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November 13, 2023

Ms. Nancy Marconi, Registrar
Ontario Energy Board

By email

Dear Ms. Marconi:

Re: GEC Submission on Contestabilty of Demand Side Management Delivery

We are in receipt of the recent submissions to the Board from Schools Energy Coalition, Environmental Defence, and Pollution Probe, in regard to contestability of the delivery of Demand Side Management programs (In reference to EB-2021-0002 and EB-2022-0295). The Green Energy Coalition (GEC) has been a strong advocate for DSM since the inception of the practice in Ontario. We write to indicate our support for the call to consider alternative delivery mechanisms and wish to emphasize three factors that the Board should keep in mind in its consideration of this request.

1. The need to overcome market barriers to optimal energy efficiency investment, which is the rationale for utility funded DSM, is greater than ever.

2. Enbridge's conflict of interest has been amplified by the impending energy transition and cannot be adequately addressed by the current regulatory mechanisms.

3. Enbridge's conflict of interest can be avoided while we retain the benefits of utility delivered DSM with the right structure.

The need to overcome market barriers to optimal energy efficiency investment, which is the rationale for utility funded DSM, is greater than ever.

The current 'affordability crisis' facing Canadians leaves little capital for many Ontarians to invest in efficiency. This adds to the existing barriers such as landlord/tenant split incentives and the pre-existing acute problems faced by low-income families.

The energy transition will require end-user investment in alternative heating systems and utility investment in energy delivery infrastructure. Energy efficiency investments can reduce both the end-user's 'fuel' bill (both gas and electricity) as well as the need for delivery infrastructure expansion costs (again, both gas and electricity as customers switch fuels). Timely investment is critical if Ontario is to avoid needless system expansions of both the gas grid and electricity generation and delivery infrastructure.

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The recent indication from Enbridge that NRCan intends to close off applications for its Greener Homes program in early 2024 makes re-consideration of delivery mechanisms particularly timely.

Enbridge's conflict of interest has been amplified by the impending energy transition and cannot be adequately addressed by the current regulatory mechanisms.

The recent phase one hearing of Enbridge's 2024 rates application made it abundantly clear that the utility will not go quietly into the night. Enbridge clings to faint hopes for affordable gas heat pumps, widespread distribution of hydrogen, and abundant and affordable RNG. All of these pipe dreams if realized would come with higher gas rates, but we see no corresponding commitment to enhanced DSM. When the topics of shortening depreciation periods and connection revenue horizons to reflect the energy transition were discussed, it became apparent that Enbridge's greatest fear is the Board recognizing the inevitable decline in gas throughput, as this might impact investor appraisals. And as Enbridge is part of a vertically integrated gas industry, any reduction in gas throughput hurts its upstream related corporate interests.

Current regulatory mechanisms, including the LRAM, DSMVA and shareholder incentive mechanisms, offset near-term revenue impacts but do not fully address the long-term implications for Enbridge and its related upstream corporate entities. To do so would require shareholder incentive levels that would needlessly increase customer costs or a comparable 'stick' that would undoubtedly be challenged by the utility as beyond the Board's jurisdiction.

Enbridge's conflict of interest can be avoided while we retain the benefits of utility delivered DSM with the right structure.

In addition to overcoming market barriers, utility facilitated DSM offers economies of scope and scale. All of these benefits can be obtained in an alternative approach that retains rate funding of DSM that is delivered by a third party under OEB supervision. As with commodity sales, Enbridge can be required to make its billing mechanism available. Board oversight can continue to ensure value, transparency, and stakeholder involvement.

GEC has in the past advocated for the creation of a 'conservation utility'. However, as we see in other jurisdictions, there is no need to create a new legislated entity. A well-constructed RFP and contractual process can obtain the result intended.

We thank the Board for its consideration of these matters.

David Poch
Cc: EB-2022-0200 parties