EB-2021-0002

ONTARIO ENERGY BOARD

IN THE MATTER OF *the Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 ("Act");

AND IN THE MATTER OF an application by Enbridge Gas Inc. for Multi-Year Demand Side Management Plan (2022 to 2027)

FINAL ARGUMENT OF

THE BUILDING OWNERS AND MANAGERS ASSOCIATION ("BOMA")

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FINAL ARGUMENT OF BOMA

1. Introduction

    a. On May 3rd 2021, Enbridge filed their Application to approve a 6-Year DSM Framework and Plan covering the period from 2022 to 2027.On August 26, 2021 the OEB ordered a rollover of the previous DSM Plan through 2022. On September 29, 2021, Enbridge filed its updated evidence with 2023 as the base year of the 2023-2027 proposed DSM Plan.

    b. Since that time, BOMA (representing commercial real estate owners and managers) and many other stakeholders have participated in interrogatories, a 4-day technical conference, the Presentation Day March 4, 2022 and the oral hearing from March 28 to April 1, 2022.

    c. Ian Jarvis and Gillian Henderson of Enerlife Consulting represented BOMA as expert witnesses, submitting evidence on North American and international experience related to Pay for Performance (herein referred to as P4P) programming which is described in greater detail below. Findings from that research were submitted on December 1, 2021 (BOMA_Sub_Expert Evidence_20210112) and presented at Presentation Day (on the record as BOMA_DSM_Presentation_20220321).

    d. Enbridge has included a modest pilot P4P program for a small number of K-12 schools in its Application with a budget of $1,221,65, or less than 5% of the Commercial Program (Exhibit D Tab 1 Schedule 1 Pg 11 Table 4). The proposed pilot builds upon Enbridge's experience with a performance-based conservation pilot program conducted with the IESO in 2017-18 and pilot projects with school boards undertaken with Climate Challenge Network's Sustainable Schools program between 2019 and 2021.

    e. On request from counsel to Enbridge, and in response to Undertaking JT3.6 from the technical conference, Enerlife prepared a model P4P program for the K-12 Schools market segment presenting scorecard metrics and budget for a proposed program covering 500 (of Ontario's 4,700) schools with high gas savings potential. The model was submitted on March 16 and revised on March 17, 2022.

    f. Enbridge filed its Argument-In-Chief on April 29, 2022. This is the Final Argument of BOMA in this proceeding.

2. Context

a. BOMA considers these to be unusual times as its members transition towards a low carbon future. BOMA is conscious that the 2023-2027 period of the proposed plan is a critical period in reversing the upward trajectory of gas use in commercial buildings and achieving deep reductions to emissions. BOMA members seek proactive support from their energy providers as they set targets, develop strategies and make investments to achieve deep energy and emissions reductions.

b. BOMA has been at the forefront of action on energy efficiency for more than two decades and is an active supporter of government policy and programs aimed at curbing greenhouse gas emissions. BOMA members have made extensive use of Enbridge and IESO energy efficiency programs and BOMA's Energy Committee knows the strengths and weaknesses of current and prior programs. BOMA supports and promotes the broad application of the IESO's Energy Performance Program, which is established as one of North America's leading P4P programs.

c. BOMA runs the Race to Reduce program, an ongoing voluntary challenge among commercial building owners and managers to collaborate in achieving and celebrating excellence in energy efficiency. The Race to Reduce is well aligned with the principles of P4P and BOMA seeks active collaboration with Enbridge and the IESO in furthering the goals and results of this initiative. In short, BOMA is ready and able to partner with Enbridge in delivering high impact DSM action and ensuring that gas and carbon savings are sustained over time.

d. BOMA's assessment of the Enbridge Application is that its targets fall short in responding to the urgency of the climate crisis and the need and opportunity to meet provincial policy, satisfy commercial customer demand and lower gas bills. BOMA's presentation "Unlocking Ontario's Untapped Commercial Sector Gas Conservation Potential" (BOMA_DSM_Presentation_20220321) quantifies the large gas savings potential across the commercial sector due primarily to low-cost operational improvements which Enbridge's traditional programs do not address. P4P programming is specifically designed to unlock this large, untapped cost-effective gas savings potential.

e. BOMA argues that there is every reason to actively pursue large-scale P4P programming now across the commercial sector, and no need for a pilot project which would delay the greater benefits:

    i. While it is a new type of program for Enbridge, there is a growing body of experience across North America with successful P4P programs developed

in response to customer demand and the need for deeper savings, as documented in BOMA_Sub_Expert Evidence_20210112.

ii. Enbridge is an experienced DSM program designer and manager with the capabilities required for successful P4P implementation. Enbridge has previous experience with benchmarking, operational action planning, savings measurement at the meter and workshops through the prior projects referenced in their Application as well as their earlier Run it Right and Runsmart programs (Exhibit E, Tab 2, Schedule 1 page 1).

iii. The IESO (and formerly Toronto Hydro with its OPsaver program) have years of experience in running this kind of program which can be brought to bear in the rollout of a natural gas P4P program. Anecdotally, the current IESO Energy Performance Program is "going gangbusters" in terms of participation, further confirming that this is the right idea at the right time.

f. All of this background is intended to support the focus of BOMA's Submission which is implementation of a much larger scale, targeted P4P Program to address untapped potential and customer demand across three commercial segments beginning in 2023.

3. Issue 10 – Appropriate Suite of Programs

BOMA recommends that the OEB direct Enbridge to implement a Pay-for-Performance (P4P) program as described below. Specifically, the scorecard targets and budget costs are outlined in Tables 1 and 2. This will benefit customers and support Ontario's Environment Plan with incremental DSM results in an area currently underserved. This recommended natural gas Pay for Performance program will address the K-12 schools, office and hospital segments, beginning in 2023, and be subject to adjustments and expansion as part of the mid-term review as discussed in Section 2.f.

a. P4P Program Design

The key design principles of the recommended program are similar to those proposed for the pilot in the Application and summarized as follows:

High savings potential buildings	> 50% gas savings potential
Multi-year engagement	3-year term
All measures eligible	Operational improvements as well as retrofits
Savings measured at the meter	Assurance of achievement and persistence

Higher incentives	$0.30/m3 + $0.20 bonus (> 20% savings)
No or higher incentive cap	vs $50,000, 50% of cost for Custom program
Technical support	Charrettes, monitoring (to continue beyond term)
Coordination	IESO, BOMA, GWI and other programs
Mid-term review (2025)	Adjustments, possible expansion

b. Scorecard

Table 1 presents proposed year 1 and year 5 targets for participation and annual gas savings relative to a 2023 baseline. In cross examination at the oral hearing on April 1, 2022 (Final Transcript Volume 5, page 59, beginning at row 7) Mr. Jarvis cited the 1,107 Ontario schools with already identified gas savings potential greater than 50%, so this target represents less than half that number and is considered readily attainable. Equivalent analyses of publicly reported energy use data for Ontario office buildings and hospitals support the targets shown for those segments.

During Examination-in-Chief (Transcript page 48 beginning row 3) Mr. Jarvis stated that these savings are predominantly operational and not captured by other Enbridge DSM programs and are therefore additional to the targets proposed in Enbridge's Application. This proposed first phase of Enbridge P4P programming has the potential to more than double the gas savings achieved relative to the Commercial Program targets proposed in the Application (Exhibit D Tab 1 Schedule 3 Pg 4 Commercial Program Scorecard).

Table 1 P4P Program Scorecard Targets

Segment	**Scorecard Targets**			
	2023 buildings	**2023 Gas Savings**	**2027 Buildings**	**2027 Gas Savings**
K-12 Schools	200	1,250,000	500	25,000,000
Offices	20	625,000	50	12,500,000
Hospitals	8	500,000	20	10,000,000
TOTALS	**228**	**2,375,000**	**570**	**47,500,000**

c. 5-Year Budget

The model submitted in response to undertaking JT3.6 included estimated program administration costs for the K-12 schools segment of the Commercial Sector. Table 2 presents the 5-year total program budget from extension of these estimates to include

the proposed offices and hospitals segments of the market at the participation levels shown in Table 1. Economies of scale can be expected from the proposed expansion to other commercial sectors, while costs can be mitigated through the recommended partnering with other organizations discussed in Section 4.

Table 2 P4P Program 5-Year Budget

Incentives	Promotion, Delivery and Admin	Total
$22,703,936	$4,730,787	$27,434,723

d. TRC-Plus

As previously submitted and on the record, Table 3 shows the TRC+ ratio of 2.5 for the P4P model prepared in response to undertaking JT3.6 and reviewed at the March 24, 2022 Presentation Day. In cross examination at the oral hearing on April 1, 2022 (Final Transcript Volume 5, page 57, beginning at row 17), Mr. O'Leary stated that Enbridge was contemplating a higher incentive bonus rate and Table 4 shows the effect of the higher rate, lowering the TRC+ to 2.02. As discussed below, longer measure life and lower free ridership due to the nature of P4P programs, as well as potentially lower participant costs and economies of scale, can have a significant positive impact on cost effectiveness. It can be concluded that a very effective P4P program can be delivered with a TRC+ ratio in excess of 2.

Table 3 (from response to undertaking JT3.6 and Presentation Day slide 18)

Building Type	Total Gas Savings During Program (m3)	Total P4P Lifetime Gas Savings (m3)	Total Incentive Cost ($)	Total Administrative Cost ($)	Total Technical Cost ($)	Total Participant Cost ($)	Total Program Costs ($)	Total Cost of Savings ($/m3)	TRC-Plus Ratio
Schools (K-12)	23,898,880	119,494,398	8,364,608	1,194,944	1,194,944	4,596,421	15,350,917	0.13	2.50

Table 4 (adjusted for Enbridge's proposed higher bonus incentive)

Building Type	Total Gas Savings During Program (m3)	Total P4P Lifetime Gas Savings (m3)	Total Incentive Cost ($)	Total Administrative Cost ($)	Total Technical Cost ($)	Total Participant Cost ($)	Total Program Costs ($)	Total Cost of Savings ($/m3)	TRC-Plus Ratio
Schools (K-12)	23,898,880	119,494,398	11,949,440	1,194,944	1,194,944	4,596,421	18,935,749	0.16	2.02

e. Free Ridership

As referenced by Optimal Energy in response to BOMA interrogatories and cross examination, P4P programs provide low free ridership rates for a number of reasons:

- Operational improvements require more intensive involvement including staff training and monitoring resulting in closer, longer-term relationships
- The higher incentive levels, which are necessary to motivate organizational and management changes, also serve to clarify the program's influence
- Measurement of actual savings at the meter verifies achievement and persistence over time

f. Measure Life

During Examination in Chief at the Oral Hearing Mr. Rutledge, counsel for BOMA, questioned Mr. Jarvis on the persistence of operational savings for the purpose of determining lifetime savings (Final Transcript Volume 5 April 1, 2022, page 48). Mr. Jarvis responded "The conventional wisdom is that operational savings can't be relied upon and therefore they have a … relatively short deemed useful life. The core of the idea of pay-for-performance programming is to help owners identify those buildings where operational errors, maintenance errors are causing unusually high energy use, fix those improvements and then, through the multi-year relationship that the program has, make sure that they keep those in place so they don't slip back." Ongoing monitoring of actual savings beyond the term of the agreement will verify persistence of savings over time and is expected to support a longer effective measure life than the 5 years applied in the model, which would further improve the TRC+ ratio."

g. Mid-Term Review

This P4P program would be included in the Mid-Term Review to evaluate results to date in terms of participation and gas savings and consider possible adjustments and expansion to larger numbers of buildings and other segments of the commercial sector. These include municipalities, multi-residential and retail which would together more than double the achievable savings potential due to P4P programming across the commercial sector.

4. Issue 16 – Coordination and Integration

a. IESO's Energy Performance Program

The need for closer coordination and collaboration with the IESO in DSM/CDM programming has been a recurring theme throughout these proceedings. With both parties offering P4P programs, and agreement on attribution of gas, electricity and other savings, the opportunity arises for integration of parts of the programs including participant recruitment, workshops and technical support and ongoing M&V with the potential for better customer experiences and reduced program administration costs. Indeed, their successful collaboration on the 3 previous projects referenced in Section 2 e ii above (Exhibit E, Tab 2, Schedule 1 page 1) augurs well for beneficial outcomes for all parties.

b. Community Partnerships

As commented on in BOMA's expert evidence, Ontario is a North American leader in collaborative community-based initiatives aimed at working together to achieve deep reductions in energy use and emissions. BOMA's evidence and presentation at the March 4, 2022 Presentation Day referred to these initiatives including BOMA's Race to Reduce (commercial office buildings and a UNEP award winner), the City of Toronto's Green Will Initiative (large commercial portfolios) and Climate Challenge

Network's programs for hospitals and schools as well as the City of Toronto's STEP program (multi-residential buildings). Enbridge (as well as the IESO) has supported these programs in the past. The nature of P4P programs, with benchmarking, technical support and longer-term relationships, lends itself naturally to deeper collaborations with these types of programs, with clear and mutually reinforcing roles and responsibilities.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON BEHALF OF BOMA ON MAY 19, 2022

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