

**Ontario Natural Gas Technical Evaluation Committee**  
**3rd Quarter Report**  
**September 2012**

The Technical Evaluation Committee (TEC) is committed to providing interested stakeholders regular updates on Evaluation, Measurement and Verification (EM&V) matters relating to Natural Gas Demand Side Management (DSM) in Ontario. This report provides details on TEC activities during the period of July 1<sup>st</sup> to September 30<sup>th</sup> 2012. The structure of this report is based on current discussions and priorities for the TEC.

**1. Sampling Methodology Study:**

Dan Violette from Navigant Consulting Inc. undertook the 2012 study.

The initial Terms of Reference (ToR) for the project suggested a two-tailed 90% confidence interval with a 10% precision for the sample – i.e. a sampling protocol that would give us 90% confidence that the estimated savings levels were neither more than 10% over-stated nor more than 10% under-stated. However, it turns out that approach would have required much larger sample sizes than used in the past (when precision targets were less stringent) – with greater expense and increased difficulty in completing the custom C&I project reviews in sufficient time to meet auditing deadlines. After some discussion, the TEC ultimately agreed to a compromise approach that would retain the more stringent 10% precision requirement but apply it to only the lower bound tail. In other words, we would only ensure that estimated savings were no more than 10% *overstated*; we may not have similar assurances regarding potential understating of savings (though the precision on that tail would be able to be calculated after the sample was pulled and would likely still be greater than it has been in the past). The focus on minimizing potential for overstating savings would protect ratepayers against risk of higher-than-warranted DSM incentive payments to utility shareholders.

The first wave of project sample will be pulled for both Enbridge and Union in October 2012. A final report is expected by early October 2012.

**2. Custom Project Savings Verification (CPSV) Process:**

Following a Q2 conference call between the TEC and the engineering firms contracted by Union and Enbridge, the Committee developed the following recommendations, which have been designed to improve the CPSV process. The expectation is that this process should reduce of the CPSV engineering firm's work by the Auditor.

- The CPSV ToR shall say: "Whenever possible, the consultant will conduct field measurements where it is reasonably expected to increase the accuracy in a cost appropriate manner."
- For 2012 program year: Audit Committee to assist in the selection of CPSV engineering firms, i.e., to receive the RFP (as developed through TEC consultation), to review and comment on the bidders' list, and to comment on proposals in a timely manner if desired. Ultimately, the utility makes the final decision. Union did follow this process for the 2012 year. The first portion of this process was followed by Enbridge but, due to an oversight by the Company in implementing the new policy, the CPSV proposals received by Enbridge were not shared with their AC as requested. Enbridge has provided assurances that the new process will be followed in full for 2013.
- Draft reports prepared by CPSV engineering firms will be simultaneously presented to the Auditor and utilities for their review.

### **3. Commercial and Industrial Custom Free-ridership and Participant Spillover Jurisdictional Review:**

Committee member Bob Wirtshafter prepared a presentation outlining the costs and benefits of different methodological approaches for free ridership and spillover studies. Following Bob's presentation the Committee agreed to undertake a scan of net to gross (NTG) values for Commercial and Industrial custom programs used in other jurisdictions across North America. The analysis will be undertaken and aligned based on market segments and program design features consistent with those used in Union and Enbridge's franchise areas. The results from this scan will be used to determine if it is reasonable to apply similar NTG values for Union and Enbridge's franchise areas in lieu of conducting a new custom free-ridership and participant spillover study.

The Committee expects to release a Request for Proposal by the end of October 2012.

### **4. 2012 Fall Update to the Current Input and Assumptions List:**

The Committee agreed on the process for filing an update to measure assumptions with the Board, as per the Guidelines. The Committee notes that this is an interim step before the development of the TRM. The full Committee is supporting the changes that have been made to the measures in the update being filed by the utilities, but is not expressing an opinion with respect to the remainder of the assumptions in measure substantiation documents that are being carried forward from previous processes. The Committee discussed the process by which the Custom Project Effective Useful Life (EUL) assumptions are used as default unless better information supporting an alternate EUL is available.

A complete draft submission will be prepared jointly by the utilities for TEC review by the end of October 2012.

### **5. Technical Reference Manual (TRM):**

The Committee reviewed TRMs from other jurisdictions and agreed to a list of desired features (i.e. version control, accessibility and security) and desired content (i.e. glossary of terms, prescriptive measure assumptions, description of the CPSV process, TRM maintenance and update process).

The Committee also began preliminary discussions on the qualifications it would seek from potential bidders to develop the Ontario gas TRM. The Committee agreed that experience developing TRMs in other jurisdictions, technical expertise and the ability to apply that expertise to the Ontario market (i.e. to understand how local market conditions would affect assumptions) were all important.

The Committee expects to continue its discussions on details of the Request for Proposal (RFP) in the coming months. A final RFP is expected to be released later this year.

### **6. Other TEC Items:**

#### **Technical Consultant**

The Committee agreed to continue to defer discussions on the subject of the TEC Technical Consultant until further considerations regarding the development of the TRM have been made. Discussions are expected to resume following the development of the TRM RFP.

### **Upcoming Meeting Dates:**

October 25<sup>th</sup>, November 14<sup>th</sup> and December 12<sup>th</sup>