

**Ontario Natural Gas Technical Evaluation Committee**  
**1<sup>st</sup> Quarter Report**  
**March 2013**

The Technical Evaluation Committee (TEC) publicly reports its discussions and activities on a quarterly basis. This report reflects work conducted for the period of January 1<sup>st</sup> to March 31<sup>st</sup>, 2013. Previous quarterly reports are now available on the Ontario Energy Board (OEB) website [online](#).

**1. 2013 TEC Evaluation Priorities and Budget:**

As per its mandate, the TEC provided recommendations on evaluation priorities for 2013. Recommended areas include:

- Recommended evaluation activities identified in 2012;
- Actions arising from the Custom Free ridership and Participant Spillover Jurisdictional Review;
- Actions arising from the Technical Reference Manual project; and
- Recommendations made by utilities' respective auditors.

The TEC reviewed the 2013 evaluation budgets for Enbridge and Union Gas. A main focus in 2013 will be the development of a Technical Reference Manual and the Net to Gross study.

**2. Custom Free Ridership and Participant Spillover Jurisdictional Review:**

The TEC received and endorsed the Custom Free-ridership and Participant Spillover [Jurisdictional Review](#) completed by Navigant Consulting, Inc. The report aimed to provide insight into the free-ridership and participant spillover variables in comparable jurisdictions across Canada and the United States. A sensitivity analysis was included to ascertain the potential financial impact of changes to net to gross values for each utility's shareholder incentive. The study determined that studies done at other utilities are not easily transferrable to Union and Enbridge's custom programs. Factors that determine NTG values differed by utility size and location, types of customers, types of programs, and other factors; and there were not enough studies of situations similar to Union's and Enbridge's to find comparable results. In addition, the study did show that the incentive amounts earned by Union and Enbridge would be affected significantly by the NTG value used. Given that the last NTG was performed in 2008, the TEC has decided that a new NTG study be undertaken in 2013.

The report outlined the costs and benefits of five potential next steps in the study. The TEC resolved that a more fulsome study was warranted, based partly on the following observations:

- The magnitude of change in shareholder incentive based on potential changes to net to gross values;
- The benefits of having a higher level of precision for net to gross estimates;
- The likelihood that a study would result in an accurate net to gross estimate; and
- The benefits of employing different methodologies for estimating net to gross values.

Union Gas will continue to serve as administrative lead on this study. The TEC agreed to collect examples of requests for proposals from other jurisdictions for review in Q2. The TEC also resolved to release a request for proposals for the next stage of the study.

### **3. Technical Reference Manual:**

Following a multi-stage selection process, the TEC proceeded to select a consultant to develop a Technical Reference Manual (TRM). Following a discussion on conflict of interest and a preliminary culling of proposals, two finalists were invited for a telephone interview. In the end, the TEC endorsed ERS Inc. as the successful proponent for the project. Common to both utilities, the Manual will document efficiency measure savings assumptions (and/or formulae) and all other assumptions (other than avoided costs) necessary for cost-effectiveness screening and program metrics. The development of the TRM will include a review of all existing prescriptive measure assumptions, as well as an online, searchable repository of approved substantiation document underpinning each approved measure.

As the project initiates in Q2, an initial meeting will be held to establish administrative and communication parameters with the consultant, as well as a process by which the TEC will review and provide ongoing feedback and guidance to ERS. A tri-party consulting agreement was drafted and circulated to the TEC for review and comment. Enbridge will serve as administrative lead on the project, which is scheduled for completion in early 2014.

### **4. Custom Projects Savings Verification: Relationship with the Audit Committee:**

The TEC initiated a discussion on the role of the Audit Committee in relation to draft reports produced under the Custom Project Savings Verification program. The TEC resolved to reassess the relationship between auditors, the CPSV evaluators and the Audit Committee in the third quarter of 2013.

### **5. Sharing of Reports Endorsed by the TEC:**

Upon request from a recent consultant to the TEC, the Committee agreed to publicly share a report on the [Sampling Methodology for Custom Commercial and Industrial Programs](#), produced in 2012. The Committee resolved to develop a formal process for approving requests to publicly release reports. For added transparency, the TEC initiated discussions with the Ontario Energy Board with an aim to have TEC-endorsed reports posted on the OEB website.

### **Upcoming Meeting Dates:**

April 18<sup>th</sup>; May 15<sup>th</sup>; June 13<sup>th</sup>