Ontario Energy Board | Commission de l'énergie de l'Ontario

BY EMAIL

May 19, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

Re: Ontario Energy Board (OEB) Staff Submission
Enbridge Gas Inc.
2022-2027 Natural Gas Demand Side Management Framework and Plan Application
OEB File Number: EB-2021-0002

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 6. The attached document has been forwarded to Enbridge Gas Inc. and to all other parties to this proceeding.

Yours truly,

Josh Wasylyk Digitally signed by Josh Wasylyk
Date: 2022.05.19 17:12:24 -04'00'

Josh Wasylyk
Senior Advisor, Application Policy & Conservation

Encl.

ONTARIO ENERGY BOARD

OEB Staff Submission

Enbridge Gas Inc.

2022-2027 Natural Gas Demand Side Management Framework and Plan Application

EB-2021-0002

May 19, 2022

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1. Background

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. Enbridge is seeking approval of a new natural gas DSM policy framework, effective January 1, 2022, as well as approval of a new multi-year DSM plan, inclusive of budgets, programs, and targets from January 1, 2022, to December 31, 2027.

The OEB issued a Decision and Order on August 26, 2021, which approved the continuation of the OEB-approved 2021 DSM plans for the 2022 program year. Enbridge subsequently updated its application so that the 2022 year was removed. This leaves Enbridge's proposed DSM policy framework and 2023-2027 DSM plan up for consideration.

Enbridge's application was filed following a letter issued by the OEB on December 1, 2020 (December 2020 Letter). The OEB's letter included general guidance on expectations for Enbridge's new multi-year DSM plan, including outlining the OEB's objectives for ratepayer funded DSM. The OEB also indicated that Enbridge's application should be informed by a number of items including experience during the 2015-2020 term, the OEB's Mid-Term Review Report from the 2015-2020 DSM term, the 2019 Achievable Potential Study, information during the post-2020 DSM consultation, and policies and commitments from the Government of Ontario as they continue to evolve, including the November 27, 2020 joint letter from the Associate Minister of Energy and the Minister of the Environment, Conservation and Parks.

In addition to the guidance provided by the OEB above, as part of Procedural Order No. 6, the OEB noted that the Minister of Energy issued a Mandate Letter to the OEB on November 15, 2021 (the Mandate Letter to the OEB). The Mandate Letter to the OEB noted the Minister's strong interest in a DSM framework that delivers increased natural gas conservation savings and reduces greenhouse gas emissions, enable customers to lower energy bills in the most cost-effective way possible, help customers make the right choices regardless of whether that is through more efficient gas or electric equipment, and stressed the continued need to integrate and align natural gas and electricity conservation programs for a streamlined customer experience.

As part of Procedural Order No. 3, the OEB outlined the formal Issues List for this proceeding. The Issues List includes 18 issues, many with sub-issues, that encompass all aspects of Enbridge's application for approval of a policy framework and multi-year DSM plan.

On February 25, 2022, Enbridge provided an update on its negotiations to partner with Natural Resources Canada (NRCan) to deliver the Canada Greener Homes Grant program to residential customers in Ontario.[1] As of the date of this submission, a final agreement between Enbridge and NRCan has not been filed.

On April 11, 2022, the OEB issued a letter to all parties that highlighted some key themes that have emerged in this proceeding. These include issues related to DSM policy, including advancing electrification; the appropriate term of the next DSM plan and what should be considered at a mid-term review; cost recovery and the role of amortization, if any; program-specific recommendations, including the pending joint agreement between Enbridge and NRCan, the mix of technologies and appropriateness of continuing to incentivize gas-fired measures, and the appropriateness of the continuation of the Large Volume program.

2. Application Summary

In its application, Enbridge requests that the OEB approve (i) all components of its 2023-2027 DSM plan; and (ii) its proposed policy framework.

The table below provides a high-level summary of the various components of Enbridge's application. A more detailed discussion on many of these areas follows in the submissions section.

Table 1 – Summary of Application

Topic	Summary of Proposal
DSM Framework	The proposed framework includes guidance on budgets, targets, shareholder incentive, program planning and evaluation, treatment of input assumptions and adjustment factors, cost-effectiveness screening, avoided costs, and accounting treatment. The proposed framework is to be effective January 1, 2023, with no defined term or no end date. Following approval of the proposed framework, Enbridge suggests that, as it has in the past, the OEB be responsible for future updates, with input provided by stakeholders are various intervals.
Plan Term	Enbridge is proposing an updated 5-year DSM plan, following the approval that the OEB rendered of the 2022 DSM program year in mid-2021, and in response to the OEB's guidance indicating that the plan should be "for a minimum of three years up to a maximum of six years, including 2022."[2] Enbridge is proposing that the five-year term include an initial two-year DSM plan proposal (2023-2024) designed to be continued for the remaining three-year period (2025-2027) following a limited mid-point assessment.[3]
DSM Budget	Enbridge is proposing a DSM budget for 2023 of $142.26 million. For the balance of the five-year budget term (2024 through 2027), Enbridge proposes to escalate the entire 2023 base year budget of $142.26 million by a 2% inflation factor, as well as an additional 3% annual increase of the portion of the budget directly related to its proposed DSM programs. In Enbridge's view, the proposed annual increase of approximately 5% responds to the December 2020 Letter guidance for "modest budget increases".

[1] EB-2021-0002, EGI Letter, February 25, 2022
[2] EB-2021-0002, December 2020 Letter, p. 5
[3] Exhibit B, Tab 1, Schedule 1, pp. 10-11

Topic	Summary of Proposal
DSM Programs	Enbridge is proposing programs available to residential, low-income, commercial, industrial and large volume customers that largely aim to incentivize natural gas savings. For each of these customer groups, Enbridge is proposing multiple offers. Enbridge also proposes several other programs that have multi-year aspects, including the Energy Performance program, Building Beyond Code program and the Low Carbon Transition Program.
Shareholder Incentive, Scorecards, Targets & Metrics	Enbridge proposes a maximum annual shareholder incentive of $20.9 million to be escalated annually for inflation. Enbridge proposes to separate the available shareholder incentive amounts into two components: annual shareholder incentives and long-term shareholder incentives. Annual shareholder incentives would be awarded based on Enbridge's performance relative to its program scorecards and net benefits metric. Long-term shareholder incentives would be awarded based on its Low Carbon Transition program and the proposed Long Term GHG Reduction Target. Enbridge is proposing base year targets to be applicable in 2023 and to formulate subsequent program year targets with the target adjustment mechanism.[4]
Evaluation	Enbridge is proposing the OEB approve a proposed Evaluation Governance Terms of Reference (ToR) document. [5] Enbridge also requests the OEB direct OEB Staff to coordinate the development of an Ontario natural gas-specific DSM evaluation protocols, with engagement from Enbridge and the Evaluation Advisory Committee (EAC), with an initial version to be completed by December 31, 2022.[6] Finally, Enbridge requests that gross evaluation methodologies be approved for each program as part of this application.[7]
DSM Staffing and Admin	Enbridge is proposing a fully integrated DSM plan that combines all programs from the legacy utilities. To support its DSM plan, Enbridge is proposing that 169 full-time equivalents be approved with an annual compensation cost of approximately $17.4 million.[8] Overall, Enbridge is requesting approval of approximately $30.2 million in annual DSM costs related to program and portfolio administration[9], including IT system maintenance and improvements, municipal engagement, evaluation, regulatory and stakeholdering, and research and development costs.
Stakeholder Engagement	Enbridge is proposing to annually host a half-day General DSM Stakeholder meeting to be scheduled following the completion of the Draft Annual DSM Report.[10]

The table below includes a snapshot of the main components of Enbridge's proposed DSM plan.

[4] Exhibit C, Tab 1, Schedule 1, pp. 12-13
[5] Exhibit C, Tab 1, Schedule 1, pp. 55-66
[6] Exhibit E, Tab 4, Schedule 1, pp. 1-4
[7] Exhibit C, Tab 1, Schedule 1, pp.25-26
[8] Exhibit D, Tab 1, Schedule 1, p. 21
[9] Exhibit E, Tab 4, Schedule 1, p. 1 - This sub-category includes approximately $8.57 million of the Administration category. This includes salaries of staff not directly allocated to program costs, expense, travel, training, industry memberships and subscriptions. Staff who can be primarily associated with program delivery have been directly allocated to the relevant DSM Program.
[10] Exhibit E, Tab 4, Schedule 6, p. 9

Table 2 – General Summary of Proposed DSM Plan Components

DSM Program/Scorecard	TRC+[1]	2023 Budget[2]	Performance Metric[3]	Metric Weight[3]	Scorecard Target (100%)[4]	DSMSI[3] Max $ Available (at 150%)	DSMSI[3] % of Total Annual Max
Residential	1.9	**$40,804,802**					
Whole Home	1.61	$30,629,918	Net Annual Gas Savings (m3)	100%	14,757,274	$2,917,200	15%
Single Measure	1.19	$4,617,424					
Smart Home	3.81	$3,977,235					
Commercial	4.37	**$25,262,775**					
Custom	8.48	$11,895,830	Large Customer Net Annual Gas Savings (m3)	50%	15,441,281	$2,917,200	15%
Prescriptive Downstream	2.41	$2,436,237					
Prescriptive Midstream	1.21	$2,421,117	Small Customer Net Annual Gas Savings (m3)	50%	8,914,062		
Direct Install	2.51	$4,765,983					
Industrial	13.17	**$17,828,114**					
Custom	17.26	$13,872,000	Net Annual Gas Savings (m3)	100%	50,376,897	$2,917,200	15%
Low Income	2.62	**$22,987,685**					
Home Winterproofing	1.61	$14,375,115	Single Family Net Annual Gas Savings (m3)	50%	2,872,796	$2,917,200	15%
Affordable Housing Multi-Residential	6.58	$7,138,928	Multi-Residential Net Annual Gas Savings (m3)	50%	5,015,604		
Large Volume	2.79	**$2,766,624**					
Direct Access	2.93	$2,550,000	Net Annual Gas Savings (m3)	100%	9,300,000	$397,800	2%
Energy Performance[5]	1.22	**$1,221,656**					
Whole Building Pay For Performance	0	$1,117,500	Number of Participants	100%	25	$132,600	1%
			Net Annual Gas Savings (m3)	0%	0		
Building Beyond Code	n/a	**$8,437,503**					
Residential Savings by Design	n/a	$4,057,500	Number of Energy Star Homes	30%	1,450	$1,060,800	5%
			Number of Net Zero Ready Homes	0%	0		
Commercial Savings by Design	n/a	$1,236,000	Number of Participants	30%	28		
Affordable Housing Savings by Design	n/a	$2,138,000	Number of Participants	30%	18		
Commercial Air Tightness Testing	n/a	$483,432	Number of Participants	5%	5		
			Number of Qualified Agents	5%	10		
Low Carbon Transition[6, 7]	n/a	**$4,590,841**					
Residential Heat Pump	n/a	$2,701,194	Number of Installations (Residential Heat Pumps)	25%	2,123	$800,000	n/a
			Number of Contractors Trained (Residential Heat Pumps)	25%	60		
Commercial Heat Pump	n/a	$1,685,967	Number of Installations (Commercial Heat Pumps)	25%	86		
			Number of Engineers Trained (Commercial Heat Pumps)	25%	17		
Program Subtotal	3.71	**$123,900,000**					
Administration Costs	n/a	**$11,252,522**					
Evaluation & Regulatory Costs	n/a	**$3,876,000**					
Research & Development Costs	n/a	**$3,231,478**					
Portfolio Subtotal	n/a	**$18,360,000**					
TOTAL	3.29	**$142,260,000**					
Long-Term Scorecards							
Long-Term GHG Reduction[8]			Emissions Reductions (Tonnes)		2,616,351	$5,000,000	n/a
Annual Net Benefits[9]							
Net Benefit Range			$0 - $100 million	**Percentage of Net Benefits Shared**	0.00%	$6,630,000	33%
			$100 - $200 million		1.00%		
			$200 - $300 million		1.25%		
			$300 - $400 million		1.50%		
			$400 - $500 million		2.00%		
			$500+ million		2.50%		

1. Exhibit D, Tab 1, Schedule 4, p. 2, Table 1
2. Exhibit D, Tab 1, Schedule 1, p. 11, Table 4
3. Exhibit D, Tab 1, Schedule 2, p. 7, Table 5
4. Exhibit D, Tab 1, Schedule 3, p. 4, Table 2
5. TRC-Plus info: Exhibit I.10.EGI.ED.21
6. Exhibit D, Tab 1, Schedule 2, p. 15, Table 12
7. Exhibi D, Tab 1, Schedule 3, p. 11, Table 7
8. Exhibit D, Tab 1, Schedule 2, p. 16
9. Exhibit D, Tab 1, Schedule 2, p. 13, Table 10

3. Summary of OEB Staff Submission

In OEB staff's view, this is a critical juncture for DSM in Ontario. Climate policy is advancing quickly. The time to meet the 2030 provincial emission reductions goals is nearing.[11] Federal 2050 net zero goals are now formal commitments.[12] Ratepayer funded DSM has an opportunity to play a meaningful role in meeting these goals, with due consideration to the OEB's mandate,[13] through reduced natural gas usage, but only if the proper expectations are set out now.

OEB staff submits that a greater level of clear, quantitative expectations, in terms of natural gas reductions and acceptable budget levels, are needed from the OEB to allow for Enbridge to make DSM plan enhancements in the later years of the plan. This clarity will also enable the OEB to objectively confirm that significant ratepayer investment, time and resources are leading to meaningful value to customers in managing their bills and contributing to broader climate objectives.

OEB staff submits that Enbridge's plan as filed would generally be sufficient if the goal was to maintain the level of activity, namely natural gas savings, of the recent past. Enbridge has been thoughtful, thorough and has tried to be as responsive as it can be to the direction it received. However, the energy landscape has changed since the December 2020 Letter. For example, in the Mandate Letter to the OEB, the Minister of Energy expressed a "…strong interest in a framework that delivers increased natural gas conservation savings and reduces greenhouse gas emissions."[14]

Additionally, OEB staff is also mindful that there are two other significant energy efficiency programs currently underway in Ontario: the federal Greener Homes Grant program, which provides grants from the Government of Canada of up to $5,600 for energy efficiency upgrades and has a funding commitment of $2.6 billion, and the Independent Electricity System Operator's (IESO) 2021-2024 electricity conservation framework.[15]

To respond to current policy direction, allow ratepayer funded DSM to be thoughtfully integrated with other efficiency programs, and enable DSM to play a meaningful role in reducing natural gas usage, OEB staff submits that enhancements to the later years of

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[11] https://www.ontario.ca/page/climate-change
[12] https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/net-zero-emissions-2050.html
[13] As set out in section 2 of the *Ontario Energy Board Act, 1998*, the OEB's objectives in carrying out its responsibilities under that or any other Act in relation to gas include "to promote energy conservation and energy efficiency in accordance with the policies of the Government of Ontario, including having regard to customer's economic circumstances" among others, including setting just and reasonable rates.
[14] Mandate Letter to the OEB, p. 3
[15] IESO 2021-2024 Electricity CDM Framework

Enbridge's DSM plan are needed. This is largely in terms of changes to the expectation of what results DSM will produce, which largely impacts the scale and size of the DSM plan, as opposed to the specific programs offered. OEB staff recommends that the OEB (i) approve Enbridge's proposed plan but with the changes recommended by OEB staff and (ii) provide clear direction that a firm natural gas savings goal be the driver for an enhanced DSM plan for the 2025 program year onwards. OEB staff further recommends that the OEB indicate in its decision on this application that as part of future considerations of an enhanced DSM plan, the OEB will consider the merits of extending the term beyond 2027 as currently requested to a later plan end date of 2030. This would align the enhanced DSM plan term to match emission reductions target timeframes. OEB staff also recommends that the OEB indicate that if it supports increased budget levels, what the bounds of reasonable upper limits would be – OEB staff recommends the OEB consider the merits of potentially increasing current budgets to levels that would achieve a significantly higher fixed savings target, with considerations given to the associated rate impacts. Establishing a budget range to support achieving the target, such as approximately double current budget levels, will assist Enbridge and stakeholders so all are operating under the same set of core parameters, and/or a establishing a fixed target that should be achieved.

In terms of what target to set, OEB staff recommends that the OEB provide direction that an enhanced DSM plan will have as a target a percentage reduction in annual gas sales each year throughout the term of the DSM plan. This is a common measure of performance used in a number of jurisdictions.[16] Enbridge's current DSM plan has produced, on average from 2016 to 2020, net annual DSM savings equal to 0.44% of total annual natural gas sales.[17] However, Enbridge's DSM efforts have not led to overall reductions in total natural gas sales, but only moderated the rate at which natural gas sales have increased.[18] OEB staff recommends that the OEB set fixed targets for 2023 and 2024, and give consideration to a net annual reduction in total natural gas sales from DSM of 1% as the target of an enhanced plan, subject to the cost considerations noted above. An updated achievable potential analysis, overseen by OEB staff based on the guidance provided in the Decision in this proceeding, with input from stakeholders, Enbridge, and consideration of best practices in other jurisdictions, should be used to help to refine fixed targets and the budgets required for an enhanced plan.

As a secondary option, should the OEB not support a net annual reduction in gas sales

[16] Energy Futures Group Evidence, Exhibit L.GEC/ED.1, Table 1, p. 11 and https://database.aceee.org/state/energy-efficiency-resource-standards
[17] Tables 3-10 and 4-10 of the 2016-2020 DSM Annual Reports found on OEB's Natural Gas DSM Webpage
[18] Enbridge's Draft 2021 DSM Annual Report, Tables 3.10 and 4.10, show that between 2012 to 2020, sales have seen only minor fluctuations from a low of 23,700.5 million m3 to a high of 26,638.4 million m3 but have held almost constant with a trendline of 24,869.6 million m3. These figures represent total annual natural gas sales from rate classes eligible for DSM and subject to DSM costs.

from DSM, OEB staff recommends that a firm, end-of-term natural gas savings target be set that Enbridge would be required to meet by the end of the current plan's term. This would be different from annual targets that reset every year, providing Enbridge flexibility to manage and respond to market factors over a multi-year period, but provide the OEB and ratepayers with comfort that tangible natural gas reductions will result from an enhanced DSM plan with considerably higher costs.

From a practical perspective, directing Enbridge to make enhancements to its DSM plan within a relatively short period of time requires the proper support. OEB staff recommends that the OEB approve the proposed DSM plan largely as filed for 2023 and 2024. This will ensure program continuity and allow continued benefits to be received by program participants.

With a view towards regulatory efficiency related to plan enhancements, OEB staff recommends the replacement of the current DSM Evaluation Advisory Committee (EAC) to a broader DSM Stakeholder Advisory Group (DSM SAG). The EAC has been a successful collaborative effort that has led to many improvements related to the objectivity and independence of the evaluation of DSM program results. Leveraging the experience of this group is ideal to establish an expanded committee in a timely manner. In OEB staff's view, the core objective of a DSM SAG should be to work collaboratively with Enbridge and OEB staff on enhancements to Enbridge's DSM plan – with an objective of achieving consensus on all aspects of an enhanced plan prior to filing with the OEB. This process would be similar to other successful stakeholder advisory committees used in other jurisdictions[19] and would be operated in a similar way to the recently formed Integrated Resource Planning Technical Working Group. Enbridge would still be ultimately responsible for the changes to its DSM plan, however, to transition to an enhanced plan in a short period of time, engagement with, and buy-in from, stakeholders is needed. OEB staff recommends that the OEB indicate its expectation that Enbridge make all reasonable efforts to reach full agreement with the DSM SAG on the necessary plan enhancements to deliver tangible natural gas reductions prior to filing with the OEB.

OEB staff supports a longer multi-year term, at a minimum of what Enbridge has proposed (2023-2027), but preferably, an enhanced plan that continues from January 1, 2025, to December 31, 2030. This will allow the ability for Enbridge to provide a commitment to its customers and other market actors that there is certainty of funding and technical resources. It will also provide the OEB with regulatory efficiency in reviewing an enhanced plan that has stakeholder buy-in following this comprehensive proceeding. While the extension of the plan term is best considered at the same time as the OEB's review of an enhanced plan, OEB staff recommends that the OEB express a willingness to consider such an extension as part of this proceeding.

[19] Illinois Energy Efficiency Stakeholder Advisory Group and Massachusetts Energy Advisory Council

There are various options and paths that the OEB can take in its decision. In an effort to provide OEB staff’s position on some of these options, the table below provides a summary of OEB staff’s position on three options – 1) **Good**: Enbridge’s proposal filed in this application with minor changes applied; 2) **Better**: a plan with moderate changes; and, 3) **Best**: a plan that produces the most benefits for ratepayers.

Table 3 – Summary of OEB Staff Recommendations

<table>
<tr><th rowspan="2">Section/Topic</th><th colspan="3">OEB Staff Recommendations</th></tr>
<tr><th>Good</th><th>Better</th><th>Best</th></tr>
<tr><td>DSM Objectives</td><td>Maintain objectives as outlined in December 2020 letter.</td><td colspan="2">Clarify objectives that overall, DSM should lead to tangible reductions in natural gas usage, with corresponding GHG emission reductions. In doing so, participating customers will benefit through more energy efficient homes and businesses leading to lower energy bills, while, in the long-term, non-participating customers should benefit from a lesser need for new infrastructure. Additionally, to provide the greatest value to Ontarians, DSM should not incentivize gas-fired measures, and DSM programs should be fully integrated with other efficiency programs offered in Ontario.</td></tr>
<tr><td>Term</td><td>2023-2027</td><td colspan="2">2023-2027, with OEB review and approval process prior to 2025 to consider an enhanced plan for 2025-2030. Indicate that the OEB expects enhancements to be made to the plan, primarily related to certainty of natural gas reductions, with an updated plan to be filed in 2024 for implementation January 1, 2025. Should Enbridge meet these expectations, the OEB would consider approving an enhanced plan that extends to 2030.</td></tr>
<tr><td>DSM Framework</td><td>Approve the proposed DSM framework, largely as filed, with updates to reflect OEB staff submissions and incorporate any relevant updates from this Decision that would apply to guidance included in the DSM Filing Guidelines to be incorporated into a single, consolidated document.</td><td colspan="2">Same as Good scenario, plus indicate that the expectation is that changes to the DSM Framework (and incorporating relevant updates from this Decision that would apply to guidance included in the DSM Filing Guidelines resulting in a single consolidated document) will be led by OEB staff, with input from Enbridge and the DSM SAG.
Going forward, with respect to future DSM plan terms, the OEB should indicate its expectation that following the 2025-2030 enhanced plan term (ending December 31, 2030), should government policy remain consistent and annual gas reduction commitments be met by Enbridge, that based on support from OEB staff and the DSM SAG, the OEB could consider extending Enbridge’s DSM plan, with minor updates as needed, until such time that the OEB determines a comprehensive review is required.</td></tr>
<tr><td>Budget</td><td>Approve modest increases proposed over term (~5%), increasing budget from $142M in 2023 to $170M in 2027.</td><td>OEB support for increased budgets, particularly for most cost-effective programs, beginning with 10% increase in 2023, then 20% increase each year from 2024 to 2027. Largely ring-fence Low-Income budget (no</td><td>OEB support for increased budgets, specifying an acceptable budget range and/or setting a fixed target to achieve, to enable significant increases in natural gas reductions, beginning in 2025. DSM SAG to provide advice on bill impact</td></tr>
</table>

Section/Topic	OEB Staff Recommendations		
	Good	**Better**	**Best**
		more than 10% approved can be transferred to other programs).	considerations, budget ramp-up and program allocation, while also considering need and ideal design of amortization structure. Fully ring-fence Low-Income Budget.
Shareholder Incentive	Maximum incentive of $20.9M available in 2023, increasing annually for inflation. Only approve shareholder incentive for program scorecards (annual & low carbon transition), do not approve Net Benefit incentive or Long-Term GHG Reduction Incentive.	Same as good scenario plus indication that if commitment to higher natural gas savings is made in an enhanced plan, potential for increase to shareholder incentive.	
Natural Gas Savings Targets & Other Performance Metrics	Approve annual program scorecards for 2023 and 2024, largely as proposed, but with lower band performance level of 75% and upper band of 125%. Increase all 100% targets by 10% to better align with potential analysis. Approve modified Target Adjustment Mechanism (TAM) that has lower bound of 80%.	Firm natural gas savings target(s) that would be met by the end of term (with annual milestones to allow Enbridge to earn periodic shareholder incentives, with a true-up to final actuals at the end of the term). Updated potential study should be primary basis for natural gas savings levels over 2025-2030 period. Reject proposed Net Benefits and GHG Reduction Incentive.	Percentage reduction of annual gas sales beginning in 2025, based on budget support from OEB and advice from DSM SAG on reasonable savings levels informed by an updated potential study OEB to direct DSM SAG to consider the possibility of a performance metric solely based on net benefits should overall plan expectations (natural gas reductions) increase significantly.
Enbridge's Residential Whole Home Program & NRCan Partnership	Enbridge's residential DSM program should not include gas-fired measures, not have any requirements for customers to remain on natural gas or continue to have their primary heating source fueled by natural gas. OEB staff supports joint program delivery of NRCan's Greener Homes Grant program and Enbridge's residential DSM program. Indicate the OEB's expectations that Enbridge will provide proposed budget and target updates at the time the NRCan agreement is filed, which explain the impact on natural gas customers' interests and the use of ratepayer funds. OEB may wish to approve residential DSM program on a final basis before a final agreement between NRCan and Enbridge is filed. If not, the OEB may wish to consider providing interim approval of Enbridge's whole home residential program.		
Programs	As proposed, however removing furnaces and water heaters from the residential program, excluding natural gas heat pumps from the Low Carbon Transition Program, and	Approve all programs as filed for 2023 and 2024, with the exceptions of: Residential Whole Home – remove furnaces and water heaters, Low Carbon Transition – remove gas heat pumps; do not approve the continuation of the Building Beyond Code program. Indicate that the OEB expects program enhancements to be discussed and considered with the DSM SAG, using the	

Section/Topic	OEB Staff Recommendations		
	Good	Better	Best
	rejecting the Building Beyond Code programs, but recommend considering a joint fuel-agnostic new construction program with the IESO for the future.	updated potential study as a primary guide as well as the recommendations from experts in this proceeding and best practice in other jurisdictions. Indicate that the DSM SAG should study whether/how to remove gas-fired equipment from non-residential programs. Indicate that an enhanced plan should prioritize incremental funding to those programs that are most cost-effective, should potential be shown to be available. Indicate that programs should offer ability for participants to electrify, without requirement to maintain gas service (in particular as primary heating source), but in the interest of overall value, this is reasonable. Indicate that the expectation that with an enhanced plan, all natural gas DSM programs are to be fully integrated with electricity CDM programs (and other conservation programs introduced in the Ontario market as well as municipal climate action plans) so that the customer has a seamless experience and can make all energy efficiency upgrades at the same time, through one program.	
Evaluation	Maintain EAC, Approve ToR, reject Enbridge gross measurement proposal and support OEB's EC continued independence to determine best evaluation methodologies.	Expansion of EAC to DSM SAG, establish ToR, indicate that the OEB's EC will have flexibility in evaluation methods. Indicate that the OEB will also lead all process evaluation studies going forward, similar to the transition of impact evaluation studies at the outset of the 2015 multi-year term to ensure actions are aligned with impact evaluations and greater value and better use of program funding can be achieved.	
Stakeholder Engagement	Maintain EAC, accept Enbridge offer to host annual general meeting.	Direct that the current EAC be replaced by a generic DSM Stakeholder Advisory Group that supports DSM planning and evaluation, led by OEB staffIndicate that the DSM SAG will have the objective to provide input and recommendations related to Enbridge's plan enhancements and that full agreement on an enhanced plan should be the goal for all involved. Indicate that the DSM SAG will support the work of the updated potential study, corresponding updates to the DSM policy framework as required, while continuing to be involved with the annual evaluation work led by OEB staff. The DSM SAG will include OEB staff, Enbridge, and representation from a variety of stakeholders representing a cross-section of interests, including various customer groups, environmental, and energy efficiency experts with experience in other jurisdictions. OEB staff will be tasked with managing the DSM SAG. The DSM SAG should continue to be active in reviewing all DSM programs, results, prospective changes, and opportunities for improvement throughout the duration of the multi-year term.	
Process Related to Enhanced DSM Plan	Provide expectation that an enhanced plan should be filed with sufficient time to review and approve by mid-2024. Indicate the OEB's expectation that through the DSM SAG and regular status updates on the OEB's webpage, intervenors and interested parties will be informed about the plan. This will allow the OEB to consider novel approaches to optimize regulatory processes.		

In terms of timing of events and schedule to achieve the outcomes outlined above, OEB staff proposes the following:

Table 4 – General Schedule for Plan Updates

Date	Action
September 2022	OEB Decision
September – November 2022	DSM EAC expanded to DSM SAG, ToR developed, scope for new natural gas achievable potential study developed and RFP issued. **Parties:** OEB staff, Enbridge, DSM SAG
November 2022 – July 2023	New Natural Gas Achievable Potential Study and other studies as required **Parties:** OEB staff, Enbridge, DSM SAG
July 2023 – January 2023	Enhanced DSM Plan development **Parties:** Enbridge (leading as it is ultimately responsible for filing an application), OEB staff, DSM SAG
February 2024	Enhanced DSM Plan filed with OEB, ideally with full agreement/support from DSM SAG **Parties:** Enbridge
September 2024	OEB staff suggests that to allow Enbridge to be able to implement an enhanced plan, an OEB Decision will be needed in September 2024. **Parties:** OEB, Enbridge, intervenors

OEB staff has addressed the issues identified in the OEB's April 11, 2022, letter first, followed by submissions on all remaining issues.

4. DSM Policy (Issues 2, 3 and 5)

As part of its letter to parties on April 11, 2022, the OEB indicated it would be assisted in submissions related to broad policy items, including advancing electrification through DSM, restricting or providing incentives for non-gas-fired equipment, and providing DSM program assistance to non-gas customers or customers that would no longer rely on the natural gas system. OEB staff provides submissions on these topics, and DSM policy in general, below.

Enbridge's Proposal

Enbridge is proposing an updated DSM policy framework and DSM plan for 2023-2027. Enbridge indicates that the updated framework is intended to support its efforts in defining the approved parameters upon which it will operate its DSM programs. Enbridge noted that the proposed framework and plan have been informed by a number of subsequent pieces of guidance, including policy direction from the OEB, the OEB's direction in the Mid-Term Review Report, feedback from the post-2020 DSM framework consultation, lessons learned by Enbridge in delivering DSM programming, and consideration of the current energy environment.

OEB Staff Submissions

OEB staff agrees with Enbridge that it is important to have a clear policy framework. A framework that provides direction related to the primary objective and overall magnitude of ratepayer funded DSM is extremely valuable.

The OEB provided general guidance to Enbridge in the December 2020 Letter, to assist Enbridge in its efforts to develop and file an updated multi-year DSM plan. However, the OEB did not make a formal update to its previously issued 2015-2020 DSM Framework.[20] The OEB did however provide direction related to the primary and secondary objectives of DSM, namely:

> "…the primary objective of ratepayer-funded natural gas DSM is assisting customers in making their homes 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"[21]

It's apparent from Enbridge's application that it has interpreted these objectives as direction to largely maintain the program focus, level of activity and forecasted outputs from the current 2015-2021 DSM plans into the future. OEB staff submits that maintaining a business-as-usual DSM plan is no longer sufficient.

Enbridge's plan consists of largely the same programs as its current approved plan. Enbridge has made efforts to integrate the legacy utility programs following the merger.[22] Enbridge's plan continues to focus on delivering energy efficiency improvements in largely the same manner it has in the past, including the continuation of financial incentives to upgrade gas-fired equipment. Enbridge has only included minor options as part of its suite of proposed programs for participants to consider fuel switching away from natural gas, including limited options of its custom commercial and industrial programs, the residential whole home offering, the proposed Low Carbon Transition program, and the Building Beyond Code program.[23] This is consistent with the proposed policy direction Enbridge has included in section 7 of the proposed DSM

[20] EB-2014-0134 – Report of the Board: Demand Side Management (DSM) Framework for Natural Gas Distributors (2015-2020)
[21] December 2020 Letter, pp. 2-3
[22] EB-2019-0271, EGI Application, November 27, 2019
[23] Exhibit I.5.EIG.SEC.13

Framework that states "where fuel switching away from natural gas aligns with the OEB's stated DSM objectives Enbridge Gas may pursue these activities."[24] Wholesale changes to the primary objective of DSM to something more aspirational, such as electrifying space and water heating at significant levels, likely isn't practical in the near term, and may not be appropriate at this time, however, setting out that the OEB's expectations are that ratepayer funding used to support DSM programs should result in tangible benefits, primarily through reductions in natural gas use, would be valuable.

In assessing the reasonableness of Enbridge's proposals and the overall direction and outcomes that should be expected to result from ratepayer-funded DSM, it is important to consider government policy.

First, the Ontario Environment Plan, released in 2018, targeted natural gas conservation to account for 18% of the 2030 emission reduction goals of 18 million tonnes of CO2e by 2030.[25]

In response to an interrogatory from Environmental Defence, Enbridge noted that, as part of the Auditor General's 2019 Energy Conservation Progress Report, "the 3.2 Mt CO2e of emission reductions in the draft Environment Plan are incremental to what would be achieved by existing gas conservation programs continuing at their current level of spending."[26] The Auditor General's report went on to recommend that the Ontario government "grow natural gas conservation funded by ratepayers, while looking at ways for more natural gas customers to benefit, such as expanding participation in programs, and using conservation to avoid infrastructure investments."[27]

On November 27, 2020, a joint letter from the Associate Minister of Energy and the Minister of the Environment, Conservation and Parks was filed with the OEB (Joint Ministers' Letter).[28] The Joint Ministers' Letter indicated that ratepayer-funded DSM is just one of the activities that would contribute to achieving the emission reductions expected to come from natural gas conservation and that they clarified that the Environment Plan estimate of the potential for natural gas conservation was not intended to be a prescriptive target the OEB would be required to facilitate through ratepayer-funded DSM programs.

On November 15, 2022, the Minister of Energy issued the Mandate Letter to the OEB.[29] The Minister expressed his strong interest in a DSM framework that delivers increased

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[24] Exhibit C, Tab 1, Schedule 1, p. 15
[25] Ontario Environment Plan, November 2018, pp. 23-24
[26] Exhibit I.2.EGI.ED.9(d)
[27] A Healthy, Happy, Prosperous Ontario, 2019 Energy Conservation Progress Report, Environmental Commissioner of Ontario (March 2019), p. 67
[28] November 27, 2020 joint letter from Associate Minister of Energy and Minister of the Environment, Conservation and Parks
[29] Procedural Order No. 6, Schedule A, December 14, 2022

natural gas conservation savings and reduces greenhouse gas emissions. Additionally, the Minister highlighted the importance of optimized regulatory processes during the next multi-year DSM period to increase efficiency and not hinder Ontarians' access to savings that result from the programs. The Minister also communicated the importance of a framework that is implemented in a way that enables customers to lower energy bills in the most cost-effective way possible, and help customers make the right choices regardless of whether that is through more efficient gas or electric equipment. Finally, the Minister stressed the continued need to foster integration and alignment between natural gas and electricity conservation programs to find efficiencies and to facilitate a streamlined customer experience.

In addition to the Ontario emission reductions commitments, the federal government also has aggressive emission reductions goals, both for 2030 and a goal of net-zero by 2050.[30]

The OEB's approvals and direction in this proceeding will be a significant factor in shaping the role that ratepayer-funded DSM will play in these efforts.

However, as highlighted in the expert evidence produced by Energy Futures Group (EFG) on behalf of the Green Energy Coalition and Environmental Defence, Enbridge's proposed plan forecasts that it will achieve a level of savings between 2023 and 2027 that would not even achieve the baseline of the Ontario Environment Plan.[31] As EFG stated "…not only would the Company's plan not be part of the solution to achieving the 3.2 million tons of incremental CO2e emissions reductions from natural gas conservation, it would represent a step backwards – essentially requiring greater than 3.2 million tons of emissions reductions from all other non-ratepayer funded gas conservation initiatives."[32]

Further, as shown in Figure 2 of the EFG report, when adjusted for inflation, the level of average annual spending proposed by Enbridge from 2023-2027 does not exceed the 2019 spending levels once inflation is considered.[33] Enbridge indicates that it has followed the December 2020 Letter in proposing modest budget increases of approximately 5% each year until 2027. This is another example, along with the low level of proposed natural gas savings noted above, and the relatively minor proposed program changes, of Enbridge's conservative approach. There is a clear tension between DSM and Enbridge's core business as a natural gas utility which has been discussed during this proceeding. This was evident through discussions on DSM program requirements,[34] direct relationships with builders and the requirements to

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[30] Exhibit K.3.10
[31] Exhibit L.GEC_ED.1, p. 15
[32] Ibid
[33] Ibid, p.9
[34] https://www.enbridgegas.com/residential/rebates-energy-conservation/home-efficiency-rebate

connect new developments to Enbridge's system in order to access any DSM offers,[35] maintaining incentives for gas-fired equipment,[36] a proposed electrification program that includes gas-fired technologies that are currently unavailable,[37] and key DSM staff whose job is to advocate for continued gas usage and report threats to the business.[38] Based on Enbridge's performance to-date and the examples noted above, it is clear and understandable that Enbridge would not propose an aggressive DSM plan with significant natural gas reductions absent clear policy direction from the OEB that is supportive of such actions. Enhanced efforts such as firm gas savings reduction targets, increased input and oversight of program activities by a DSM SAG, removal of incentives for gas-fired equipment, full integration with electricity CDM programs, and the promotion and ability for customers to electrify their space and water heating systems are all elements that, unless clear direction is provided, are highly unlikely to be proposed by Enbridge.

Due to these realities, the OEB must decide whether to approve Enbridge's plan largely as filed or seek significant changes in direction. If Enbridge's plan is approved as filed, DSM will continue under a business-as-usual approach with limited reductions in overall natural gas usage. Although some customers would be able to enjoy the benefits of improved efficiency, the proposed plan would also continue to provide ratepayer-funded incentives for gas-fired equipment and result in promoting the continued reliance on natural gas in situations where an alternative may make sense.

OEB staff acknowledges that Enbridge has tried to file a plan that was responsive to the guidance provided in December 2020 Letter, including applying modest increases to the budget in the near term. However, if the OEB is interested in options other than approving the plan as filed for the full term, OEB staff has a number of recommendations on how the OEB could proceed in light of further policy direction from government since the application was filed and the need for greater certainty on what outcomes will result from significant ratepayer funding.

First, the OEB could provide clear direction that DSM should lead to tangible reductions in overall natural gas usage. Second, the OEB could indicate that approved funding is not to be used to incentivize the continued reliance on natural gas and inclusion of gas-fired measures in DSM programs. Third, the OEB could indicate that with a greater commitment to significantly higher natural gas reductions, supported by increases to program budgets, that consideration would be given to an increased shareholder incentive.[39]

[35] Exhibit E, Tab 2, Schedule 2
[36] Oral Hearing Transcript, Vol. 2, March 29, 2022, p. 31, lines 23-26, p. 32, lines 2-6
[37] Dr. McDiarmid Evidence, Exhibit L.ED.1
[38] EB-2021-0002, ED Letter, April 21, 2022
[39] Additionally, the OEB will also need to be mindful of the impact of increased lost revenues should

In order to facilitate the transition to an enhanced DSM Plan, OEB staff recommends that the OEB direct that the scope of the current EAC be broadened and the group be expanded to form a generic DSM SAG. The DSM SAG would review, provide input and help address DSM planning, portfolio and program design considerations, consider the impact of key policy issues, and continue to provide input on evaluation activities as well as other DSM related studies. OEB staff has suggested a number of recommendations below. Some items are those that seem practical to implement immediately. Others appear more appropriate for greater discussion with the DSM SAG for implementation for January 1, 2025. The general objective of the DSM SAG would be to work collectively with Enbridge and OEB staff to reach consensus on an enhanced plan to be filed by early-2024. More on the recommended stakeholder evolution is discussed in Section 17 below.

Overall, OEB staff recommends that the OEB set out in its Decision on the DSM Framework its expectations for what DSM should achieve, how funding should generally be used, and what processes will be implemented to efficiently review and approve plan enhancements, with the expectation that enhancements have been considered and agreed to by parties prior to an updated plan being filed for approval with the OEB.

OEB staff has recommended a more detailed path forward in Section 5 that discusses the appropriate length of the plan below. The recommended next steps ensure program continuity, avoid any market disruption, and limit missed opportunities to improve efficiency and electrify where it makes sense, but also allow for a process to implement critical changes efficiently and effectively that will lead to increased natural gas savings and generally greater value from ratepayer funded DSM, all consistent with the Minister's Mandate Letter to the OEB.

4.1 DSM Programs for Non-Gas Customers

In response to the OEB's request for submissions on the topic of providing program assistance to non-gas customers or customers that would no longer rely on the natural gas system, Enbridge indicates that it understood from the December 2020 Letter that program offerings should be directed at natural gas customers. Enbridge noted that this would not include incentivizing current gas customers to leave the system entirely and/or incentivizing potential new customers to not become natural gas customers at all. Further, Enbridge submitted that there is no direction from the Government of Ontario which supports natural gas customers paying incentives towards customers leaving the system. And based on the lack of incentives for residential heat pumps in the IESO's electricity conservation program, to Enbridge, it appears inconsistent to

greater natural gas reductions result from an enhanced DSM plan. OEB staff suggests that this be considered by Enbridge and the DSM SAG in the development of an enhanced plan and shown as part of total rate impacts that would include program costs, shareholder incentives and lost revenues.

require natural gas ratepayers to subsidize customers to leave the system or prospective customers to never join at all.

OEB staff submits that the requirement to maintain natural gas as a primary fuel source, space or water heating option, should be removed. This may result in some program participants exiting the natural gas system after they participate. These customers will have paid into the DSM program in the past. Maintaining this program requirement will simply mean the program is promoting reliance on natural gas where an alternative may make sense. Further, the OEB should provide direction that the DSM SAG review program offerings with the objective of incorporating options for customers to electrify their energy systems.

There are many gas customers that will pay into the pool of funding that will support conservation and efficiency efforts, either through natural gas and electricity rates or provincial or federal taxes, but can never participate for a myriad of reasons – for example, they live in a newer home, they do not undertake major retrofits, a lack of capital or understanding, or they chose to make efficiency upgrades on their own. However, with a focus on thermal improvements (e.g., insulation, air sealing) as opposed to incentivizing gas-fired measures, continued program availability, expanded access, and an increase in efficiency measures and technologies available, the goal is to, at a minimum, allow for a reasonable opportunity to participate should someone want to do so. In the end, increased choice and a greater level of overall energy efficiency programming will result in higher participation rates and more benefits, direct and indirect, for Ontarians.

5. Term (Issue 4)

As outlined in the December 2020 Letter, Enbridge was to file a new multi-year DSM plan that was a minimum of 3-years to a maximum of 6-years. The panel indicated in its April 11, 2022, letter that it was interested in submissions from parties on Enbridge's proposed DSM Plan term including (i) program stability, (ii) the ability to assess results and implement appropriate changes, (iii) changes in commodity costs and inflation, and (iv) evolving environmental and climate policy objectives. In addition, the OEB expressed interest in submissions regarding stakeholder consultation, governance and evaluation processes to allow the OEB to assess the efficiency of the DSM Plan and Framework, including allowing for the ability to make changes.

Enbridge's Proposal

Enbridge responded to this guidance and proposed a 6-year DSM plan that initially spanned 2022 to 2027. For program continuity, the OEB issued a Decision and Order on August 26, 2021, approving the continuation of the 2021 DSM plan one year. Enbridge updated its evidence, now seeking approval of a 5-year term of 2023 to 2027.

OEB Staff Submissions

OEB staff supports the approval of a DSM plan that extends until at least the end of 2027, but preferably an enhanced plan that continues to the end of 2030.[40] This is on the condition that the OEB clarifies its expectations that ratepayer funded DSM will achieve tangible natural gas reductions, and provides direction for a DSM SAG to work with Enbridge to make enhancements to its DSM plan for implementation in 2025. Enbridge's current plan does not propose increased natural gas savings, nor certainty over the level of gas savings that can be expected.[41] Further, Enbridge's proposed plan will continue to incentivize the continued use of natural gas where an alternative may make sense. In OEB staff's view, future DSM plans should require firm targets to reduce the overall use of natural gas in Enbridge's service territories where it is reasonable to do so, enabling DSM to be relied upon to support emission reductions targets.

Enbridge's main argument for why the OEB should approve its proposed plan until the end of 2027 is due to the efforts and costs related to this proceeding and the abbreviated policy consultation the OEB initiated in 2019.[42] The cost of this proceeding and the policy consultation combined will be de minims relative to the 5-year budget of close to $800M that will all come from ratepayers.[43] It is imperative that the OEB is afforded confidence that the significant expenditures it approves in this proceeding will lead to meaningful results that both play a material role in meeting emission reductions goals as well as provide opportunities and value for customers to benefit through increased energy efficiency and reduced bills. Under Enbridge's proposal there would be a mid-point assessment before the 2025 program year. OEB staff is proposing to change that process to instead consider an enhanced plan that produces tangible natural gas reductions.

Enbridge also argues that should the OEB not approve its plan for the proposed 5-year term, it will result in a repeat of this process again, which would be inefficient and unreasonable.[44] OEB staff disagrees, especially if the OEB were to approve the development of an enhanced plan as proposed in this submission. This proceeding has been thorough. Parties have been afforded all opportunities to explore, test and present evidence. This is important as it allows the public to gain insight and understanding into Enbridge's request for considerable ratepayer funding. OEB staff fully supports a longer term as it leads to greater awareness, certainty, and confidence for all interested

[40] OEB staff does not propose that a further extension of the term to the end of 2030 be considered as part of the OEB's decision in this application. Rather such a decision is best left for the panel of Commissioners that would consider the enhanced plan.
[41] Exhibit I.5.EGI.FRPO.4, Attachment 1 & Exhibit I.5.EGI.SEC.11
[42] Enbridge Gas Argument-in-Chief, p. 13
[43] This figure does not consider available shareholder incentives and lost revenues which could amount to material incremental costs in addition to the DSM budget.
[44] Enbridge Gas Argument-in-Chief, p.13

stakeholders, all items that Enbridge indicated it is also seeking.[45] However, with the 2030 emissions reductions milestone now within sight, it is even more important that the right plan be granted multi-year approval.

In order to maintain program continuity while transitioning to an enhanced DSM plan, OEB staff recommends the following steps below. These are meant to ensure that a multi-year DSM plan can be offered by Enbridge while an enhanced plan is developed, that regulatory processes are efficient, that input and oversight is provided by stakeholders, and that ultimately, significant ratepayer funding is providing value and leading to tangible natural gas reductions.

Approval of 2023-2027 Plan

1. Grant approval for Enbridge's proposed plan for 2023 and 2024 to allow continuity in the near-term. This is based on OEB staff's recommendation for the OEB to provide clarification on its expectations for what level of natural gas savings DSM should produce, and the recommendation for work to begin immediately on an enhanced plan for implementation on January 1, 2025.

Establishment of a DSM Stakeholder Advisory Group

2. Direct the expansion of the current EAC to be a broader DSM SAG, led by OEB staff. The DSM SAG would act in a similar manner to the EAC but with an expanded scope to provide input and guidance on DSM plan and program changes, targets, metrics and changes to other key components, as well as maintaining the current role in providing input related to evaluation activities. Further, this group would be tasked with undertaking key studies to inform enhancements to Enbridge's plan for implementation beginning in 2025, as well as provide input on the plan itself. The committee would serve as a continuous improvement mechanism for DSM, potentially reducing the frequency and duration of future regulatory proceedings to approve multi-year plans. OEB staff describes this committee in more detail in Section 17.

Enbridge Gas to file an Enhanced DSM Plan

3. Direct Enbridge to file an enhanced DSM Plan in early-2024 that would take effect at the beginning of 2025 and could potentially be in effect for 5 years until 2030. This process would replace the proposed mid-point assessment. The enhanced DSM Plan should reflect direction from the OEB in its decision on this application and be informed by advice and studies from the DSM SAG. The objective would be that consensus is reached on most, if not all, issues within the SAG before an application is filed with the OEB, thereby improving regulatory efficiency.

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[45] Oral Hearing Transcript, Volume 4, March 31, 2022, p. 64, lines 9-13

6. Cost Recovery (Issue 7)

Enbridge Proposal

Enbridge is proposing to recover its DSM costs as it always has on an annual basis consistent with when the costs have been incurred. As part of this proceeding, there has been evidence filed and testimony given on cost amortization approaches in other jurisdictions and key considerations for the OEB.

Enbridge indicates that as long as the components of an amortization approach are reasonable, it is agnostic as to how DSM costs are recovered.[46] As Enbridge states, the evidence of the several experts have been consistent that amortization should only be undertaken if the OEB intends to materially increase the DSM budget so that there is less of a short-term rate impact than would be the case under the expense treatment.[47] Enbridge goes on to indicate its reluctance and concern, largely related to regulatory efficiency, if it were required to significantly increase its program offering budgets materially in the short term. Enbridge states that it requires the ability to fully consider how to cost-effectively use additional budgets and how to best roll-out and deliver materially enhanced program offerings.

Enbridge states that with respect to the amortization term, the longer the amortized balance continues into the future, the greater the perceived risk of recovery and impact on potential investments to fund the DSM activities.[48]

With respect to the interest rate applied to the amortized balance, Enbridge noted that it is compelled to maintain a debt equity ratio of 64/36 as previously determined in other proceedings.[49]

OEB Staff Submissions

OEB staff recommends that the OEB proceed cautiously directing possible terms of an amortization approach. The OEB received a good base of evidence on the topic, however, although the experts provided a consistent message with respect to when amortization should be considered – that being, if, and when, significant budget increases are happening – they were not consistent on their recommendations for how long an amortization term should be set[50] or the interest rate to be used.[51]

[46] Enbridge Gas Argument-in-Chief, p.26
[47] Ibid, p.26
[48] Ibid, p.27
[49] Ibid, p.27
[50] Exhibit L.OEB STAFF.1, p.7 & EGI Reply Evidence, pp. 14-18
[51] Exhibit L.OEB STAFF.1, pp. 16-17 & EGI Reply Evidence, pp.29-31

OEB staff's primary concern is that although in real terms, amortization, with the consideration of customer discount rates, may be perceived positively by some, it will likely lead to higher overall costs than otherwise would have been incurred under an annual expensing approach. The simplified approach of annual expensing avoids any tax impacts, debt equity concerns for Enbridge, shareholder and investor risk, intergenerational cost recovery issues, and the possibility that with the advancement of electrification initiatives, equitable recovery of energy costs will be hard to maintain. Appreciating that amortization is useful in smoothing rate impacts, OEB staff suggests that should the OEB agree that an enhanced DSM plan is necessary, that the issue of amortization, including the terms of such an approach, be an item for the DSM SAG to consider.

7. Programs (Issue 10)

The OEB's April 11, 2022 letter highlighted that a focus of questions at the technical conference and oral hearing was the status of Enbridge's negotiations with NRCan for the delivery of a joint residential whole home program throughout Ontario. The OEB indicated that parties may want to consider addressing how, if at all, the final agreement between Enbridge and NRCan should be reviewed by the OEB and what impact, if any, this outstanding negotiation should have on the requested approval for Enbridge's proposed residential program, either before or after the Decision.

7.1 Residential Whole Home Program & Partnership with NRCan Canada

Enbridge Proposal

Enbridge has proposed the continuation of its residential whole home program that includes technical advice, home energy audits and incentives for customers to improve the efficiency of their home. Due to the creation of the federal Greener Homes Grant program and its similarity to Enbridge's proposed program, Enbridge is in negotiations with NRCan to deliver a joint program in Ontario. As outlined in its Argument-in-Chief, Enbridge does not yet have an agreement with NRCan to provide to the OEB and parties. However, even if it did, Enbridge maintains its request for approval of its residential Whole Home Program budget, which for 2023, totals $40.8 million, inclusive of incentive and admin costs. Enbridge proposes that the OEB only need to approve this program as Enbridge will manage it consistent with the proposed DSM Framework, negating the need for any alterations to the program or the proposed DSM Framework other than possible adjusting the proposed target in 2023. Enbridge did not include a proposal for what the revised targets should be, only proposing that an update, including any proposed adjustments, be filed with the OEB once a final agreement has been reached. Enbridge noted that in terms of who is entitled to claim the energy savings from the joint program, Enbridge will only claim savings based on the agreed upon attribution rules established in conjunction with NRCan.[52]

At the technical conference, Enbridge filed a presentation that summarized general principles and the status of the NRCan partnership.[53] Enbridge plans to act as the delivery agent for the joint program. To fund the program, OEB-approved ratepayer funding will be combined with federal funding dedicated to the Greener Homes Grant program. Enbridge indicates that of the items still to be decided and agreed to are common rebate levels, how to apply funding and how to attribute savings between the two programs.[54] These are critical points in how the program will operate.

Enbridge also indicates that it anticipates modest cost savings resulting from the joint program delivery.[55]

OEB Staff Submissions

Enbridge's Residential Whole Home Program

Natural gas-fired measures should not be included in Enbridge's proposed residential program, whether or not an agreement with NRCan is reached. With the increase in efficiency standards,[56] these measures are no longer cost-effective.[57] Further, by including these measures, it promotes customers' reliance on natural gas as an energy source in situations where an alternative may make sense.

Furnace replacements were still prevalent as part of the 2021 program offering, with more than a third of customers making a furnace change as part of the program (down from more than two-thirds of customers replacing a furnace in 2020).[58] Enbridge argues that furnaces are an important measure to have included as it allows access to homes and enables a discussion on other efficiency improvements.[59] However, with the overwhelming success of the NRCan Greener Homes Grant program (a program that does not include any gas-fired measures),[60] it does not appear that Enbridge's assertion that furnaces are required to drive participation is necessary. What's more, Enbridge could still work with furnace contractors to deliver the program, but simply stop providing an incentive for the furnace.

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[52] Enbridge Gas Argument-in-Chief, p. 42
[53] Enbridge Gas letter, February 25, 2022, Attachment 2
[54] Oral Hearing, Volume 2, March 29, 2022, p. 178, Lines 18-19
[55] Enbridge Gas Argument-in-Chief, p. 41
[56] OEB Natural Gas DSM Technical Resource Manual v6.0, p. 10
[57] Exhibit L.GEC.ED.1, pp.35-36
[58] Enbridge 2021 Draft DSM Annual Report, p.36 and 59
[59] Oral Hearing Transcript, Vol. 2, March 29, 2022, p. 31, lines 23-26, p. 32, lines 2-6
[60] Oral Hearing Transcript, Vol 4, March 31, 2022, p. 21, lines 23-28, p. 22, lines 1-6, https://www.nrcan.gc.ca/energy-efficiency/homes/canada-greener-homes-grant/canada-greener-homes-grant-winter-2022-update/24060

Partnership with NRCan for Joint Residential Whole Home Program

OEB staff supports Enbridge acting as the delivery agent for NRCan to expand access to the residential whole home program throughout Ontario. However, not having the final agreement to review key details, primarily related to how funding will be used and how natural gas savings will be apportioned makes it difficult to know how this will impact natural gas customers' interests and the use of ratepayer funds.

OEB staff is of the view that it is important for the OEB to provide clear expectations for how it views the greatest value to be derived from a joint program. For practical purposes, it may be that the OEB can only order certain changes to Enbridge's program.

OEB staff supports the one-window approach and submits that for ease of access and understanding by customers, the program should look and feel as if it is one program. OEB staff is of the view that from the customer's perspective, having one-window access to both programs will be beneficial. However, it is important to know how ratepayer-funding will be used, the impact on participation levels and natural gas savings targets (due to higher incentives and additional measures being available through NRCan's program), how results will be tracked and measured, and how to apportion results between the two programs for the purpose of determining DSM program results and shareholder incentive amounts.

Available Measures and Incentive Levels

Enbridge indicates that it will try to align incentive levels, but that level of incentives for various measures was still unsettled as of the oral hearing.[61] Enbridge also indicates that there are very different process for enrollment and incentive payments[62]. Additionally, Enbridge indicates that if a customer chooses to replace its primary heating source to something other than a gas-fired option, such as with a heat pump included in NRCan's program, it would not be eligible for incentives through the DSM program.[63] OEB staff has concerns that this would incentivize customers to maintain their use of natural gas where alternatives may exist, as they will receive greater funding. This is in opposition to the efforts being made to meet provincial and federal emission reductions targets. As a result, electrification is a key aspect of NRCan's program, and therefore no gas-fired measures are included.

Enbridge provides a comparison table that shows the measures that are currently available in the NRCan program and what it proposes to be included in the Enbridge

[61] Oral Hearing, Volume 4, March 31, 2022, p. 14, Lines 2-13
[62] Ibid, p. 11-12
[63] Ibid, pp. 5-6 and K4.1 – OEB Staff Compendium, p. 10

program.[64] As can be seen, the same measures account for almost all that are available, however, gas-fired measures are not included in the NRCan program while some electrification measures (heat pumps, solar panels) and generally higher incentive levels are offered by NRCan. Since the only real differences between the two programs are minor, OEB staff submits that for ease of administration, it would make sense for the available measures to align entirely. This would mean the removal of furnaces and natural gas water heaters, which would also largely render the multi-measure bonus unnecessary. This concept was introduced as part of the legacy utilities' whole home residential program in order to ensure that as much of the home's efficiency opportunities were being addressed – as opposed to simply making furnace replacements. If the joint program is one that encourages building envelope improvements and the installation of electric heating systems, there is a high likelihood that multiple measures will be pursued by participants. With respect to incentive levels, OEB staff understands that the incentive levels offered to customers under a joint program are likely to be the higher of those currently available in either Enbridge's program or NRCan's program. If this is ultimately agreed in the joint partnership agreement, the NRCan incentive levels will be, for the most part, those available for customers.

One minor caveat that should be noted is the inclusion of smart thermostats in the NRCan program without the same measure included in Enbridge's program. Enbridge is proposing a separate, standalone smart thermostat program. OEB staff suggests that Enbridge maintain its separate smart thermostat program but also include the option for customers to upgrade their thermostats are part of its whole home program. This will allow the two whole home programs to be virtually the same from a measure availability perspective. This should not have an impact on the proposed natural gas savings targets for Enbridge's standalone smart thermostat offering. As highlighted by Optimal Energy through its research of best practices in other jurisdictions, there appears to be substantial room for growth of this offering. Optimal Energy recommended that Enbridge consider expanding the program, noting that Illinois delivered a successful smart thermostat program and was able to provide incentives for 33,000 participants in 2020.[65] It seems reasonable that even with some forecast participants now gaining access to smart thermostats through the joint whole home program, many more will be able to participate in the standalone offer. Based on this, OEB staff submits that the targets for Enbridge's proposed smart thermostat standalone offer do not need to be adjusted, except for applying a 10% increase as discussed in greater detail in Section 10 below.

Operating with a significantly expanded budget due to the infusion of federal funding, and with the removal of any gas-fired measures, the joint program could allow for more

[64] Exhibit I.10a.EGI.STAFF.31
[65] Exhibit L.OEB STAFF.2, pp.4-5

Ontarians to reduce their natural gas usage than the Enbridge residential DSM program could do alone. Due to the increase in funding and activity, the OEB should indicate its expectations that Enbridge will provide proposed budget and target updates at the time the NRCan agreement is filed, which explain the impact on natural gas customers' interests (e.g., impact on targets) and the use of ratepayer funds (e.g., impact on budget).

<u>Attribution of Savings from Joint Residential Whole Home Program</u>

Attributing savings between the different funding streams of a joint program that drive the same efficiency improvements is challenging. OEB staff suggests that the OEB indicate that it is in the interests of natural gas customers that funding should largely be provided on a proportional basis, assuming available measures are the same across both programs. If this is the case, then attributing savings on a similar proportional basis seems reasonable. This should maintain participation forecasts that inform target levels, not requiring material changes outside of those proposed by OEB staff in Section 10 on targets. One implication of the joint program may be the appropriateness for Enbridge to access the annual overspend (maximum 15%) or funding re-allocation provisions (up to 30% of approved budget from other programs) through the DSM variance account (DSMVA), as the funding parameters for the NRCan program are not clear to OEB staff. We do not know if there is a set annual budget for the NRCan program that once exhausted, is not increased until the following year. What this may mean is that there could be a constant flow of federal funding to this program all year long. To address this, OEB staff recommends that Enbridge closely track its spending throughout the year and submit a letter to the OEB indicating when its approved annual DSM budget has been exhausted and noting that, on a go-forward basis for the remainder of the year, if Enbridge accesses any additional funding, it will be relying on the 15% overspend provision or the 30% funding re-allocation provisions. The alternative would be to not allow Enbridge to access any incremental annual funding (up to 15%) or to re-direct any approved funds from other programs to the joint residential program. However, OEB staff does not feel that solution would be in the best interest from a participant standpoint as it would limit participation and the possibility to increase energy efficiency of homes.

<u>Process Once an Agreement is Reached</u>

OEB staff appreciates the sensitivities of negotiating terms of a joint agreement as important as this. This may result in a final agreement between NRCan and Enbridge not being available until later in the summer of 2022. However, due to the significant similarities of the programs, which makes this joint agreement much different than past collaborative efforts Enbridge has engaged in with electricity conservation program administrators, and key differences between the programs, gaining as complete a perspective of how the joint program will be operated will be valuable to the OEB

Commissioner Panel hearing this application as it considers natural gas customers' interests and the use of ratepayer funds.

OEB staff is of the view that the OEB Commissioner Panel may decide it is appropriate to proceed with a Final Decision and Order without a finalized agreement between Enbridge and NRCan in evidence. However, should the OEB require greater insights prior to providing final approval, particularly of Enbridge's residential whole home program, it could consider issuing its Decision on the residential whole home program on an interim basis, with direction that it will seek comments from parties after an agreement is filed. This will enable the OEB Commissioner Panel to gain insight into the details related to how ratepayer funding will be used within the joint program and how savings will be attributed to Enbridge for the purposes of determining shareholder incentives. The OEB could then proceeding with a subsequent Final Decision and Order.

7.2 Proposed Programs

OEB staff discusses specific comments related to those programs it has concerns with in the section below. OEB staff's position on all proposed programs is included in in Appendix A.

7.2.1 Large Volume Program

Enbridge is proposing to continue to offer its Large Volume Direct Access program over the course of the 2023-2027 term with an annual budget starting at $2.77 million in 2023.

OEB staff supports the continuation of the Large Volume Program. Some parties will likely suggest that the program is not necessary as many large customers are already sufficiently motivated and have shown a public commitment to emission reductions. However, the proposed budget is modest and although the program, through the Direct Access design which allows all large volume customers access to incentive dollars, includes a high number of free riders, the program still delivers a reasonable level of cost-effective natural gas savings.[66] If the OEB accepts the recommendation for the DSM SAG, OEB staff recommends that the topic of an opt-out framework be considered by that group.

7.2.2 Building Beyond Code Program

Enbridge is proposing to continue to offer a new construction program addressing both residential and commercial buildings throughout the 2023-2027 term, with a

[66] 2020 DSM Annual Verification Report, p.6, Table 1.2 – LV spending $3.338,499, TRC+ 5.63

reassessment to be made prior to 2025. Enbridge is also proposing a commercial air tightness offering aimed at educating, training and building capacity among contractors. Enbridge is proposing that $8.5 million in 2023 and $9.5 million in 2024 be directed to these offerings with 8% of the maximum shareholder incentive, or $1.7 million, be available in 2023.

OEB staff does not support this program as proposed for three reasons. First, the program includes the requirement that the builder commit to connecting the new development to gas.[67] This requirement will result in the use of natural gas at a time where electrification may be a better long-term solution. OEB staff does not support using ratepayer funds to incentivize builders to make decisions that would make it harder to reach the emission reductions targets.

Second, Enbridge has not provided any objective or quantitative data to support the continuation of its new construction programs. It is unknown as to what level of buildings (either residential or commercial) are now built to higher standards due to the impact of Enbridge's programs. This is important, as without a direct link to objective improvements in the new construction market, the effectiveness of this program have to be questioned.

Third, OEB staff is concerned that the program is not providing the value or influence that it was intended to achieve. Enbridge retained SeeLine Group Inc. to conduct a study of its commercial new construction program. SeeLine noted that "although these new construction programs have been well-received by the building community, the post-construct[ion] incentive structure also appears to be presenting a limiting factor to verifying whether project design elements brought forward during the consultation phase were actually included in the constructed building".[68] SeeLine conveyed support and encouragement for Enbridge to act as an entity to disseminate information and advice to municipal policy makers and key decision makers.

Based on the reasons above, it seems more reasonable to not approve the Building Beyond Code program, and consider using the proposed budget for this program to increase participation in other programs (such as those for vulnerable customers or the most cost-effective programs) in an effort to achieve greater natural gas savings and benefits to consumers. OEB staff suggests that future consideration be given to the possibility of a joint fuel-agnostic new construction program with the IESO.

However, OEB staff is of the view that there may still be value in some version of this program proceeding, either now or in the future, based on the OEB's findings. The intended objectives of this program – targeting reduced thermal load in new buildings, is something that OEB staff supports and encourages Enbridge to be doing more of. Also,

[67] Oral Hearing Transcript, Volume 3, p. 166
[68] Exhibit E, Tab 2, Schedule 2, Attachment 1, p. 37

the proposed Air Tightness Testing offering appears to be an interesting concept, aiming to address a gap in the market that would provide greater certainty that energy efficient building design has been constructed as such. If Enbridge can incorporate Air Tightness Testing into one of its existing commercial programs with a natural gas savings metric associated with it, the OEB would have greater certainty that real benefits are being achieved.

7.2.3 Low Carbon Transition Program

Enbridge is proposing a new program that aims to increase market awareness, technical understanding and installation rate of heat pump systems. Enbridge is proposing two offerings – residential heat pump program and commercial heat pump program. These programs have been proposed in an effort to respond to broad policy direction to help reduce emissions. The programs would focus on providing technical support to contractors and commercial design engineers with the objective of greater installation rates of residential and commercial heat pump systems. Enbridge is proposing that through this program, installation of hybrid heating systems – the installation of an electric air source heat pump combined with a natural gas furnace with smart controls to manage the system – and natural gas heat pumps be included.

While OEB staff supports Enbridge offering incentives for electric heat pumps to be used as part of a hybrid heating systems, OEB staff is concerned that including natural gas heat pumps will result in an inefficient use of ratepayer funding and the prolonged reliance on gas-fired equipment. Natural gas heat pumps are currently not available in North America[69]. The detailed analysis by Dr. McDiarmid of Enbridge's proposal concluded that fully electric heat pumps are the option most aligned with a net-zero future and most cost effective for new construction in some residential developments and for existing communities not already connected to the gas system.[70] Dr. McDiarmid also concluded that hybrid heating systems with smart controls are currently the most cost effective heat pump system for homes that are already connected to the gas system[71] and that they could play a role during the transition period and help develop the market for fully electrified heating if programs are designed with that goal in mind.[72] In contrast, Dr. McDiarmid highlighted that gas heat pumps are the least cost effective option for residential buildings and are not climate aligned.

OEB staff notes that through NRCan's Greener Homes Grant program, residents across Ontario have the ability to receive financial incentives (between $2,500 to $5,000) to install electric heat pumps (either geothermal, air source or cold climate). Therefore, the main driver to Enbridge's program – that being increasing awareness and familiarity,

[69] Exhibit I.10h.EGI.STAFF.77(d)
[70] Exhibit L.ED.1, p.19
[71] Ibid
[72] Ibid

particularly on the part of contractors, will likely be met through the availability of the Greener Homes Grant program which has considerable funding commitments from the Government of Canada. Therefore, it would not be unreasonable for the OEB to reject Enbridge's proposed Low Carbon Transition program and instead, direct Enbridge to re-allocate the proposed funding to other programs, in a similar fashion to that suggested of the Building Beyond Code budget.

Should the OEB be amenable to approving some version of the Low Carbon Transition Program, OEB staff recommends that at a minimum, the OEB direct Enbridge to remove gas heat pumps from this program and only offer electric heat pumps (including hybrid heating systems with smart controls). With respect to program scorecard metrics and targets, OEB staff submits that the if the OEB proceeds with approving a modified version of the program, it can approve the proposed scorecard and targets for 2023 and 2024 as there is no distinction in metrics between hybrid heat pumps or gas heat pumps. However, OEB staff recommends that target levels for these technologies be a priority area for review by the DSM SAG with the expectation for an updated proposal, including new scorecards, metrics and targets for 2025 and beyond if approved by the OEB.

8. Budget (Issue 6)

Enbridge's Proposal

Enbridge is proposing a 2023 budget of $142.26 million and then an annual increase of approximately 5% (inflation plus a 3% increase to program budgets) for the duration of its proposed plan. By 2027, this will amount to a budget of approximately $170 million. Enbridge's proposal results in annual budgets that increase slightly from the previous term, but still result in largely similar rate impacts for customers.[73]

OEB Staff Submissions

OEB staff submits that the budget levels proposed by Enbridge, although reasonable from a rate impact standpoint, and consistent from a “modest” increase perspective, do not result, or provide the basis to achieve, the expectations of increased natural gas savings throughout the DSM Plan's term as stressed by the Minister of Energy in the Mandate Letter to the OEB.

However, without clear OEB direction of support for a significant increase to its DSM budgets, Enbridge may be reluctant to propose such increases.[74]

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[73] Exhibit F, Tab 1, Schedule 1, pp. 2-3 & Exhibit F, Tab 1, Schedule 3
[74] Oral Hearing Transcript, Vol. 4, March 31, 2022, pp. 66-67

Enbridge outlined the results of two sensitivity scenarios – increasing budget by sector by 10% and 20% with its projection for the corresponding impact on natural gas savings.[75] Enbridge projects that although increases to budgets and savings are not linear, even with likely modest projections to savings levels and uniform budget increases that do not consider greater weighting for the most cost-effective programs, material incremental natural gas savings can be realized with budget increases between 10-20% above proposed levels.[76] However, Enbridge clarified that ramping up budget levels in 2023 would be challenging to employ all incremental funding in a fully effective manner.[77]

OEB staff is supportive of allowing for the potential for significantly expanded annual DSM budgets that are part of an enhanced DSM plan that includes a commitment by Enbridge to achieve firm, discrete natural gas savings levels. OEB staff agrees with Enbridge that the relationship between a natural gas savings target and its cost to achieve through conservation programming is not linear and can be estimated using an achievable potential study. OEB staff recommends that the OEB set out its expectations of what it deems appropriate for DSM budget levels, both now and going forward, so that the DSM SAG understands the extent of flexibility that it has when considering enhancements to the plan. For example, establishing a range of spending levels from the currently proposed levels for 2023 and 2024 to approximately double the current budget levels for 2025 onwards would be instructive, with the objective of supporting a specific level of fixed savings, such as a total net annual reduction in gas sales of 1%.

While the 2019 achievable potential study suggested that doubling current DSM budgets would not be sufficient to achieve a net annual 1% reduction in natural gas sales, as discussed in Section 10, it was noted by experts in this proceeding that traditional achievable potential studies may underestimate savings and overestimate costs and that better approaches can be taken. The next achievable potential study, incorporating suggestions from this proceeding, can determine the costs to achieve specific targets. It would be instructive for the OEB to fix either a target and/or an upper budget limit that would be acceptable for an enhanced plan.

Consideration of the budget range noted above, including the upper limit, should also be combined with an assessment of reasonable levels of rate impacts (perhaps on maximum dollars per month basis as has been done in the past, or a percentage of total bill basis) and what pace budgets should increase over the course of the period between now and the end of 2030, including the use of bill impact moderating

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[75] Exhibit I.6.EGI.STAFF.13

[76] Enbridge forecasts that +10% budget increase equally applied to all offerings results in incremental savings of 9.2% - Residential, 4.8% - Low-Income, 5.6% - Commercial, 6.7% - Industrial. +20% budget increase to all offerings results in incremental savings of 15.6% - Residential, 9.1% - Low-Income, 8.3% - Commercial, 9.8% - Industrial.

[77] Exhibit JT1.15

techniques such as amortization. OEB staff discusses in Section 10 how an updated Achievable Potential Study can be leveraged to set fixed targets in an enhanced plan for approval by the OEB, based on acceptable budgets or desired annual reductions in natural gas sales.

It would also be helpful for the OEB to provide direction regarding the make-up and budget allocation for an enhanced DSM plan that allows for significantly increased annual budgets. Currently, Enbridge's proposed plan includes a fairly even budget distribution.[78] However, the cost-effectiveness of each program is not the same.[79] Efficiency projects directed at larger commercial and industrial projects are far more cost-effective than smaller scale residential projects. Similarly, low-income programs fall below the traditional cost-effectiveness thresholds, but should continue to be prioritized to ensure equitable access to efficiency opportunities. Therefore, OEB staff recommends that the OEB indicate that programs should continue to be available for each of the residential, low-income, commercial (small and large), and industrial sectors, but that the allocation of incremental budget amounts over Enbridge's proposed budget should be greater for those programs that are most cost-effective.

9. Shareholder Incentives (Issue 8)

Enbridge Proposal

Enbridge is proposing a new approach to how it can earn a shareholder incentive. Enbridge is maintaining the concept of performance scorecards with some modifications, and has also introduced three new incentives: an annual net benefits incentive, a long-term scorecard achievement incentive, and a long-term GHG achievement incentive. Enbridge is maintaining the previously approved maximum annual shareholder incentive amount of $20.9 million for 2023, increasing with inflation each year. This maximum amount is then divided between annual incentives (scorecards and net benefits) and long-term incentives (low carbon transition and GHG reduction).

OEB Staff Submissions

Overall Shareholder Incentive Amount

OEB staff supports maintaining the overall annual maximum shareholder amount, starting at $20.9 million in 2023. OEB staff also supports increasing the annual maximum shareholder amount annually for inflation. More broadly, OEB staff recommends that the OEB consider indicating an openness to the shareholder incentive increasing in the future should Enbridge commit to significantly higher overall natural

[78] Exhibit D, Tab 1, Schedule 1, p. 9
[79] Exhibit D, Tab 1, Schedule 4, p. 2

gas savings. The shareholder incentive has always been in place to act as a motivator for Enbridge to aggressively pursue natural gas savings through DSM. Should Enbridge's efforts significantly increase in the future, consistent with OEB staff's proposal that Enbridge develop an enhanced DSM plan, it may be appropriate to consider increasing the annual maximum shareholder incentive

OEB staff submits that the proposed multi-faceted shareholder incentive structure is unnecessary due to its redundancy and lack of additional value. The OEB should signal direction and support for multi-year targets and the availability of a shareholder incentive but only approve the continuation of annual program scorecards for 2023 and 2024.

Net Benefits Incentive

The program scorecards provide clear goals and focus Enbridge's efforts to the four key market segments (residential, low-income, commercial and industrial). In contrast, the proposed net benefits scorecard and related metrics and shareholder incentive allocation is redundant. Net benefits are largely a byproduct of natural gas savings. Therefore, no incremental activity is being encouraged by inclusion of the net benefits incentive. Additionally, the net benefits incentive is structured in such a way that Enbridge can begin to earn an incentive after only reaching 27% of the target.[80] This does not represent a result that should be rewarded, particularly considering that, for the most part, the benefits being incentivized are already being rewarded through the program scorecards. In the alternative, should the OEB be prepared to approve a net benefits incentive, OEB staff suggests that this be considered further by the DSM SAG for inclusion as part of an enhanced plan, as at a minimum, the threshold at which Enbridge begins earning should be increased from 27% to at least 75% of target. Additionally, the OEB should also consider weighting the net benefits incentive so that less is earned at the lower end of the scorecard, and more is earned as Enbridge produces benefits at a greater level.

Long-Term Incentives

Enbridge is also proposing two long-term incentives, the Low Carbon Transition Program scorecard and the Long-Term GHG Reduction scorecard. Enbridge is proposing that $1.4 million be allocated to the long-term scorecards to motivate actions over the course of the proposed DSM plan. Similar to the net benefits incentive, OEB staff does not support the proposed Long-Term GHG Reduction scorecard. Both EFG and Optimal Energy highlighted that the results being tracked are again, simply a byproduct of the benefits that accrue through successful delivery of Enbridge's programs and gas savings that are being tracked and incentivized through the program

[80] Exhibit L.OEB Staff.1.p.34, p.41

scorecards[81],[82]. OEB staff submits that Enbridge has not provided rationale for how the Long-Term GHG Reduction scorecard will result in greater natural gas savings or GHG reductions than if it was not included. For simplicity, and to avoid Enbridge double counting gas savings in the program scorecards and Long-term GHG reduction scorecard, OEB staff recommends this not be approved.

Earning Thresholds

Enbridge is also proposing a change from the current OEB-approved earning thresholds. As part of the 2015-2020 DSM Framework[83] and confirmed in the Decision on the 2015-2020 DSM plans[84], the OEB approved shareholder incentive earning thresholds of 75%, 100% and 150%. Enbridge is proposing that the initial earning threshold be lowered from 75% of a target to 50% of a target. Enbridge states that based on its revised scorecard structure and budget transfer limitations it has become more challenging to meet its targets.[85] Additionally, Enbridge also indicates how the 150% maximum earning threshold is essentially unattainable due to the overspend provisions of the DSMVA that only allows Enbridge to spend up to 15% more than its approved program budget if it has already achieved at least 100% of its target. Due to this, Enbridge states that it's virtually impossible to achieve 50% higher results while only spending 15% more.

OEB staff submits that the OEB maintain the current lower threshold of 75% and not approve Enbridge's proposed 50% lower threshold. More than ever, the OEB and ratepayers need certainty over the results that Enbridge will produce with this DSM plan. If the initial earnings threshold is lowered to 50%, this would allow Enbridge to receive an incentive for material underperformance. The opposite is required – Enbridge should be motivated to reach target and incentivized to go further – with a realistic possibility of earning more should it exceed target. That is why OEB staff recommends lowering the upper threshold (or incentive cap) to 125% of target. This way, although still challenging, should Enbridge perform well in any year on any of its scorecards, it will have the opportunity to earn a higher shareholder incentive. OEB staff concurs with Enbridge that the upper band set at 150% of target, with the ability to only access 15% greater funding, leads to an unreasonable expectation that Enbridge would ever reach the upper band. Setting the earnings thresholds at 75/100/125 provides reasonable minimum and maximum expectations.

Enbridge is also proposing that it be able to earn 50% of the available maximum annual shareholder incentive between the proposed 50% lower band up to the 100% targeted

[81] Exhibit L.OEB Staff.1, p. 40
[82] Exhibit L.GEC.ED.1, pp. 31-32
[83] OEB 2015-2020 DSM Framework, p. 23
[84] EB-2015-0029 / EB-2015-0049, Decision and Order, pp. 75-76
[85] Exhibit I.5.EGI.STAFF.5(b)

level of achievement. This is a change from the previous framework that had a 40/60 split of the available incentive between lower threshold and target and target and upper threshold, respectively.[86] Enbridge indicates that since the OEB released the 2015 DSM Framework in 2014, there have been changes in government policy, updates to higher building codes, increasing efficiency of energy systems and evolving baselines.[87] This would result in an increase of approximately $1.6 million being available for Enbridge for performance at or below a target.[88]

Combining Enbridge's proposal to lower the initial earning threshold down to 50% of a target and increasing how much of the maximum annual incentive can be earned between the lower band and target, Enbridge has effectively proposed to earn more shareholder incentive dollars while achieving less natural gas savings and in turn, providing less value for ratepayer funding. OEB staff does not support this. As noted throughout this submission, the OEB, and more broadly, ratepayers and the Province of Ontario, need more certainty on the level of natural gas reductions from ratepayer-funded DSM. Enbridge's proposal does the opposite. If Enbridge's proposal is accepted, Enbridge would receive a higher shareholder incentive for doing less. At a minimum, OEB staff submits that the OEB maintain the current lower band threshold of 75%, the current incentive weighting of 40% for achievement between 75%-100% and 60% for achievement above 100% with a new upper band threshold of 125% instead of 150%. This preserves the qualities of the current incentive structure that reasonably provide a reward for getting close to and meeting target, and an increased reward for going over-and-above.

Finally, Enbridge is proposing that instead of allocating the maximum annual shareholder incentive in proportion of budget, it be allocated in a manner that provides a clear, well-balanced incentive for Enbridge to focus efforts across all sectors and proposed programs.[89] This results in equal allocation of shareholder incentives across all major program/sector categories with the balance divided across Large Volume, Energy Performance, and Building Beyond Code. For 2023 and 2024, OEB staff supports the proposed equal distribution across the main program scorecards. This helps provide greater certainty on the level of focus in each sector, with changes only coming should certain programs excel, in which case Enbridge may choose to divert funds to continue a successful program using the funding transfer provisions outlined in

[86] OEB 2015-2020 DSM Framework, pp. 22-23
[87] Exhibit I.5.EGI.SEC.10
[88] Total maximum shareholder incentive from 2015-2022 is $20.9M. 40% of this is available for performance between 75%-100% of target, or $8.36M. Enbridge's proposed 2023 maximum shareholder incentive for annual program scorecard targets is $19.89M (the remaining $1.4M is proposed to be allocated to long-term targets). Enbridge's proposed 50/50 split results in $9.945M being available for achievement between the proposed 50% lower threshold and 100%. The difference between Enbridge's proposal of $9.95M and current structure of $8.36M is $1.59M more shareholder incentive dollars available for less natural gas savings.
[89] Exhibit D, Tab 1, Schedule 2, p.5

the Proposed Framework.[90]

However, as OEB staff is not supporting the continuation of the Building Beyond Code program, should the OEB agree, OEB staff recommends that the proposed incentive allocation be distributed equally to all other annual scorecards. In the event the OEB approves the Building Beyond Code program, OEB staff suggests that the allocated incentive be reduced, consistent with the arguments made above related to the program's lack of value, so that the total incentive available is only half that proposed, with the other half distributed between the Energy Performance Program and the other four programs.

Going forward, should the OEB support an enhanced plan, OEB staff suggests that the OEB Indicate that it is supportive of increasing the maximum shareholder incentive available if Enbridge commits to significantly higher natural gas savings reductions. In addition, OEB staff recommends Enbridge be eligible for an additional shareholder incentive to encourage Enbridge to play a proactive role in helping customers electrify.

10. Scorecards, Targets & Metrics (Issue 9)

Enbridge Proposal

As noted above, Enbridge is proposing the continuation of previously OEB-approved scorecard structure, but with minor changes. Enbridge is proposing scorecards for each of its main programs that align with the customer segments the programs are offered to: residential, low-income, commercial, industrial, and large volume. Additionally, Enbridge is proposing scorecards for its other proposed programs; Energy Performance, Building Beyond Code and Low Carbon Transition.

Enbridge has also proposed a long-term scorecard for the Low Carbon Transition Program. Instead of annual verification and assessment of performance, the first review period would be after the second year of delivery (inclusive of program results from 2023 and 2024). Enbridge then proposes that the 2025-2027 program and targets be considered for approval as part of its mid-point assessment. Enbridge is proposing equal weighting to all metrics in this scorecard – 25% each for heat pump installations and contractors trained across its two offerings - residential and commercial.

Enbridge developed and is proposing its own scorecard targets. Enbridge has used past program results, participation levels, sector analysis, input from delivery agents, contractors, business partners, jurisdictional scans and broadly considered the integrated OEB-IESO 2019 Achievable Potential Study (APS) to inform its targets.[91] Additionally, Enbridge retrained the services of Posterity Group to review and make

[90] Exhibit C, Tab 1, Schedule 1, p. 15
[91] Exhibit D, Tab 1, Schedule 3, p.1

specific changes to the 2019 APS outputs.[92] Enbridge undertook this exercise as it was of the view that some assumptions included in the 2019 APS were not as accurate as possible.

Enbridge is proposing fixed annual targets for the 2023 program year. However, Enbridge is proposing that the OEB allow adjustments to be made to its proposed 2023 targets to account for changes to input assumptions and adjustment factors resulting from the evaluation of the previous year's results to reflect best available information.[93] After the first year of plan, Enbridge proposes to apply an annual Target Adjustment Mechanism (TAM) that calculates targets in subsequent years based on the results of the previous year as well as any changes to input assumptions or adjustment factors.[94]

OEB Staff Submissions

Subject to OEB staff's broader recommendation that the OEB direct Enbridge to work with the proposed DSM SAG to enhance its plan for implementation in 2025, OEB staff largely supports the annual program scorecard structure proposed by Enbridge. OEB staff supports the natural gas savings metrics proposed by Enbridge. This increases the focus on the main outcome of ratepayer funded DSM programs – reducing gas usage to help customers better manage their bills. Equally allocating the maximum available annual shareholder incentive to each of the four main programs should result in equal focus for all customer groups. Although budgets are not uniform across the portfolio, there is an adequate level of activity proposed for each sector. By weighting the maximum incentive available for each scorecard equally, Enbridge's focus on meeting targets for each sector should be maintained.

Enbridge has proposed a shift from net cumulative natural gas savings to net annual natural gas savings as the primary metric. Enbridge proposed that if required, it would be amenable to maintaining a minimum weighted average measure life (WAML) based on portfolio level net savings (excluding Large Volume program results) of 13.12 years. This represents 20% below its annual plan forecast WAML of 16.4 years.[95] OEB staff supports the OEB imposing a minimum annual WAML to ensure that the plan is continuing to produce long-term savings. However, OEB staff suggests that this number be 14 years, not the proposed 13.12. A WAML of 14 years represents 85% of Enbridge's forecast and would be a reasonable middle ground between Enbridge's proposal and the forecast to allow for some flexibility.

OEB staff does not support the natural gas savings targets proposed by Enbridge. The targets proposed by Enbridge are below both the 2019 APS and the potential analysis

[92] Exhibit I.9.EGI.STAFF.23
[93] Exhibit D, Tab 1, Schedule 3, p.5
[94] Exhibit C, Tab 1, Schedule 1, Section 9.2
[95] Undertaking JT2.5, p.1

completed by Posterity Group. In fact, Enbridge's total natural gas savings proposed for 2023 to 2027 is 83% of the savings in the 2019 APS budget-constrained scenario, but only 61% of the savings found in the Posterity analysis with the same budget restriction.[96] Enbridge has repeatedly noted it has issues with the analysis and calculations used to determine achievable potential natural gas savings in the 2019 APS, but the work it commissioned to recalculate the study outputs resulted in an even higher savings potential being identified. In the end, Enbridge confirmed neither study was used as a substantive input to create their targets.[97]

The 2019 APS had broad stakeholder participation, including from Enbridge staff, as well as a number of experts, including Mr. Chris Neme and Mr. Ian Jarvis, both of whom provided testimony in this proceeding. Mr. Neme stated that achievable potential studies tend to underestimate savings and recommended an enhanced approach using benchmarking against other jurisdictions.[98] Mr. Jarvis agreed with Mr. Neme that potential studies tend to underestimate savings and overestimate costs, but in the 2019 study, some middle ground was found using empirical data for buildings.[99] In order to bring Enbridge's proposed targets closer to the potential in the 2019 APS, OEB staff recommends that the OEB increase each of Enbridge's proposed natural gas savings targets for 2023 and 2024 by 10%. This is similar to the OEB finding on targets in the 2015-2020 DSM Decision, where all proposed 2016 targets were increased by 10%, because the proposed targets were not sufficiently aggressive given the level of funding requested.[100]

If DSM is to be relied upon to support meaningful reductions in natural gas use, setting targets for DSM requires more rigor and transparency than simply relying on Enbridge's internal analysis of past programs and the market. Enbridge's current DSM plan has produced, on average from 2016 to 2020, net annual DSM savings equal to 0.44% of total annual natural gas sales.[101] OEB staff recommends that consideration be given to a net annual reduction in total natural gas sales from DSM of approximately 1%.
An updated potential study undertaken by OEB staff will help to establish fixed targets and budgets for an enhanced plan, because it will:

- be based on the guidance provided in final Decision in this proceeding
- consider recommendations from Enbridge and experts in this proceeding
- consider input from stakeholders and best practice in other jurisdictions

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[96] Technical Conference Undertaking JT2.6_Attachment 1_EGI_Savings Comps. This undertaking showed 2023-2027 savings of 554,940,540 m3 of annual natural gas savings from the Enbridge Plan, 665,676,507 m3 from scenario A of the 2019 APS, and 903,000,597 m3 from Scenario A of Posterity Group's mirror model.

[97] Technical Conference, Day 2, pp. 45-46

[98] Technical Conference, Day 3, pp. 67-68

[99] Technical Conference, Day 3, pp. 76-77

[100] EB-2015-0029 / EB-2015-0049, Decision and Order, p. 66

[101] Tables 3-10 and 4-10 of the 2016-2020 DSM Annual Reports found on OEB's Natural Gas DSM Webpage

- include at least the following scenarios:
    - savings that could be achieved by doubling current budget levels
    - costs to achieve a 1% annual reduction in natural gas sales

OEB staff submits that the proposed TAM should not be approved. The TAM, in theory, would both increase and decrease Enbridge's target throughout the term of an approved DSM plan. The OEB approved the use of the TAM by both legacy utilities as part of the 2015-2020 DSM Decision. However, savings and targets have decreased year over year, or at best, stayed the same.[102] It appears to OEB staff that the reasons for approving the TAM in the 2015-2020 DSM Decision, included material program expansion, longer than usual term length, and the introduction of a number of new programs, do not continue to apply.[103] Instead of continuing the use of the TAM, the OEB should set firm natural gas savings targets for 2023 and 2024. Firm savings targets are not uncommon. Legacy EGD had firm targets prior to 2015,[104] and as part of its 2015-2020 DSM plan application, proposed the continuation of firm targets.[105] Firm natural gas savings targets will provide greater certainty for the OEB, ratepayers and other policy makers. Additionally, as noted by Optimal Energy, the TAM has the real likelihood of creating some perverse incentives and could lead to inefficient use of program funds.[106]

Should the OEB not accept OEB staff's recommendations for the development of an enhanced DSM Plan for 2025, preferring to approve all budgets and targets for the requested 2023-2027 term, then OEB staff recommends that the OEB set firm end of term annual natural gas savings based on the values provided in this proceeding, consistent with the recommended 10% annual increase noted above. This would be different from annual targets that reset every year, providing Enbridge flexibility to manage and respond to market factors over a multi-year period, but provide the OEB and ratepayers with comfort that tangible natural gas reductions will result from an enhanced DSM plan with considerably higher costs. OEB staff provide the increased targets in the table below.

Table 5: 2023-2027 DSM Targets with 10% Increase[107]

Program Year	Revised Targets by DSM Program (+10%)					Total
	Commercial	Industrial	Residential	Low Income	Large Volume	
2023	26,790,878	55,414,587	16,233,001	8,677,240	10,230,000	**117,345,706**
2024	27,210,474	56,522,879	16,616,339	8,850,785	10,434,600	**119,635,077**
2025	27,754,683	57,653,336	16,948,666	9,027,801	10,643,292	**122,027,778**
2026	28,309,777	58,806,403	17,287,639	9,208,357	10,856,157	**124,468,334**
2027	28,875,973	59,982,531	17,633,392	9,392,524	11,073,281	**126,957,700**

[102] Exhibit I.5.EGI.FRPO.4
[103] EB-2015-0029 / EB-2015-0049, Decision and Order, pp. 69-72
[104] EB-2011-0295, Enbridge Gas Application
[105] EB-2015-0049, EGI Application, April 1, 2015, Exhibit B, Tab 1, Schedule 2, pp. 1-2
[106] Oral Hearing Transcript, Vol 5, April 1, 2022, p. 101, lines 11-21
[107] Based on Technical Conference Undertaking Response JT2.6 – all values multiplied by 1.1

While OEB staff does not support the TAM for the reasons discussed above, should the OEB wish to approve it, OEB staff recommends that targets not be allowed to decrease to less than 80% of those noted in the table above for any year of the plan.

Enbridge is also proposing that its 2023 base year targets be updated to account for any changes to the inputs that went into developing the targets that are out of Enbridge's control. This may include changes to input assumptions and adjustment factors following the evaluation process of 2021 and 2022 results, codes and standard changes, or changes following this proceeding. Generally, OEB staff is of the view that the OEB should set a target and Enbridge work to achieve it – barring significant variation in the planning inputs. In those instances, consistent with Optimal Energy's recommendation,[108] it would be up to Enbridge to make an application and produce evidence that show how its approved targets are materially impacted and how it would be unreasonable to proceed without changes. Optimal Energy noted that since constantly adjusting for changes to all variables "allows program administrators to avoid having to modify their incentive structure and program design in response to changes to [adjustment and other savings factors]".[109] Going forward, should the OEB accept OEB staff's recommendation to require a percentage reduction in annual gas sales from Enbridge's DSM programs, Enbridge will simply have to reduce gas usage. OEB staff submits that the OEB only allow changes to the fixed annual targets set in this proceeding in response to an application from Enbridge requesting changes, with supporting rationale and evidence.

11. Research & Development Activities (Issue 11)

Enbridge Proposal

Enbridge is proposing an annual research and development budget beginning at $2.6 million for 2023. This budget, if approved, would be used to advance the research and innovation necessary to support the energy transition through the ongoing evolution of energy efficiency technologies. This budget and the activities driven by these costs are a continuation of similar activities approved for the 2015-2020 DSM plan term.

OEB Staff Submissions

OEB staff generally supports Enbridge continuing to undertake research, testing, and validation of various emerging technologies, including field demonstrations and pilots. However, OEB staff cautions that these kinds of activities should be undertaken with a clear intention for application in its DSM plan. There are many other outlets, including industry and academia, that are more appropriately situated to do broader research

[108] Exhibit L.OEB Staff.1, p.39
[109] Ibid

activities in order to increase the understanding and technical analysis related to emerging technologies. OEB staff recommends that in addition to oversight by the DSM SAG, Enbridge provide a similar summary of projects to that included in the response to STAFF.82, as part of its annual DSM report beginning with the 2022 DSM Annual Report that will be assembled in early 2023. This will allow the OEB and interested stakeholders to follow along more closely and be able to seek further information from Enbridge. Finally, OEB staff recommends that generally, ratepayer funded research and development funding not be used to increase the understanding or market acceptance of gas-fired measures where electric alternatives exist

12. Evaluation, Measurement & Verification (Issue 12)

Enbridge Proposal

Enbridge has made several proposals related to the evaluation of its programs. First, Enbridge is requesting approval of its gross savings measurement methodologies and consistent use by the OEB's Evaluation Contractor (EC) when verifying program results. Enbridge has also requested that the OEB approve its proposed Terms of Reference (ToR) for the OEB's EAC, direct OEB staff to develop a natural gas DSM-specific DSM Evaluation, Measurement and Verification (EMV) Protocols document, and indicate support for Enbridge's proposed free ridership fast feedback survey and process evaluation plan.

OEB Staff Submissions

OEB staff recommends that, at a minimum, the OEB maintain the current evaluation approach, but more preferably, expand the existing EAC to the DSM SAG. The OEB's process began in 2015 when the OEB took over the evaluation of program results, also known as impact evaluation, from Enbridge. This was done to increase objectivity, transparency, independence, and alignment with industry best practice. These objectives have been met by the OEB using an independent, expert EC, and other evaluation consultants, and seeking input and advice from the EAC.

Process Evaluations

There is another evaluation function that is still the responsibility of Enbridge, that is process evaluations. Process evaluations have the objective of investigating and analyzing program design and implementation in an effort to ensure the programs are operating as expected and are being delivered effectively. The studies provide feedback to the program administrator so that changes to program design and delivery can be made. It is often the case that impact evaluations (currently undertaken by the OEB through its EC) are combined with process evaluations (currently undertaken by Enbridge) as impact evaluations will often be able to offer guidance and information on where programs may not be as effective as intended.

Enbridge indicates that process evaluations are more appropriately managed by its program design and implementation staff since it is ultimately accountable for the success of its DSM programs, and so requires the ability to decide what areas are the most important to improve the program. Additionally, Enbridge states that process evaluations are generally subjective and qualitative and therefore requires utility staff's understanding of the program in order to scope any process evaluations and implement the results. Enbridge is proposing, as part of its proposed ToR, that it engage the EAC for input on the scope and deliverables of formal process evaluations. It will provide its process evaluation plan to the OEB's EC for inclusion in the broader EM&V Plan produced for the OEB.[110]

While this is an improvement over previous years, OEB staff submits that more can and should be done. Enbridge indicates that it has undertaken three separate formal process evaluations since 2015 related to six of its program offerings.[111] OEB staff is concerned that based on the limited number of formal process evaluations completed by Enbridge, the necessary improvements to Enbridge's programs are not being considered as thoroughly, and implemented as promptly, as required. Although Enbridge is ultimately responsible for the success of its programs, these are programs funded entirely by ratepayers. The results of the programs are those that the OEB, provincial and federal governments are looking to for contribution to emission reductions objectives. Suggesting that Enbridge is the only party that has a vested interest in the success of the programs is incorrect. OEB staff submits that to ensure ratepayer-funded DSM programs are the best they can be, that the OEB direct that all evaluation activities, including process evaluations, will be centrally coordinated by the OEB, through OEB staff and the OEB's EC, with input and advice from the DSM SAG (or EAC), which will include Enbridge. OEB staff i acknowledges the critical role and involvement Enbridge will require to help define scope and implement the findings from process evaluations and suggests that this important consideration be acknowledged by the OEB in its findings, should it accept this recommendation.

<u>Terms of Reference</u>

Although OEB staff supports Enbridge's proposed ToR document to help clarify roles and responsibilities of the EAC, from a practical perspective, should the OEB accept OEB staff's recommendation to expand the EAC to a broader DSM SAG, it is likely more appropriate that a ToR be developed for the expanded committee instead.

<u>DSM-specific EM&V Protocols</u>

[110] Exhibit I.5.EGI.STAFF.10
[111] Ibid

OEB staff does not support Enbridge's request to direct OEB staff to develop DSM-specific EM&V protocols at this time. Enbridge has noted its desired outcomes of clarity in evaluation methodologies and continuous improvements documented and published in a document that receives recurring updates.[112] However, currently, all evaluation methodologies are drafted and proposed by the OEB's independent EC, discussed extensively with the EAC and are included in evaluation study scope of work documents prior to beginning any work. Further, all of the approaches used by the OEB's EC are consistent with industry best practice. OEB staff recommends that this suggestion be considered more closely by OEB staff through its role in managing the evaluation process, with input from the EC and EAC (or DSM SAG) in order to consider additional costs and what, if any, incremental value would be provided by undertaking this exercise.

Gross Savings Measurement Methodologies

Enbridge is proposing a number of gross savings measurement methodologies as part of each program proposal.[113] Enbridge's suggests that it is critical that these gross measurement methodologies are determined and approved for each program offering now, at the outset of the DSM plan, as they directly impact how the program offerings are delivered, and how DSM budgets and targets are set. Enbridge has also proposed that the gross measurement methodologies be used by the OEB's EC when verifying program results.[114] OEB staff disagrees and recommends that the OEB indicate that the OEB's EC will continue to make an independent decision on the impact evaluation methodologies it will use to determine final program results. The proposed gross measurement methodologies are inconsistent across offerings and will be, at best, challenging for the EC to interpret. More likely, if the EC were required to follow Enbridge's proposals as written, it would lead to many points of confusion, misunderstanding and an overall poor process. The proposals are neither sufficiently broad nor concise, consistent and specific. Should the OEB approve the gross measurement methodologies, it will be doing so without the input, feedback and advice of its independent EC and the EAC (or DSM SAG). In essence, it will be giving control back to Enbridge on evaluation. Further, Enbridge has not provided any evidence that it is critical that the OEB approve its gross measurement methodologies. It is not clear what benefit adopting such methodologies would provide, except to reduce Enbridge's risk that a different methodology is deemed to be more appropriate which may negatively impact their results and shareholder incentive.

Although OEB staff does not support approving Enbridge's proposed gross measurement methodologies, nor imposing a restriction that the OEB's EC must follow them, ultimately, impact evaluation methodology will usually align with the gross

[112] Exhibit E, Tab 4, Schedule 5, pp. 1-5
[113] Exhibit I.5.EGI.SEC.18
[114] Exhibit C, Tab 1, Schedule 1, p. 26

measurement approach. There will be instances where the EC will need to undertake its own measurement activities in order to accurate quantify and verify the savings results. However, in most instances, the two approaches will align. However, removing that flexibility from the OEB and its EC would reduce the level of independence and objectivity of the evaluation process.

Free Ridership Methodologies

Finally, Enbridge is suggesting the need for improvements to the methodologies employed to measure free riders participating in Enbridge's programs. Free riders are participants that would have undertaken efficiency improvements even without the utility program, and so their actions were not influenced by it. Savings from free riders are estimated by program or measure and subtracted from program savings – directly impacting Enbridge's results. The OEB completed a number of free ridership studies, either directly by the EC or with other expert contractors, with input from the EAC.[115],[116],[117] These studies found high levels of free ridership in Enbridge's programs. OEB staff suggests that the ideas raised by Enbridge be discussed with the EC and EAC (or DSM SAG) and considered during the development of the next study.

In an attempt to address high free ridership rates and respond to the OEB's direction to improve in this area, Enbridge will be implementing "fast-feedback" surveys with commercial customers to help provide more timely and relevant project feedback.[118] However, Enbridge indicates it is unlikely that the EC nor the EAC will be engaged in the review or development of the surveys – citing these work products being outside the scope of work for the committee as this relates to program design, an accountability of Enbridge.[119] OEB staff is of the view that not seeking input and recommendations from established experts through a forum that evaluates program performance would be a missed opportunity. This is a great example where a DSM SAG that addresses both program evaluation as well as program design could add value.

OEB staff recommends that, at a minimum, the OEB direct Enbridge to share its free ridership fast feedback survey with the EC and EAC (or DSM SAG) for review and comment before implementation.

13. Input Assumptions, Cost-Effectiveness Screening & Avoided Costs (Issue 13)

Enbridge Proposal

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[115] OEB 2015 Natural Gas Demand Side Management Free Ridership Evaluation, DNV GL
[116] OEB 2017 Natural Gas Demand Side Management Commercial and Industrial Prescriptive Verification and Net-to-Gross Evaluation, Itron
[117] OEB 2018 Natural Gas Demand Side Management Free Ridership Evaluation, DNV GL
[118] Exhibit E, Tab 1, Schedule 4, p. 12
[119] Exhibit I.10c.EGI.STAFF.47

Enbridge included its proposals related to how to apply changes to its DSM Plan input assumptions and adjustment factors, cost-effectiveness screening and avoided costs in the proposed DSM Framework at Sections 9, 10 and 11 respectively.

OEB Staff Submissions

Input Assumptions and Adjustment Factors

Input assumptions are prescribed assumptions such as engineering estimates of average energy savings from a particular technology or its estimated useful life. Adjustment factors are changes to program results that are applied based on evaluation of the program results, such as net-to-gross adjustments or other adjustments made to results by the EC. Targets and results have been adjusted in the past to account for changes to input assumptions and adjustment factors.

OEB staff generally supports the proposals put forth by Enbridge. They are consistent with the practice accepted by the EAC and appropriately apply risk to savings levels due to changes to key variables based on projects and measures within or outside of Enbridge's control. However, it is important that the OEB set out in its Decision, whether and how changes to input assumptions and adjustment factors are applied to targets, program results, or both. OEB staff notes that the Ontario Auditor General recently recommended the OEB ensure that the next DSM Framework is explicit on when to use updated assumptions (retroactively or not).[120]

OEB staff generally supports Enbridge's proposed approach to adjust program results. There is little disagreement that to report accurate program results, the best available information, including the most up to date input assumptions and adjustment factors, must be used – i.e., that all updates be applied retroactively to the past year being evaluated. The one exception is for mass market programs where the utility has less direct influence on program participants, and so the OEB has directed in the past that changes to input assumptions and adjustment factors be applied prospectively for these programs – i.e., only applied to results in the year after they change.

There is some question whether targets should be retroactively adjusted to reflect these changes as well. As noted in section 10, OEB staff does not support the TAM, and therefore does not support adjusting targets to reflect input assumption changes and adjustment factors. When both targets and program results are adjusted, the changes are symmetrical and there is no change to Enbridge's shareholder incentive earnings even if it is found that savings were lower than expected – and therefore ratepayers end up bearing all the risk and associated costs when savings have not being achieved,

[120] Office of the Auditor General of Ontario, Value-for-Money Audit: Reducing Greenhouse Gas Emissions from Energy Use in Buildings, November 2020.

while Enbridge remains whole, risk-free. Instead, as noted in section 10, OEB staff recommends the OEB only allow changes to fixed annual targets set in this proceeding if Enbridge files an application requesting changes, with supporting evidence.

Cost-Effectiveness

OEB staff supports the continued use of the Total Resource Cost-Plus (TRC-Plus) test to screen DSM programs and report on their cost-effectiveness following program delivery, as proposed by Enbridge. This is consistent with the current practice, the December 2020 Letter, the IESO's electricity conservation framework and represents a cost-effectiveness test that incorporates a number of different costs and benefits to provide a societal view of overall impact.

Avoided Costs

Enbridge retained Guidehouse to complete a jurisdictional scan for industry practices related to avoided costs. Guidehouse found that there was limited consistency across jurisdictions.[121] OEB staff supports Enbridge's proposed application of avoided costs for the purposes of cost-effectiveness screening which includes avoided natural gas, carbon, water and electricity costs as the inputs are reasonable and based on the best available information.[122]

14. Accounting Treatment (Issue 14)

Enbridge is proposing the establishment of the following accounts to be used in association with its DSM plan: DSMVA, LRAM, DSMIDA and CDMDA.[123] These are all continuation of accounts that have been approved by the OEB in the past. OEB staff supports the establishment of new vintages of each of these accounts.

15. Integrated Resource Planning (Issue 15)

The OEB's Decision and Order on IRP found that potential merging of DSM energy efficiency, such as this application by Enbridge for a new DSM Plan, with programs aimed at reducing peak demand to meet system needs was premature.[124] Nothing in this proceeding suggests that such a conclusion should be revisited at this time. OEB

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121 Exhibit E, Tab 5, Schedule 1, Attachment 4, p. 7, Table 1-1
122 Exhibit E, Tab 5, Schedule 1, Attachment 3
123 Exhibit F, Tab 2, Schedule 1; DSMVA – Demand Side Management Variance Account (tracks spending relative to approved budget); LRAM – Lost Revenue Adjustment Mechanism (tracks revenues that were not earned due to the natural gas savings from the DSM programs); DSMIDA – Demand Side Management Incentive Deferral Account (records shareholder incentives earned by Enbridge); and CDMIDA – Conservation Demand Management Deferral Account (track ratepayer share of all net revenues generated by DSM services provided for electric CDM activities)
124 EB-2020-0091, Decision and Order, July 22, 2021, p. 34

staff recommends that this be re-assessed with Enbridge's enhanced plan.

16. Natural Gas and Electricity Conservation Program Coordination (Issue 16)

Enbridge Proposal

Enbridge includes a list of activities it is coordinating with electricity conservation programs offered by the IESO.[125] Additionally, Enbridge provides a summary of its coordination activities, both with the IESO and municipalities where it has provided input on Community Energy Plans.[126] Enbridge indicates the importance of sufficient flexibility afforded through the DSM Framework to allow it the opportunity to engage and agree to collaboration efforts throughout the term of the plan.[127]

OEB Staff Submissions

OEB staff submits that Enbridge should be directed to integrate as many of its DSM programs with the similar CDM program, as soon as possible, but no later than 2025. The IESO's current CDM Framework expires at the end of 2024, allowing for sufficient time to address legal agreements with Enbridge. Direction for greater coordination and integration of energy conservation programs has consistently been delivered by the OEB and Minister of Energy. In the 2021 Conservation and Demand Management Guidelines for Electricity Distributors, the OEB encouraged electricity distributors to coordinate conservation programs with those offered by natural gas distributors.[128] This would also be consistent with the Minister of Energy's directive to the IESO establishing the 2021-2024 CDM Framework that directed the IESO to co-ordinate the delivery of CDM programs with entities delivering natural gas DSM programs.[129] Additionally, the Minister's Mandate Letter to the OEB highlighted the importance of the need for integration to facilitate a streamlined customer experience. By integrating offerings, participants will have the ability to address all energy efficiency improvements at one-time, lowering missed opportunities and increasing the overall value of the programs. OEB staff recommends that the OEB direct Enbridge to make all efforts to fully integrate its offerings with the common electricity CDM offering with the expectation that as many offerings will be fully integrated and available in market for 2025. This is also consistent with a primary recommendation from Optimal Energy's review of Enbridge programs.[130]

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[125] Exhibit E, Tab 4, Schedule 4
[126] Exhibit K1.1
[127] Exhibit I.16.EGI.STAFF.86
[128] EB-2021-0106, Conservation and Demand Management Guidelines for electricity Distributors, Section 9, p.29
[129] IESO - Ministerial Directives, 2021-2024 Conservation and Demand Management Framework, September 30, 2020
[130] Optimal Energy Evidence, Exhibit L.OEBSTAFF.1, p. 36

17. Stakeholder Engagement (Issue 17)

Enbridge states in its Argument-in-Chief the stakeholdering it undertook before filing the current application, including its approach to engaging with Indigenous communities, and proposed to host an annual DSM stakeholder meeting shortly following the completion of the draft annual DSM report to enable meaningful discussions and information sharing with stakeholders.[131]

OEB Staff Submission

While OEB staff acknowledges the stakeholder activities undertaken by Enbridge leading up to filing this application, it has been clear throughout this proceeding that stakeholders continue to have significant unresolved concerns with Enbridge's plan. While not discouraging Enbridge to continue its stakeholder activities, including with Indigenous communities, OEB staff proposes that a DSM SAG be established to review, provide input, and guidance on DSM plan and program changes, targets, metrics and other key components, including evaluation. This group would replace the current EAC, and be tasked with undertaking key studies to inform enhancements to Enbridge's plan for implementation beginning in 2025, as well as provide input on an enhanced plan itself. The objective would be that consensus is reached on most, if not all, issues within the SAG before an application is filed with the OEB, thereby improving regulatory efficiency.

OEB staff propose that the group would include representatives from OEB staff, Enbridge, non-utility stakeholders from Ontario, including the IESO, and independent experts (potentially from other jurisdictions).

Although Enbridge would maintain ultimate authority on its proposals and applications to the OEB for changes to its DSM plan, the DSM SAG's ultimate near-term objective would be to reach consensus on an enhanced plan that includes materially higher natural gas savings levels to be filed with the OEB in early 2024. The DSM SAG would be an expansion of scope of the successful EAC model, akin to the recently OEB-directed IRP technical working group[132], and similar to successful working groups in other jurisdictions that have worked together to agree to revisions to large scale efficiency plans under short timeframes, such as those in Illinois[133] and

[131] Argument-in-Chief pp. 50-52
[132] EB-2020-0091, Decision and Order, July 22, 2021, p.7
[133] Illinois Energy Efficiency Stakeholder Advisory Group - https://www.ilsag.info/

Massachusetts.[134]

OEB staff recommends that the following activities be undertaken by the DSM SAG:

Table 6 – Summary of DSM SAG Activities

ITEM	RECOMMENDATION
Member Selection	The OEB follow a process where interested stakeholders would be provided the opportunity to nominate a party to act as their representative on the committee for each major stakeholder segment who would formally participate on the DSM SAG. To ensure transparency and openness, a summary of key outcomes will be posted on the OEB's Engage With Us webpage. OEB staff suggests that the DSM SAG should proactively seek participation by key stakeholder groups not directly represented on the DSM SAG during the course of discussions of the enhancements to the plan when discrete issues arise that can be informed by the perspective of outside stakeholders. The DSM SAG members would be expected to regularly liaise with stakeholders that share similar interests.
Terms of Reference	Provide direction that a terms of reference document be developed and agreed to by members of the DSM SAG as a first priority to clarify roles and responsibilities to avoid duplication of efforts.
Updated Natural Gas Efficiency Potential	Immediately undertake an updated natural gas efficiency potential study to inform 2025 to 2030 natural gas savings targets. This study should use a hybrid approach that takes elements from traditional achievable potential study methodologies as well as considers enhancements recommended in this proceeding and by members of the DSM SAG. This design would be expected to lead to final potential results that are directly applicable to Enbridge's enhanced DSM plan. The study would consider direction provided in the Decision of this proceeding, including whether gas-fired equipment measures should be included, and what budget scenarios should be modelled for consideration (e.g., increases from 2023 budget levels by 50%, 100% and 150% or more). The updated potential analysis should be prioritized with completion by mid-year 2023.
DSM Plan Enhancements	Following completion of the potential study, the DSM SAG should work collaboratively to provide input, and recommendations on Enbridge's enhanced DSM plan with the objective that it will result in materially higher natural gas savings, not rely on incentives for gas-fired equipment, provide multiple opportunities for customers to participate, focus on those programs/segments of the market that are most cost-effective and ensure adequate funding is allocated to low-income initiatives.
Evaluation Input	The DSM SAG will also continue to be involved in the annual evaluation and verification activities. This is likely best completed through a sub-committee that is focused on this specific work, with the continued reliance on an independent third-party expert Evaluation Contractor. In addition to the impact evaluations that is currently completed by the EAC, as discussed in Section 12 – Evaluation, OEB staff recommends that process evaluations be included within the Evaluation Contractor's scope of work and as such, subject to input from the DSM SAG.
Term	The DSM SAG should remain in place for the term of the DSM plan that is ultimately approved by the OEB and beyond. The committee would serve as a continuous improvement mechanism for DSM, potentially reducing the frequency and duration of future regulatory proceedings to approve multi-year plans. In its decision on Enbridge's application, the OEB should provide direction that the DSM SAG meet regularly,

[134] Oral Hearing Transcript, Vol. 5, April 1, 2022, pp. 100-101 and Exhibit JT.3.9, OEB Staff Undertaking Response, March 16, 2022

ITEM	RECOMMENDATION
	approximately once a month, but potentially more often depending on the schedule of various work projects, to get status updates from Enbridge, provide input on DSM programming and respond to any broader policy changes. Assuming such direction was provided, OEB staff would be responsible for coordinating and scheduling meetings based on the timing and needs of the various work activities being undertaken.
Reporting	The DSM SAG should file a status update report along with Enbridge's enhanced plan, in or around early-2024 as part of the proceeding to assess Enbridge's enhanced DSM plan. Generally, the report would summarize the activities of the DSM SAG, areas of involvement, general summary of input provided, areas of disagreement between the non-utility members and Enbridge, recommendations for future program enhancements and improvements and a reflection of the status of DSM relative to the broader initiatives ongoing to reduce emissions and transition the energy sector – this would serve the purpose of providing a snapshot into how DSM fits within the overall landscape in order to give context, perspective and the ability to assess value and contributions.

In the alternative, should the OEB decide not to direct the establishment of a DSM SAG, OEB staff recommends continuation of the EAC, and approval of Enbridge's proposed annual meeting with stakeholders. Additionally, OEB staff can convene a one-off stakeholder group to support the development of an Achievable Potential Study, as was done for the 2016 and 2019 studies. The Achievable Potential Study is discussed in Section 10.

18. Transition and Implementation (Issue 18)

OEB staff have recommended a process for next steps in Section 5 - Term, including the establishment of a DSM SAG and an enhanced DSM plan to be filed by Enbridge for implementation in the 2025 program year.

While OEB staff notes that a future panel cannot be bound in a Decision in this proceeding, to benefit from the efforts of the DSM SAG in resolving all or most areas of disagreement in an enhanced plan, OEB staff recommends that the OEB panel considering an enhanced plan also consider novel procedural approaches such as convening a Settlement Conference early in the process following Enbridge filing an enhanced DSM plan. This would allow any intervenor not on the DSM SAG to participate and provide the OEB with a fully or partially settled enhanced plan for approval. This or other novel approaches could be considered to optimize regulatory processes and ensure expanded access to real savings from natural gas conservation programs for Ontarians.

Appendix A

Table A1 - General Comments on DSM Framework Items

Section	OEB Staff Recommendations
Objectives	**Support with comments**
	Recommend that focus should primarily be on lowering overall natural gas sales volumes. OEB staff suggests that performance should ultimately be assessed based on a percentage reduction in annual gas sales volumes to provide an objective metric of progress.
Guiding Principles	**Support with comments**
	Suggest indicating that funding levels over the most recent approval of 2022 plan, be used to increase savings from most cost-effective programs as opposed to equal distribution across portfolio. Additionally, as opposed to DSM coordinating only where appropriate, fully integrated programs should be the expectation.
Budgets	**Revisions Required**
	Recommend removing the last paragraph as it speaks to specific plan actions. The framework should be a standing document that does not provide specific guidance on any particular plan year, rather be sufficiently broad to be applicable across multiple years. Also, Enbridge has again referred to the December 2020 Letter as a directive of the OEB. This is incorrect and should be removed. More generally, OEB staff suggests that the OEB adopt language related to the budget that indicates ratepayer funding will be approved when the OEB has been presented with a proposal that provides tangible natural gas reductions and quantitative value for customers. Budgets may fluctuate depending on the nature of the DSM plans and their primary objective and the OEB will always be mindful of overall rate impacts, particularly for non-participants. Additionally, references to gas-fired equipment should be removed in order to provide policy direction that is fuel agnostic.
Targets	**Major Revisions Required**
	OEB staff has concerns that Enbridge has included many of its own ideas about how it prefers to establish targets, whereas the OEB's DSM framework should be neutral and offer the OEB's perspective on the ideal manner in which targets are developed. OEB staff recommends that this section be significantly revised so that it speaks to the OEB's main interests in natural gas savings targets, that being that they are based on evidence and relevant, current analysis, are quantifiable, objective and can be verified to assess performance levels. Should the OEB accept OEB staff's recommendations, much of this section will require edits to remove references to first-year targets, target adjustment mechanism and levels of achievement.
Shareholder Incentive	**Support with comments**
	Recommend that here, and in other places, references to historic guidance from the OEB, Enbridge's input and rational for proposals and other similar discussion be removed so that the framework document is not tied to a single point in time. Additionally, OEB staff recommends that the concept of increasing incentive levels be discussed here to give the indication that with greater levels of natural gas reductions, Enbridge may have the opportunity to earn a larger shareholder incentive.
DSM Plan and Program Considerations	**Support with comments**
	Recommend that budget transfer guidance be maintained, but that an additional clause be added that restricts the level of funding that can be allocated away from the Low-Income program to a maximum of 10%. This will serve to provide certainty of the level of funding for low-income programs will be largely held constant following the OEB's approval. This is important as this is a segment that has a number of barriers to entry making participation in standard programs challenging.
Program Types	**Support with comments**
Low Income Program	Support

Section	OEB Staff Recommendations
Pilot and Test Programs	Support
Coordination with Electricity CDM	Recommend that this language be more intentional and indicate the OEB's expectation that general coordination is not sufficient and that programs should be fully integrated where feasible.
Attribution	Recommend that more flexibility is provided in how the OEB determines the appropriateness of attribution of benefits between Enbridge and other parties offering similar programs that seek to achieve the same results, similar to the current situation with NRCan's Greener Home Grants program. At a minimum, Enbridge should be required to provide the agreement to the OEB. The OEB may determine it necessary to convene a process to seek comments from parties, only to ensure effective and efficient use of ratepayer funding, however OEB staff acknowledges the importance of Enbridge having the flexibility to be able to respond to requests for partnership opportunities, which OEB staff supports.
Energy Efficiency and IRP	Support. OEB staff recommends that the language related to merging DSM and IRP being premature from the OEB's Decision be qualified that it is "premature at this time", allowing for the possibility of these activities being combined at some point in the future, possibly within this DSM term should policy and circumstances change.
Program Evaluation	Revisions Required
Gross Measurement	Recommend revising this section and remove the requirement that the gross measurement methodologies must be approved and then followed for any impact evaluation. The OEB's Evaluation Contractor requires sufficient flexibility in choosing the methods of verifying program results that it sees best, aligned with industry best practice. OEB staff agrees that ensuring there is consideration and a plan on how to measure program results is necessary, it is not appropriate to bound the EC's work, effectively removing its independence which is crucial.
Draft and Final DSM Annual Reports	Support
Components of DSM Annual Report	Suggest that the OEB maintain all elements from the current DSM Filing Guidelines on what additional program and utility-related data, in particular: DSM spending as a percentage of distribution revenue; Historic annual natural gas savings targets (m3/year) dating back 10 years; Total historic annual and cumulative gross and net natural gas savings (m3) as a percentage of total annual natural gas sales dating back 10 years; Total historic natural gas sales (m3/year) dating back 10 years; and, Number of customers, by rate class and by customer type in each year dating back 10 years. These data points are useful for the OEB and interested stakeholders in assessing the overall value, impact, scale when reviewing Enbridge's results and comparing with other jurisdictions.
Evaluation, Measurement & Verification	Support, with note that OEB staff has suggested that the OEB also lead process evaluations going forward.
Impact Evaluations and Annual Verification	Support
Technical Resource Manual Updates	Support
Process Evaluation	Recommend that the OEB take coordination role of process evaluations, similar to impact evaluations, to provide a more comprehensive evaluation process that can leverage key information from impact evaluations and apply to plans for future process evaluations and vice versa. Enbridge would still be closely involved being the program administrator, but by allowing the OEB's Evaluation Contractor to plan and evaluate programs comprehensively will lead to greater overall value from the evaluation work conducted and better DSM programs overall as areas identified as issues can be addressed in a structured manner.
Evaluation Governance Terms of Reference	Support establishment of ToR, but if OEB staff recommendations to expand the EAC to a more generic DSM SAG, an updated ToR document will be required.
Input Assumptions & Adjustment factors	Revisions Required

Section	OEB Staff Recommendations
Input Assumptions	Support as filed.
Net-to-Gross Adjustments	OEB staff supports the general idea that NTG should be studied regularly, up to annually, and include an assessment of both free ridership and spillover when conducted. However, OEB staff recommends that the expectation that NTG evaluations will be completed annually, and always include spillover assessment, not be accepted to allow for greater flexibility. This will allow for OEB staff, the EC and EAC to review and consider the need for updated results and the value of completing the study.
Verification Adjustments	Support as filed.
Changes to Input Assumptions	Generally, support as filed if the structure of annual performance scorecards, shareholder incentive and lost revenue remain. However, if these are to change, for example to firm gas savings targets (either annually, end of term or as a percentage of reduction in annual gas sales), the appropriateness of how to apply changes to input assumptions should be reviewed and considered by the EAC (or DSM SAG if established), with changes proposed to the approach described in the DSM Framework. Additionally, recommend not accepting the proposed wording related to verification adjustments applied retroactively so long as the methodology aligns with the gross measurement methodology, for the reasons cited above in Section 12 – Evaluation related to the need to maintain flexibility and independence for the EC to determine the best verification method. Support proposals for changes applicable for LRAM purposes and for new input assumptions for prescriptive measures.
Cost-Effectiveness Screening	Support as filed.
Avoided Costs	Support as filed.
Accounting Treatment	Support as filed.

Appendix B

Table B1 - General Comments on Proposed Programs

Program/Offering	OEB Staff Comments
Residential Program	**Support**
Residential Whole Home	- Remove gas-fired equipment - Remove requirement to maintain gas-fired equipment as primary heating source - Include smart thermostats to match NRCan measure availability - Comments on NRCan partnership in Section 7.1
Residential Single Measure	- Support
Residential Smart Home	- Work to expand and increase participation, particularly of smart thermostats
Low Income Program	**Support**
Home Winterproofing	- Support
Affordable Housing Multi-Residential	- Support
Commercial Program	**Support**
Commercial Custom	- Support, expand, increase/remove incentive caps - Need to show that free ridership levels are improving
Prescriptive Downstream	- Support
Direct Install	- Support, expand, increase turnkey opportunities for small business customers and consider ability to participate in residential offerings, increase proactive targeting/enrolment
Prescriptive Midstream	- Support
Industrial Program	**Support**
Industrial Custom	- Support, expand, remove incentive caps - Need to show that free ridership levels are improving
Large Volume Program	**Qualified Support**
Direct Access	- Support at current budget levels, do not expand - Opt-out needs greater consideration, only practical if OEB can hold customers accountable for individual efficiency plans, but challenging as they are not regulated by OEB
Energy Performance Program	**Support**
Whole Building Pay For Performance (P4P)	- Support, look to expand as part of enhanced plan to other segments of the commercial market
Building Beyond Code Program	**Do not support**
Residential Savings by Design Commercial Savings by Design Affordable Housing Savings By Design Commercial Air Tightness Testing	- Have not shown that programs have had material impact on building practices - Programs should not require builders to commit to using gas - Better to leave to industry and codes changes - Support increasing awareness and knowledge of value of air tightness, but not as standalone market transformation program - Re-allocate funding to low-income program and most cost-effective programs - Consider possible future joint fuel-agnostic new construction program with IESO
Low Carbon Transition Program	**Qualified Support**
Residential Low Carbon Commercial Low Carbon	- Remove gas heat pumps as they are not cost-effective nor available, replace with fully electric heat pump options, in addition to hybrid system as proposed. Maintain target levels as proposed for 2023 and 2024, review targets as part of DSM SAG/enhancement process for 2025 and beyond.