission reduction goals and efforts to recognize the efficiencies and synergies<sup>96</sup>. This alignment across all areas of DSM planning, programs, partnerships, marketing and communication should also be explicitly added to the DSM Framework.**

**Issue 18: What transition and implementation steps are appropriate as a result of the OEB's decision on the 2022 DSM Plan and its final decision and order?**

It is important that the OEB acknowledge that there is a long history and direction related to DSM. For example, multiple OEB Decisions<sup>97</sup> have referenced the need for enhanced DSM and provided direction for what is expected from Enbridge. It is critical that Enbridge includes all the existing direction it has received already and does not assume it is no longer applicable. Similarly, there are guidelines<sup>98</sup> and best practices that have been established and put in place over time that go far beyond the level of detail covered in this proceeding (e.g. measure life for a DSM technology). The OEB should indicate that all of this remains in place when interpreting the 2023-2027 DSM Decision.

It may also be difficult for the OEB to publish its updated DSM Framework and related guidelines with the decision in this proceeding. To the extent that some of these documents lag in timing from the OEB, it will be important to flag the timing for when they will be provided for consultation, published and any interim considerations.

Pollution Probe flagged that timing of the mid-term review needs to be considered now since some of the Enbridge proposals are temporary and intended to be brought forward in more detail in the mid-term review. Enbridge would need to file mid-term

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<sup>94</sup> 16-PP-SBUA-6

<sup>95</sup> EB-2020-0293 dec\_order\_EGI\_20220503\_eSigned. Page 23.

<sup>96</sup> 2-PP-SBUA-1

<sup>97</sup> Includes DSM Mid-term, audit direction and account clearance proceedings. It is also linked to the IRP Decision.

<sup>98</sup> Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022. Page 70 lines 6-20.

updates by 2023 in order to have them reviewed and approved in 2024 in order to be implements by January 2025<sup>99</sup>. It may be more appropriate for the OEB to set more specific requirements for those interim programs so that they can be operated until the OEB orders a change as part of the mid-term review. The Build Beyond Code Program and Low Carbon Transition Program are particularly impacted and need to be modified in this OEB decision to work effectively. More detail is provided under Issue 5.

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<sup>99</sup> Final Transcript EB-2021-0002 EGI DSM Vol 3 March 30 2022. Page 88 line 20 to page 89 line 17.