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May 19, 2022

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4

Attention: Nancy Marconi, Board Registrar

Dear Ms. Marconi:

**Re: OSEA's Final Argument | Board File No. EB-2021-0002
Enbridge Gas Inc.'s Application for a Multi-Year Natural Gas Demand Side
Management Plan (2022-2027)**

Please find enclosed the Ontario Sustainable Energy Association's final submission pursuant to Procedural Order No. 6 dated December 14, 2021 in the above-noted matter.

Yours truly,

Raeya Jackiw

cc: Dan Goldberger, OSEA
Travis Lusney, Power Advisory LLC

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 the Ontario Energy Board's proceeding on Enbridge Gas Inc.'s Application for a Multi-Year Natural Gas Demand Side Management Plan (2022-2027)

WRITTEN ARGUMENT OF ONTARIO SUSTAINABLE ENERGY ASSOCIATION ("OSEA")

May 19, 2022

1 OVERVIEW

On December 1, 2020, the Ontario Energy Board ("OEB") directed Enbridge Gas Inc. ("Enbridge Gas" or "EGI") to file a multi-year Demand Side Management ("DSM") plan application.¹

On May 3, 2021, EGI filed an application for a Multi-Year DSM Plan with the OEB (the "Application"). The Application is comprised of EGI's proposed (1) DSM Framework, effective 2022 (the "Proposed Framework"), and (2) Multi-Year DSM Plan for 2022 to 2027 (the "DSM Plan").²

EGI has also proposed a mid-point assessment of DSM program offerings and metrics half-way through the six-year term of the DSM Plan.³

EGI is seeking OEB approval of both the Proposed Framework and the DSM Plan.

2 OSEA'S POSITION

The Ontario Sustainable Energy Association's ("OSEA") submission focuses on the proposed DSM Plan and budget.

¹ EB-2021-0003, OEB Letter re Post-2020 Natural Gas DSM Framework dated December 1, 2020 ("OEB December 1, 2020 Letter").

² EB-2021-0002, Exhibit A, Tab 2, Schedule 1, Page 2 of 7, paragraph 5.

³ EB-2021-0002, Exhibit A, Tab 2, Schedule 1, Page 2 of 7, paragraph 8.

In its Argument-in-Chief, EGI stated that it is “looking for the OEB’s approval for the budget envelope for 2023 and the formula it has proposed to increase the budget in subsequent years.”⁴

OSEA is generally supportive of EGI’s DSM Plan, and recognizes the significant work done by EGI to develop the DSM Plan. However, OSEA is concerned that the DSM Plan budget does not maximize cost-effective natural gas savings.

OSEA believes that proven cost-effective natural gas savings programs should be expanded and should not be artificially capped because of a budget envelope. Cost effective natural gas savings should be expanded as far as possible for the benefit of natural gas customers as well as Ontario citizens more broadly. An artificial budget cap is illogical and does not align with the objectives of the DSM program, natural gas regulatory framework or government policy.

As such, OSEA respectfully requests that the OEB approve EGI’s Application, but direct EGI to reassess the DSM Plan budget and program offerings using a “bottom up approach” (described further below) at the mid-term assessment for the DSM Plan in 2024.

In addition, to promote transparency and review of DSM programming, OSEA requests that the OEB require EGI to:

- ♦ share annual progress reports on EGI’s DSM programs that summarize investments, program launches, outreach, and program progress, including the potential to scale programs up or down to meet the DSM objectives, and
- ♦ establish an open, transparent and easily accessible DSM program data base for stakeholders, customers, and regulators to access to monitor DSM activities. The data base will ensure progress reports are aligned with underlining results as well as providing intervenors, customers, regulators and policy makers with data and information to make their own assessments and conclusions. Only transparency and openness can resolve DSM inefficiencies.

OSEA believes that the provision of this additional information will enable EGI, the OEB and stakeholders to review and assess the success and shortfalls of the DSM program at the mid-term assessment.

⁴ EGI Argument-in-Chief dated April 29, 2022 at para 117.

3 OEB'S DECEMBER 1, 2020 DIRECTION LETTER

The OEB's December 1, 2020 direction letter provides the following:

... the OEB is of the view that the primary objective of ratepayer-funded natural gas DSM is assisting customers in making home and businesses more efficient in order to help better manage their energy bills.

In working towards the primary objective, Enbridge Gas's future ratepayer-funded DSM plan should also consider the following secondary objectives:

- ◆ Help lower overall average annual natural gas usage
- ◆ Play a role in meeting Ontario's greenhouse gas reduction goals
- ◆ Create opportunities to defer and/or avoid future natural gas infrastructure projects

... Over the course of the 2015-2020 term, annual OEB-approved natural gas conservation budgets have doubled from the previous levels approved for the 2012-2014 term, up to approximately \$140 million per year by the end of the current term... The OEB anticipates modest budget increases to be proposed by Enbridge Gas in the near-term in order to increase natural gas savings, and expects Enbridge Gas to seek to improve the cost-effectiveness of the programs. However, the appropriate level of ratepayer funding expended for DSM programs must weigh the cost-effective natural gas savings to be achieved against both short-term and long-term customer bill impacts.

The OEB expects that all requests for ratepayer-funding to support DSM programs be accompanied by detailed evidence that shows how the programs will benefit Ontario's natural gas customers, help reduce overall natural gas usage and costs, and contribute towards meeting the Government's goals to reduce greenhouse gas emissions.⁵

The OEB also directed EGI to both "seek out elements of current programs that can be modified" and to "consider new programs in order to optimize overall program results to make the best use of ratepayer funding."⁶

⁵ OEB December 1, 2020 Letter, pages 2 to 3.

⁶ OEB December 1, 2020 Letter, page 4.

4 THE DSM PLAN AND BUDGET

EGI's approach to developing the DSM Plan was informed by EGI's interpretation of the OEB's December 1, 2020 direction letter,⁷ and the OEB's anticipation of "modest budget increases."⁸

The Application proposed a base budget for 2022 of \$136 million, with the budget to escalate for the remainder of the budget term (2023-2027) by an inflation factor estimated at 2%.⁹

In its interrogatories, OSEA sought to clarify EGI's rationale for taking a "top down" approach to developing the DSM Plan budget (i.e., establishing an overall program budget based on escalation from previous budgets and allocating the escalated budget to sub-categories).¹⁰

In its responses to OSEA's and others' interrogatories, EGI stated that the OEB's December 1, 2020 direction letter "necessitated that the Company begin with an approach to first establish the overall program budget envelope (relative to the 2022 OEB approved DSM budget) including how the budget should evolve year over year, as the starting point to which develop a DSM portfolio."¹¹

EGI noted that "budget determinations were made based on the goal of modest changes at a sector level from the previous OEB-approved budgets, with the aim of also ensuring modest bill impacts year over year... With preliminary budget allocation established at the sector level, the program teams undertook an iterative process to establish program budgets."¹²

EGI also confirmed that budget allocations for DSM programs were not based on relative TRC-Plus test calculations (i.e., the most cost-effective programs did not necessarily receive a greater budget allocation).¹³ Rather, EGI sought to "prioritize our offerings within the overall budget envelope" based on, among other things, savings, customer barriers, and market need.¹⁴

In OSEA's view, this "top down" approach to DSM budgeting risks leaving natural gas savings on the table. For example, the "top down" approach could exclude a cost-effective DSM program or allocate insufficient budget to optimize the natural gas savings associated with a DSM program. The "top down" approach to DSM budgeting is

⁷ EB-2021-0002, Exhibit D, Tab 1, Schedule 1, Page 1 of 26.

⁸ EB-2021-0002, Exhibit D, Tab 1, Schedule 1, Page 22 of 26, paragraph 26; EGI Argument-in-Chief dated April 29, 2022 at para 8.

⁹ EB-2021-0003, Exhibit D, Tab 1, Schedule 1, Page 7 and 8 of 26.

¹⁰ EB-2021-0002, Exhibit I.6.EGI.OSEA.1, Question (c).

¹¹ EB-2021-0002, Exhibit I.6.EGI.CME.4, Question (a).

¹² EB-2021-0002, Exhibit I.6.EGI.CCC.10, Question (b).

¹³ EB-2021-0002, Exhibit I.10.EGI.OSEA.3, Question (d).

¹⁴ EB-2021-0003, Oral Hearing Transcript, Volume 3 dated March 30, 2022 at pages 65 to 66.

inappropriate, and contrary to the OEB's DSM objectives included in the December 1, 2020 direction letter (managing energy bills, lowering natural gas usage, reducing greenhouse gas emissions, and deferring/avoiding natural gas infrastructure projects).

That the DSM budget allocation is not directly correlated to program cost-effectiveness or natural gas savings makes it difficult to evaluate whether:

- ♦ the proposed budget, including program costs and portfolio costs, result in a reasonable rate impact while addressing the OEB's stated DSM objectives in the December 1, 2020 direction letter (Issue 6), or
- ♦ EGI has proposed an optimal suits of program offerings that will maximize natural gas savings and provide the best value for rate payer funding (Issue 10).

OSEA submits that the DSM Plan budget should be determined through a "bottom up" approach designed to optimize cost-effective DSM programming. Ideally, EGI should

- ♦ bring forward cost-effective DSM programs based on its experience, jurisdictional research, and the TRC-Plus test/ratio
- ♦ determine the budget necessary to implement those DSM programs, and program scalability with additional investment
- ♦ determine potential natural gas savings for those DSM programs, and
- ♦ bring this information before the OEB and intervenors so the parties can assess how and why the budget was allocated to specific DSM programs, and what additional natural gas savings can be achieved with incremental increases to a DSM budget and to the budget for particular offerings included in a DSM Plan.

This "bottom up" approach to DSM budgeting will support the OEB and intervenors in better assessing whether the rate impact of the DSM Plan is reasonable, and whether the DSM Plan optimizes natural gas savings and meets the objectives of DSM. This type of nuanced and data-based assessment and allocation is important because, as EGI notes in its argument, an increased DSM budget does not necessarily translate to a linear increase in natural gas savings.¹⁵ In OSEA's view, a "bottom up" approach to DSM budgeting will further the OEB's objectives of protecting consumers' interests with respect to gas prices, and promoting energy conservation and efficiency.¹⁶

¹⁵ EGI Argument-in-Chief dated April 29, 2022 at para 61.

¹⁶ Ontario Energy Board Act, 1998, SO 1998, c. 15, Sched. B, s. 2.

OSEA recognizes that EGI has done significant work to develop the DSM Plan, in response to December 1, 2020 letter, and does not propose that the OEB reject the DSM Plan or Framework. Instead, OSEA respectfully requests that the OEB approve EGI's Application, but direct EGI to reassess the DSM Plan budget and program offerings using the "bottom up approach" outlined above at the mid-term assessment for the DSM Plan in 2024.

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