

Ontario Energy Board

Commission de l'énergie de l'Ontario



## **Conservation and Demand Management Report**

**2015 Results**

**EB-2014-0278**

**Date: December 29, 2016**

## Background

In December 2013, the Government of Ontario released its Long-Term Energy Plan (LTEP) that, among other priorities, encouraged conservation and reinforced the policy of considering conservation first in energy planning processes. As a result of the LTEP, the Ontario Energy Board (OEB) received a directive on March 26, 2014 from the Minister of Energy pursuant to sections 27.1 and 27.2 of the *Ontario Energy Board Act, 1998* (the CDM Directive). In accordance with the CDM Directive, the OEB is required to annually review and publish the verified results of each electricity distributor's CDM efforts and report on the progress of electricity distributors in meeting their CDM requirement to make CDM programs available to customers in their respective licensed service area. The OEB was directed to amend the license of each electricity distributor to add a condition that specifies that each electricity distributor shall make CDM programs available to customers in its licensed service area.

Under a directive from the Minister of Energy dated March 31, 2014, the Independent Electricity System Operator (IESO) (formerly the Ontario Power Authority - OPA) is responsible for coordinating, supporting and funding the delivery of CDM programs by electricity distributors, including evaluating and verifying all program results between 2015 and 2020. Over the course of the 2015 to 2020 term, electricity distributors are collectively responsible for achieving 7 TWh of electricity savings that persist and remain in place on December 31, 2020. Each electricity distributor has been allocated a portion of the 7 TWh target by the IESO.

The 2015 year was a transition year for electricity distributors between the 2011 to 2014 CDM term (Legacy Framework) and the new 2015 to 2020 CDM term (Conservation First Framework). A directive from the Minister of Energy issued on December 21, 2012 directed the OPA to fund 2011-2014 CDM programs for an additional year, from January 1, 2015 to December 31, 2015 to enhance the continuity of conservation activities. Further, in order to ensure a smooth transition between the two frameworks, the March 31, 2014 directive to the OPA indicated that 2011-2014 programs were to remain available until electricity distributors had an approved 2015-2020 CDM plan from the IESO.

Electricity distributors were required to submit a 2015-2020 CDM plan to the IESO by May 1, 2015. An electricity distributor's CDM plan describes the manner in which the electricity distributor plans to meet its 2015-2020 CDM target. The 2015-2020 CDM plans were reviewed and approved by the IESO. As part of their CDM plan, electricity distributors were required to indicate when they would begin to access new funding related to the 2015 to 2020 Conservation First Framework, with all electricity distributors

required by the IESO to launch programs under the Conservation First Framework by January 1, 2016.

Electricity distributors were also required to indicate if they would be partnering with a neighbouring electricity distributor as part of a joint CDM plan. The IESO received 15 joint CDM plans that involved 46 electricity distributors. The IESO has indicated that the benefits of joint CDM plans include the ability to reallocate CDM target and budgets between electricity distributors, increased performance incentives to distributors for meeting or exceeding performance thresholds, and CDM plan cost-effectiveness determined at the aggregate joint CDM plan level rather than at the electricity distributor level. Other benefits include pooling of resources and delivery channels for greater efficiency and effectiveness.

### **OEB Review Process**

As outlined in the CDM Directive, the OEB is responsible for reviewing and publishing the annual CDM results for all electricity distributors. The OEB is also responsible for reporting on the progress of electricity distributors in meeting their CDM Requirement of making programs available within their service area, and as far as practicable, to each customer segment.

The IESO has informed the OEB that it has approved 2015-2020 CDM plans for all licensed electricity distributors and that each electricity distributor has entered into an Energy Conservation Agreement (ECA) with the IESO. As a result of the ECAs, CDM programs are available to customers in all service areas throughout the province. As shown in the IESO's 2015 Annual CDM Report, electricity distributors made programs available to residential (including low-income), commercial, and industrial customers. The OEB is satisfied that all electricity distributors have met their CDM Requirement.

With respect to the 2015 annual CDM results, the OEB notes that, as previously stated, the IESO is responsible for evaluating and verifying all program results reported by electricity distributors. The IESO relies on [Evaluation, Measurement and Verification \(EM&V\) protocols](#) that are robust and well documented. The IESO EM&V process relies on a variety of data collection and analytic methods such as equipment metering, billing data analysis, and surveys. The IESO's 2015 evaluation reports can be found on its [website](#).

The OEB has not conducted a detailed audit or its own independent evaluation of electricity distributors' 2015 CDM program results. In the [Annual Energy Conservation](#)

[Progress Report](#)<sup>1</sup> issued by the [Environmental Commissioner of Ontario](#) in May 2016, the ECO confirmed that while there were some concerns of a procedural nature with the IESO's program evaluations, the IESO's protocols are consistent with industry standard best practices<sup>2</sup>. The ECO contracted with a third-party to review program evaluations done in relation to the IESO's [Business] Retrofit Program<sup>3</sup>. As part of this review the ECO noted that the IESO's "methods used to assess energy savings were credible and in-line with best practices used in the evaluation community."

The results for 2015 are for the first year of a new six-year CDM framework. As noted above, 2015 acted as a transition year from the previous Legacy Framework to the new Conservation First Framework.

Throughout late-2016, the OEB reviewed the IESO's draft 2015 Annual CDM Results Report and submitted comments to the IESO. Throughout this process, the OEB sought clarification related to 2015 programs and spending results. Following completion of the OEB's review, the IESO submitted an updated 2015 Annual CDM Report that addresses the OEB's comments and provides further clarity with respect to the 2015 CDM results, particularly related to spending and progress towards the 2015 to 2020 target. The full 2015 CDM results, including electricity savings across all sectors, spending figures and participation levels, can be found in the IESO's Final 2015 Annual CDM Report.

The OEB has reviewed the 2015 CDM results for reasonableness and progress towards the expected achievement of targets. Electricity distributors are meeting expectations for this early stage of the new Conservation First Framework.

The OEB will continue to review and consider the merits of a more intensive review of the IESO's evaluation and monitoring processes throughout the 2015 to 2020 Conservation First Framework.

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<sup>1</sup> Environmental Commissioner of Ontario, Annual Energy Conservation Progress Report – 2015/2016, May 2016

<sup>2</sup> Ibid, p. 131

<sup>3</sup> Ibid, p. 132

## 2015 CDM Results

The OEB has posted the [IESO's 2015 Annual CDM Results Report](#) on its website. The IESO's report outlines the 2015 CDM program results, including all electricity savings as a result of the various CDM programs delivered in 2015, participation levels and spending figures.

All electricity distributors continued to offer Legacy Framework CDM programs during the 2015 transition year. Approximately 95% of the 2015 results are attributable to Legacy Framework programs. The Legacy Framework programs delivered in 2015 were funded by the Legacy Framework budgets. Therefore, only a small portion of the new Conservation First Framework budget was used in 2015 (approximately 1%). Electricity distributors were credited with all the CDM savings from the Legacy Framework programs undertaken in 2015.

In total, electricity distributors achieved 1.1 TWh of electricity savings in 2015 (or 16% of the overall 2015-2020 Target of 7 TWh target). The 1.1 TWh of electricity savings are expected to persist and remain in place at the end of 2020. As the Conservation First Framework is a 6-year term, the 2015 results represent a proportional share of the overall target (i.e. 100% of target over a 6-year period is on average, about 16% per year).

Individual electricity distributor performance was also generally strong during 2015. The majority of electricity distributors (54) either met or surpassed their targeted 2015 CDM savings. Of these electricity distributors, 16 more than doubled their 2015 goals. Only 8 electricity distributors achieved less than half of their 2015 targeted savings. No electricity distributor fell below the minimum level of annual performance (4% of the overall 2015-2020 target) required by the IESO. Should an electricity distributor's performance fall below the 4% annual performance threshold, administrative remedies will begin to be invoked by the IESO. The IESO will be monitoring and working with those electricity distributors who did not meet their 2015 targeted CDM savings to address any potential issues and provide assistance where required to facilitate meeting their 2015-2020 CDM target.

As a result of extending the Legacy Framework CDM programs into 2015, funding from the Conservation First Framework budget remains available for future years. Electricity distributors are in the advantageous position of having a larger than anticipated budget available over the remainder of the term to use to achieve conservation savings.

## Conclusions

The OEB concludes that the IESO and electricity distributors have been effective in launching the first year of the new 6-year Conservation First Framework. The OEB will continue to monitor progress, including the IESO's mid-term review that must be completed by June 2018.