

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Schedule B, as amended;

AND IN THE MATTER OF an application by Enbridge Gas Inc. (Enbridge Gas) for approval of a new natural gas demand-side management (DSM) policy framework, as well as approval of a new multi-year DSM plan, inclusive of budgets, programs, and targets from 202 to 2027.

EB-2021-0002

SMALL BUSINESS UTILITY ALLIANCE FINAL ARGUMENT

Overview

1. Based on the evidence presented by the Small Business Utility Alliance (SBUA), Enbridge Gas, and other parties on the issues in this proceeding, SBUA submits that the Ontario Energy Board (OEB) should not approve the new natural gas DSM policy framework, as well as the new multi-year DSM plan proposed by Enbridge Gas, unless the following recommendations are implemented:
 1. **Commercial prescriptive programs:** (a) expand eligible measures to commercial customers, including access to measures currently available only to residential customers in cases where a small business customer is using residential sized

equipment, (b) increase incentive levels for small commercial customers and (c) target marketing towards additional small business segments;

2. **Commercial Direct Install Program:** go to a turnkey approach that includes a broader range of cost-effective measures that would reach more and varied small business customers;
 3. Improve reporting for small and microbusinesses;
 4. Increase coordination with the IESO on outreach to small businesses, including by conducting shared energy assessments;
 5. Promote a fuel-neutral approach in the Low Carbon Transition Program; and
 6. Cap the performance incentive at 8% of the overall DSM spending.
2. SBUA submits that these changes are necessary to allow small businesses to meaningfully participate in DSM programming. Small businesses make up 69% of the labour force, microbusinesses make up 73% of all business entities in Canada and almost 100% of First Nation businesses are microbusinesses. However, as the evidence from Messrs. Theodore Love and Francis Wyatt of Green Energy Economics Group submitted by SBUA demonstrates, there are serious limitations to the ability of small businesses to participate in the DSM programming that Enbridge Gas proposes in its plan.¹
3. As Mr. Love and Mr. Wyatt put it: *"given the importance of small businesses to both the economic activity and energy usage in Ontario and Canada, we believe that Enbridge Gas has not designed a portfolio of DSM programs that adequately addresses the unique economic circumstances of small businesses"*.²
4. In this submission, SBUA sets out the changes that it submits should be made to Enbridge Gas's DSM plan to allow small businesses to meaningfully participate in that plan while generating increased natural gas savings. All these changes, target, metric, participation impact, saving impact and budget impact are described in undertaking JT3.7.³


¹ Exhibit L. SBUA.1, Expert Report of Green Energy Economics Group, p. 9.

² Exhibit L. SBUA.1, Expert Report of Green Energy Economics Group, p. 8.

³ SBUA Undertaking Response JT 3.7.

SBUA Recommendation 1(a): Expand eligible measures to commercial customers, including access to measures currently available only to residential customers in cases where a small business customer is using residential sized equipment (Issues 10(c) and (h))

5. Given the fact that small businesses often operate on small margins and therefore they may not be able to afford the higher efficiency equipment in the short run, even if the energy savings would benefit them in the long run, it is desirable to expand eligible measures to these kinds of customers, including access to residential type equipment.
6. Mr. Love and Mr. Wyatt highlighted in their presentation the large number of potentially cost-effective measures that could be made available to small business customers but are not. For example:

| Space Heating Measures | |  |
|---|--|---|
| <u>Currently Included by EGI</u> | <u>Not Included</u> | |
| <ul style="list-style-type: none">• Condensing unit heaters (M)• Condensing make-up air unit• Destratification fans | <ul style="list-style-type: none">• Condensing boiler• Infrared heaters• Turbulators for commercial boiler• Modulating burner replacement for commercial boiler• Pipe insulation - hydronic heat• Hydronic additives• Boiler/furnace tune-ups• Steam traps survey• Steam traps replacement | |
| M – Midstream Incentive | | 20 |

HVAC Controls



Currently Included by EGI

- None

Not Included

- Connected/Wi-Fi (adaptive) thermostat
- HVAC controls
- Boiler reset control
- Boiler cut-out control
- Stack damper for commercial boiler
- Linkageless boiler controls
- Stack economizer

M – Midstream Incentive

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Water Heating Measures



Currently Included by EGI

- Condensing water heaters (*M*)
- Ozone laundry

Not Included

- Faucet aerators
- Showerheads
- Low flow spray valve
- Pipe and tank insulation
- Domestic hot water recirculation controls
- Vortex deaerators

M – Midstream Incentive

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Building Envelope



Currently Included by EGI

- Condensing water heaters (M)
- Ozone laundry

Not Included

- Roof insulation
- Green garage doors hinge
- Thermal curtains in greenhouses

M – Midstream Incentive

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7. Some of the equipment to which small businesses do not have access would be available to them if they were residential customers using the very same equipment. As Mr. Love and Mr. Wyatt note, *“the residential offerings proposed by Enbridge Gas will not be available for small commercial customers participation”*.⁴ However, *“small commercial customers face many of the same barriers to efficient measure adoption as residential customers”* and *“many small businesses also have buildings of a similar size to residential and utilize residential type equipment for space, water heating, and controls”*, therefore, *“small commercial customers should be eligible to participate in the residential offerings which include incentives for whole building, shell measures and adaptive thermostats that would likely be appropriate for small businesses”*.⁵
8. Enbridge Gas appears to agree with this recommendation, as it noted in an answer to undertaking that *“this recommendation is in line with Enbridge Gas’s objective to provide DSM participation opportunities for all customers including ensuring small commercial customers are appropriately served”*.⁶
9. However, as currently designed, it does not appear that small commercial customers have access to DSM programs that are made available to residential customers, even in

⁴ Exhibit L.SBUA.1, Expert Report of Green Energy Economics Group, p. 18.

⁵ Exhibit L.SBUA.1, Expert Report of Green Energy Economics Group, p. 18.

⁶ Enbridge Gas Undertaking Response to OEB Staff JT 2.10, p. 1.

situations where they could benefit from the exact same equipment, such as, for example, adaptive thermostats. Enbridge Gas acknowledged this:

“MS. SEERS: [...] So the question is: Has consumer research been conducted by Enbridge Gas to determine whether small business customers use or do not use residential-sized heating equipment, whether water heating or space heating?”

MR. GROCHMAL: I am not aware of any, but as Mr. Fernandes said I think we accept the fact that there is quite possibly small business customers that might be using residential-size equipment.

MS. SEERS: But the rebates for that equipment are only available for residential customers, not commercial customers? In the plan, I mean, that you are proposing.

[...]

MR. HODGINS: Yes. So the residential programs are for residential customers”.⁷

10. This program design results in a situation where small businesses are not offered the same – or any – incentives to install energy efficient equipment that are available to residential customers, even where that equipment is exactly the same. In SBUA's submission, this is an unacceptable result both from the perspective of fostering the goal of DSM to produce natural gas conservation, and from the perspective of basic fairness.
11. Indeed, it is not sensible for a customer who operates a small business out of a space that is similar to a residential dwelling and who wishes to install energy efficient equipment to be ineligible for incentives to do so, while the same customer can receive an incentive to install the very same equipment in their home.⁸
12. Enbridge Gas did not provide any rationale for this choice, other than to reiterate that commercial accounts were not eligible for residential programs. It did not, however, explain why that would be the case or why that would be good policy: *“Eligibility in the Residential program is based on the type of account held with Enbridge Gas as well as the type of dwelling. If for example a yoga studio or other small business is operating out of a home in the residential account class, it would be eligible to participate in the Smart Home, Whole Home or Single Measure offering where the offering criteria is met. If the*

⁷ Technical Conference Transcript (Day 2), March 1, 2022, p. 86.

⁸ Technical Conference Transcript (Day 2), March 1, 2022, pp. 97-100.

Enbridge Gas account is identified as a commercial account, the facility would not qualify for the Residential program (...).⁹

13. In SBUA's submission, if the measures provide cost-effective savings, the type of account held by the customer should not matter. Mr. Mosenthal of Optimal Energy Inc. agreed that if measures were cost-effective for small businesses, then it would make sense to include them:¹⁰

"MS. SEERS: Sure. I think the question was put, say, if you look at a specific measure just as an example of an adaptive thermostat, whether, if you are a home owner, a residential home owner you can benefit from a rebate for that. But if you own a small business like a yoga studio, like -- I have a law firm so I am a small business. I have a small law firm. So if I have my law firm's office, why would I not -- the question was if I am not eligible as a small business for that same measure, why would that be appropriate? I just wonder whether you had a view about that.

*MR. MOSENTHAL: [...] **if the measure is cost-effective for a small business, it seems logical that they would want to offer it in their small business programs, as well.** There can be differences even with the same technology simply because of different hours of use, and other factors that might cause a certain measure to be more appropriate, either for residential or for small business. **But generally speaking, if they're providing cost-effective savings, then it would make sense**".*
(Bold and underlined outside the original text)

14. Therefore, in SBUA's submission, Enbridge Gas's DSM plan should not be approved unless it is amended to provide that a broader range of cost-effective measures be made available to small commercial customers, such as those identified by Mr. Love and Mr. Wyatt, and including those measures which are currently available to residential customers.
15. For the OEB to require this type of amendment to the plan is not "*micromanagement*",¹¹ as Enbridge Gas suggests. It is the Board's very function to review and assess Enbridge Gas' plan and make the appropriate changes to ensure that the plan achieves optimal gas savings in a cost-effective way, while serving the interests of ratepayers without discrimination. That is what regulatory oversight is all about.

⁹ Enbridge Gas Undertaking Response to SBUA JT 2.8.

¹⁰ Technical Conference Transcript, Day 3, March 2, 2022, pp. 221-223.

¹¹ Enbridge Gas Argument-In-Chief, para. 83

SBUA Recommendation 1(b): Increase incentive levels for small commercial customers (Issues 10(c) and (h))

16. SBUA also submits that incentive levels for small commercial customers in commercial prescriptive programs should be increased, in order to increase participation. An increase in participation amongst this customer class will lead to a proportional increase in gas savings.¹² However, the cost of measures provides a very significant barrier to entry for small commercial customers' participation in DSM programs. These types of customers are primarily focused on short-term cost savings, rather than long-term efficiency. As Mr. Grochmal of Enbridge Gas acknowledged, small businesses require more assistance overall.¹³
17. In their response to undertaking JT3.7, Mr. Love and Mr. Wyatt estimated the increases in savings and budgets associated with their recommendation to offer all typically cost-effective measures as prescriptive measures, with incentives that cover most of the incremental measure costs, including residential type equipment. Based on their calculations for 2023 (and recognizing the limited data available to them), they estimate that by including additional cost-effective measures and increasing incentive levels to an average of 60% as a percentage of incremental cost would lead to a savings impact of 663,000 m3 additional net annual gas savings for the Prescriptive Downstream Program and 775,000 m3 additional net annual gas savings for the Prescriptive Midstream Program in 2023. This represents a budget impact of \$2,038,000 increase for the Prescriptive Downstream Program and \$1,900,000 for the Prescriptive Midstream Program in 2023.¹⁴

¹² SBUA Undertaking Response JT 3.7, p. 5.

¹³ Technical Conference Transcript (Day 2), March 1, 2022, p. 103.

¹⁴ SBUA Undertaking Response JT 3.7, p. 5.

SBUA Recommendation 1(c): Target marketing towards additional small business segments (Issues 10(c) and 17)

18. Consistent with the recognition that small business customers need more assistance overall in order to increase participation rates, SBUA also submits that Enbridge Gas should target DSM marketing efforts towards additional small business segments.
19. As Mr. Love and Mr. Wyatt noted, “*generic messages may not be perceived as relevant*”, and therefore, Enbridge Gas should “*use customer and market data analytics to segment and target potential high-savings customers in order to increase participation and reduce marketing cost per business*”.¹⁵
20. Regarding this topic, Mr. Love stated in his cross-examination:¹⁶

“MR. BROPHY: (...) What kind of best practices approach should be considered to unlock the savings for small businesses and make sure that they're not skipped over in the search for the large business savings?”

MR. LOVE: Sure. (...) I would say that we also have some recommendations related to how these efforts could be improved. So for instance, making sure that you're addressing all of the cost-effective measures when you address these customers, and not just the limited set of measures that the program is currently offering or proposes to offer. Also, there needs to be an additional outreach efforts for these types of customers, and specific marketing and additional -- yeah, additional partnerships as well to reach these types of customers (...)” (Emphasis added)

SBUA Recommendation 2: In relation to Commercial Direct Install Program, go to a turnkey approach that includes a broader range of cost-effective measures to reach more and varied customers (Issues 10(c) and (h))

21. SBUA further submits that the Direct Install Program should not be approved in its current form, but rather should be amended to provide that a much broader range of cost-effective measures be included that have broader application, such as adaptive thermostats, boiler tune-ups and hot water saving measures such as low-flow aerators, pre-rinse spray valves and pipe wrap. This should be part of a “turnkey” approach similar to the leading model

¹⁵ Exhibit L. SBUA.1, Expert Report of Green Energy Economics Group, p. 11.

¹⁶ Technical Conference Transcript (Day 3), March 2, 2022, pp. 221-223.

adopted in Massachusetts, which streamlines decision making and reduces upfront costs as much as possible.

22. As Mr. Love and Mr. Wyatt explained in their expert evidence: *“While the Direct Install Offering is meant to specifically target small commercial customers, it is severely limited by the types of measures that it offers. The only measures considered for offering in the Direct Install Offering were those in the TRM and not included in the Midstream Program. Enbridge Gas has added a few measures but continues to limit program participation to a small number of options: air curtains – shipping doors, dock door seals, demand control kitchen ventilation, destratification fans, pedestrian-door air curtains and add-on ventilation measures. While these are all fine measures, there are many more cost-effective measures that could be offered in this program that have broader application, such as adaptive thermostats, boiler tune-ups, and hot water saving measures”*.¹⁷
23. In an undertaking response (again, recognizing the limited data available to them), Mr. Love and Mr. Wyatt estimated that a “turnkey” pathway offered for small business customers and custom measure packages would offer 104% more savings, generating a savings impact of 3,700,000 m³ additional net annual gas savings with an increased budget impact of \$13,310,000.¹⁸
24. A consultant for the OEB Staff recognizes that the direct install program is not comprehensive and that more could be done in this regard:

“MS. SEERS: Sure. And do you think the direct install program provides a comprehensive array of measures?”

MR. McDONALD: No. You know, I think it's traditionally been focussed on the warehouse, on the warehouse doors, which is definitely not a comprehensive array. They're adding, they are planning to add measures, but I think there is more that could be done”.¹⁹

¹⁷ Exhibit L. SBUA.1, Expert Report of Green Energy Economics Group, p. 23.

¹⁸ SBUA Undertaking Response JT 3.7, p. 3. It is important to highlight that these calculations were conducted on a best efforts basis, recognizing the limited data available to Mr. Love and Mr. Wyatt, as well as time and budget constraints.

¹⁹ Technical Conference Transcript (Day 3), March 2, 2022, p. 220-221.

25. Enbridge Gas confirmed in an undertaking that it *“is open to introducing additional measures to the Direct Install offering including adaptive thermostats, boiler-tune-ups, and water heating measures, provided they prove to be cost- effective”*.²⁰
26. Enbridge Gas also recognized the need to offer a “turnkey” pathway for small business customers and custom measure packages as proposed by Green Energy Economics Group following Massachusetts’ lead, which is a program that is exclusively for eligible small business customers and includes *“a free energy assessment, the direct-install services of gas and electric measures provided by PA-contracted lead vendors, and up to a 100% incentive for additional measures”*.²¹ Enbridge Gas *“intends to offer a turnkey pathway (...) and is open to exploring opportunities to integrate custom measures into the Direct Install offering”*.²²
27. The fact that Enbridge Gas is willing to adopt these recommendations is a very positive sign, which SBUA commends. However, SBUA requests that the OEB’s order reflect these aspects as a mandatory component of the approved DSM plan, rather than leaving their implementation to Enbridge Gas’ discretion.

SBUA Recommendation 3: Improve reporting for small and microbusinesses (Issue 17)

28. SBUA submits that the DSM plan should be modified to increase the engagement plan regarding the small businesses by offering them periodically access to information detailing progress on the treatment of this underserved and hard-to-reach market, which could be accomplished by providing annual reporting of DSM spending, participants, and natural gas savings for small business customers.
29. As it was pointed out by Mr. Love and Mr. Wyatt, *“stakeholders (such as SBUA) that are interested in how small businesses are being served by Enbridge Gas’s DSM programs need to periodically have access to information detailing progress on the treatment of this underserved and hard-to-reach market. This could be accomplished by providing annual reporting of DSM spending, participants, and natural gas savings for small business*

²⁰ Enbridge Gas Undertaking Response to OEB Staff JT 2.10, p. 2.

²¹ Exhibit L. SBUA.1, Expert Report of Green Energy Economics Group, p. 14.

²² Enbridge Gas Undertaking Response to OEB Staff JT 2.10, Undertaking Response to OEB Staff, p. 1.

*customers. This reporting could also include any activity specifically undertaken with indigenous businesses and/or participation by such business”.*²³

30. Therefore, the annual report should include a table that provides details for commercial customers using less than 100,000 m3 of natural gas and also for the customers using less than 25,000 m3 of natural gas.²⁴
31. Such a requirement would be helpful in overcoming the barriers to participation from small businesses in DSM programs, as identified by the American Council for an Energy-Efficient Economy.²⁵ Furthermore, this would have almost no impact on the budget because it would consist only in providing a report drawn from the tracking database.²⁶

SBUA Recommendation 4: Increase coordination with the IESO on outreach to small businesses, including by conducting shared energy assessments (Issue 16)

32. Enbridge Gas should also be required to increase coordination with the IESO on outreach to small businesses, including by conducting shared energy assessments.
33. Regarding this point, although Enbridge Gas recognizes the need to coordinate natural gas DSM programs with the IESO’s Conservation and Demand Management Framework (CDM), there are very few specifics as to how such coordination will take place as regards small businesses. As it stated in an undertaking response:

*Enbridge Gas maintains regular communication with the IESO, who are tasked with delivering electricity CDM programming. In a common effort to improve programming for customers and reduce costs, both the IESO and Enbridge Gas are committed to coordinating the delivery of DSM programs with electricity CDM programs where possible, which includes the potential for collaboration on direct install for small business (...)*²⁷

34. In its Program Coordination Summary detailing coordination with the IESO, in terms of “energy efficiency programs currently in market and status of EGI efforts

²³ Exhibit L.SBUA.1, Expert Report of Green Energy Economics Group, p. 32.

²⁴ SBUA Undertaking Response JT 3.7, p. 6.

²⁵ SBUA Undertaking Response JT 3.7, p. 6.

²⁶ SBUA Undertaking Response JT 3.7, p. 6.

²⁷ Enbridge Gas Undertaking Response to OEB Staff JT 2.10, p. 4.

to coordinate program delivery”, Enbridge Gas identified the engagement with the IESO with Small Business is “not applicable”.²⁸

35. When asked about this document, Enbridge Gas recognized that there was not currently any coordination with the IESO on program delivery for small businesses, but that doing so would make sense once new measures are added:²⁹

“MS. SEERS: Thank you. So I take it the reason that it says "not applicable" in the EGI category under small business program is that the IESO CDM program initiative is for lighting and refrigeration only?”

MR. GROCHMAL: No. This is not applicable because they're not -- like, they're not measures that accrue really in gas savings. So that would be the answer.

MS. SEERS: Yes. So my question is: Do they have, to your knowledge, a small business specific program that targets lighting and refrigeration? And if so, is there an opportunity, or would you explore any opportunities to work with them in terms of that program specifically to add to it gas saving related measures?”

MR. GROCHMAL: Yeah. I think that pretty much sums up what we're trying to do, based on my last response. But I think it is the opportunity, right. I think that is where again adding measures, adding scale, then it really makes the opportunity for joint delivery make a whole lot more sense”.

36. Given that, it is clear that more coordination between Enbridge Gas and IESO is required as regards outreach to small businesses. As Mr. Love and Mr. Wyatt proposed, when the energy assessment is performed as part of the Commercial Custom or Direct Install Offerings, all energy efficiency opportunities should be examined at the same time, natural gas and electricity.³⁰

²⁸ Exhibit K1.1 EGI Program Coordination Summary, p. 2.

²⁹ Oral Hearing Transcript (Day 2), March 29, 2022, p. 67.

³⁰ SBUA Undertaking Response JT 3.7, p. 5.

SBUA Recommendation 5: Promote a fuel-neutral approach in the Low Carbon Transition Program (Issues 10(j), 16 and 17)

37. Enbridge Gas should also be required to promote a fuel-neutral approach in the Low Carbon Transition Program that includes electric technologies and maximizes carbon reductions. This should include educating small business customers on electric heat pumps.³¹
38. As Mr. Love and Mr. Wyatt noted: *“As part of the Enbridge Gas Low Carbon Transition Program, Enbridge Gas is planning on including a Commercial Heat Pump Program Offering that promotes the adoption of natural gas heat pumps. While perhaps a gas heat pump would reduce carbon emissions compared to a natural gas furnace or boiler, an electric heat pump would likely reduce carbon emissions further. Instead of only promoting gas heat pumps that still have carbon emissions, Enbridge Gas should also be educating its customers about electric heat pumps. This program should be fuel neutral and provide information on the most appropriate, economically feasible option with the lowest carbon emissions options”*.³²
39. Enbridge Gas’s position is that it *“does not believe that all-electric heating solutions provide any benefit over a hybrid solution at the present time for most existing natural gas customers and could in fact increase the homeowner’s energy costs”*.³³
40. In SBUA’s submission, a strategy for outreach to small business customers should be developed that educates them about the various options in a fuel-neutral way, including in terms of costs savings and emissions savings, in close coordination with the IESO.

SBUA Recommendation 6: Cap the performance incentive at 8% of the overall DSM spending (Issue 8(a))

41. Lastly, SBUA submits that Enbridge Gas should also be required to include a cap to the performance incentive at 8% of overall DSM spending.³⁴

³¹ Exhibit L. SBUA.1, Expert Report of Green Energy Economics Group, p. 26.

³² Exhibit L. SBUA.1, Expert Report of Green Energy Economics Group, p. 25.

³³ Enbridge Gas Argument-in-Chief, para. 97.

³⁴ SBUA Undertaking Response JT 3.7, p. 5.

42. As Mr. Love and Mr. Wyatt noted: *“While it is reasonable to provide an incentive for Enbridge to meet its savings targets, the proposed incentives are too generous. If Enbridge were to receive a 100% shareholder incentive, then the customer bill impacts from the shareholder incentive as a percentage of the DSM budget bill impacts would be 10%, 6%, and 4% for EDG Rate 6, Union South Rate M2, and Union North Rate 10, respectively. If Enbridge were to receive a 150% shareholder incentive, then the customer bill impacts from the shareholder incentive as a percentage of the DSM budget bill impacts would be 20%, 11%, and 8% for EDG Rate 6, Union South Rate M2, and Union North Rate 10, respectively. This represents too much of a bill impact for spending that does not directly benefit the customer, relative to bill impacts from DSM spending that does provide a direct benefit to the customer by lowering their natural gas usage for years to come”*³⁵.

Respectfully submitted on behalf of the Small Business Utility Alliance on May 19, 2022.



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³⁵ Exhibit L.SBUA.1, Expert Report of Green Energy Economics Group, p. 31.