Demand Side Management Working Group – Meeting #1

EB-2014-0134

April 25, 2014

These notes are intended to be indicative of discussion points and progress at the meeting, rather than an exhaustive summary of comments made by the working group members. They are provided to allow others to follow the progress of the working group.

Upon convening at 9:30 a.m.

1. Introductions

Board staff welcomed working group members and discussed the purpose and objectives of the working group and the related issues around Demand Side Management ("DSM") following the issuance of the Minister of Energy's CDM/DSM Directive, March 31, 2014.

2. Attendance

The following people attended the meeting:

- Fiona-Oliver Glasford, Enbridge Gas Distribution Inc. (EGD)
- Norm Ryckman, EGD
- Ravi Sigurdson, EGD
- Tracy Lynch, Union Gas Limited (Union)
- Alison Moore, Union
- Ehsan Dibaji, Union
- Julie Girvan, Consumers Council of Canada (CCC)
- Jack Gibbons, Environmental Defence
- Ian Mondrow, Industrial Gas Users Association (IGUA)
- Kathleen Cooper, Low-Income Energy Network (LIEN)
- Julia McNally, Ontario Power Authority (OPA)
- Marion Fraser, Ontario Sustainable Energy Association (OSEA)
- Jay Shepherd, School Energy Coalition (SEC)
- Tony Pardal, Toronto Hydro-Electric Systems Limited (THESL)
- Eric Martin, Ministry of Energy (observer)
- Emay Cowx, C2C Strategies (facilitator)
- Lynne Anderson, Takis Plagiannakos, Michael Bell, Josh Wasylyk, Board Staff

3. Participants First Thoughts

At the outset of the working group meeting, participants were given the opportunity to provide a brief description of their initial thoughts on the current state of the 2012 DSM Guidelines, the impact the CDM/DSM Directive has on the future 2015-2020 DSM Framework, and general thoughts on the changes needed to be incorporated into the new DSM Framework. A summary of these preliminary thoughts is provided below.

EGD was pleased with the elements outlined in the CDM/DSM Directive and the conservation first philosophy including a 6-year framework thereby giving the company stability to commit to DSM and create programs that could be relied upon for the customer. EGD noted that the current framework is working well and that it is committed to collaboration and has already begun discussing integration with OPA and several electric utilities. EGD noted that all key elements of the framework being budget, target and incentive, are related and difficult to discuss in isolation.

Union was also encouraged by the CDM/DSM Directive and the government's conservation first philosophy. Union noted that there may be a need to define "cost-effective" in order to reach a balance increasing program activity and the subsequent rate impacts. Union noted that a review may be needed on how best to confirm program results, so as to enable an efficient and reliable annual review process.

Union also noted the need to ensure for an efficient process to have approved DSM Plans in place by January 2015. To the extent there is a risk the process will not provide for DSM Plans to be in place by this time, there is a need for a transition plan for the beginning of the year to avoid market disruption and lost conservation opportunities.

CCC urged the need for overall ratepayer value and the need for real bill savings. CCC noted that there may be a need to think differently about overall program design and consider the need for more market transformation programs.

Environmental Defence urged the pursuit of all cost-effective savings, which, in its view, are all savings where the total cost is lower than the cost of supply. Environmental Defence suggested that DSM must be the utilities' most profitable business action and that cost-effective DSM programs must increase their earnings per share by more than the equivalent supply-side alternative.

Environmental Defence also urged that the DSM Framework include elements of rate reform. Environmental Defence suggested that interruptible rates be considered to encourage customers to reduce peak hour demands. Environmental Defence also suggested that higher volumetric distribution charges and lower monthly fixed charges be explored as they can act as the lowest option to promote annual consumption reductions.

Finally, Environmental Defence suggested that there is a need for better long-term infrastructure planning (i.e. 10 years) in order to properly consider DSM as an alternative to building pipelines.

IGUA noted that it is supportive of energy conservation in general, but would have concerns about expansion of ratepayer funded large customer DSM. IGUA also questioned what the term “cost-effective” means. To the extent that DSM is engaged as an alternative to infrastructure expansion, who benefits and who bears the costs should be carefully considered.

LIEN suggested that consideration of low-income consumers be prevalent in all DSM program development efforts. LIEN also suggested that it may be helpful to review the letter issued to the Board on April 23, 2014 from the Minister of Energy regarding an electricity rate-affordability program for low-income consumers and incorporate any relevant items.

The OPA provided a brief information update on the on-going work of the OPA with respect to developing the electricity conservation framework for 2015-2020. Within the presentation the key sections of the new CDM framework and the stakeholder engagement plan were outlined.

OSEA encouraged incorporating performance-based conservation as a main element of the new DSM Framework. OSEA suggested that a transition to a framework that was based on real, measured results that rely on targeted customer-type benchmarking analysis could provide more accurate and less theoretical results. Performance-based conservation would also provide customers with greater access to their energy usage data and ultimately afford them greater control resulting in bill reductions.

SEC was encouraged by the review of the DSM Framework. SEC noted that the focus of DSM may need to shift from overall natural gas savings to a focus on achieving peak demand savings in order to reduce costs to the utility and realize long-term, system-wide cost savings. SEC noted that the utilities will need to tell us what barriers they may face in making such a shift, so that the framework can help ameliorate those barriers.

SEC also suggested that the utilities' efforts should be more appropriately focused on achieving the savings that wouldn't happen without utility involvement, as opposed to pursuing the highest overall natural gas savings possible. SEC suggested that the point may have been reached where the industrial program budget might be too high, and the program design focus might need to shift from providing capital incentives to providing knowledge-based support and market transformation.

SEC also suggested that if there is a desire to continue to offer resource acquisition programs to large users there should be tighter restrictions placed on eligible projects, to reduce cream skimming and free ridership. Two examples of ways to accomplish that may be: a) shareholder incentives for each project limited to the amount of the customer incentive (e.g. if the customer is given a $100,000 incentive, the shareholder incentive for that project cannot exceed $100,000, whatever the formula), and b) projects with very short paybacks (three years, perhaps) would be ineligible for inclusion in the utility program.

THESL noted that electric Local Distribution Companies are currently collaborating with the utilities on the low-income and new construction programs. THESL was encouraged that electric LDCs and natural gas LDCs could build on past experiences to help efforts around integration. THESL cautioned, however, that integration has different interpretations and that the scope of integrating CDM and DSM programs is something that will need to be determined.

4. Discussion of DSM Framework Items

a) Guiding Principles

Parties agreed that the new DSM Framework should be guided by the following draft principles:

- Achieve all cost-effective natural gas savings (peak and energy) that will not be achieved by the market
- Avoid disincentives to utility investments in DSM
- Remove barriers to cost-effective DSM
- Minimize lost opportunities
- Pursue deep energy savings
- Ensure incentives to utilities are available (endorsement of this principle was not unanimous)

- Inclusion of Low-Income programs

It was generally agreed that defining the goal of DSM is a critical undertaking in order to ensure that an effective framework is appropriately developed. The group was unable to achieve a consensus on the overarching goal of DSM given its interrelated social, economic and environmental benefit outcomes. However, the following goals were raised as discussion points:

- meet energy needs at lowest possible costs;
- reduce both rates and capital costs;
- achieve bill reductions
- achieve greatest long-term dollar savings

b) Integration of electricity CDM and natural gas DSM

The CDM/DSM Directive noted that the Board shall, where appropriate, coordinate and integrate DSM programs with Province-Wide Distributor CDM Programs and Local Distributor CDM Programs to achieve efficiencies and convenient integrated programs for electricity and natural gas customers.

The following question was presented to the working group:

- *How can natural gas DSM and electricity CDM programs be best integrated to achieve efficiencies?*

The DSM Working Group participants identified some barriers to integration:

- Multiple program delivery agents for a common (gas/electricity) customer
- Program design of electric and natural gas programs were done independently
- Large number of electric LDCs
- Timelines of historic programs/plans were too short and misaligned
- Administrative burdens – the need for a streamlined process
- Differences in incentive levels

The participants were generally supportive of integration moving forward as many of the past barriers would now be addressed by the implementation of the new DSM and CDM frameworks for 2015-2010. Various members of the working group made suggestions on how to enable integration. Those suggestions, none of which were discussed sufficiently to reach consensus, included:

- Co-promotion of programs
- Joint participation and education
- Common delivery agent to better serve customers
- Common program development timelines/program design
- Information sharing
- Joint energy savings potential studies to identify what opportunities exist for total energy reductions
- Programs to be screened on the same level and based on the same cost effectiveness criteria (i.e. TRC and PAC?)
- Use benchmarking for customer-specific segments where data is available

A separate breakout group, consisting of EGD, Union, the OPA, THESL and Veridian, was formed to identify specific existing barriers to integration of gas and electricity conservation programs and discuss ideas on how to best address the Directive's request to pursue integration. This separate breakout group will provide an update of their findings at the next DSM Working Group meeting.

c) Regulatory Process

The following question was presented to the working group:

❖ *What is the most effective regulatory process by which to develop and approve DSM Plans?*

Parties noted that having the 2012 DSM Guidelines available in advance of the previous DSM plans for 2012-2014 was helpful to the process as it very specifically outlined the Board's expectations. .

Other elements of the 2012 DSM Guidelines the parties generally found helpful were:
- Parameters around budgets
- Guidance around targets – methods to be used (i.e. scorecard)

With respect to the DSM Consultative, parties were generally in agreement that the consultative meetings offer value for a number of reasons, including:
- Members of each Consultative represent DSM program and regulatory stakeholders

- There were periodic communications on DSM plan implementation that helped keep stakeholders informed of ongoing developments and a chance to provide input

Some participants noted that the Board's direction regarding the consultative going forward may not need to be as prescriptive as found in the 2012 DSM Guidelines, but rather a more general statement that the natural gas LDCs should undertake stakeholder engagement regarding its DSM activities. It was generally agreed that stakeholder engagement benefits all stakeholders.

5. Natural Gas Review

Parties agreed that DSM insofar as it provides alternatives to infrastructure expansion should be considered during the Board's upcoming Natural Gas Review as well as in the DSM Framework discussions. Parties were of the view that the DSM Framework should provide the flexibility to allow for DSM to be considered as part of integrated resource planning and/or regional planning in the future.

6. Action Items and Next Meeting

Board staff confirmed the topics for discussion at the next meeting (budget, incentive structure, and targets). An agenda for the meeting will be provided to the working group members in the week before the meeting.

Marion Fraser (OSEA) offered to provide a short presentation regarding performance-based conservation at the next working group meeting.

As noted above, the breakout group who will discuss integration will report back to the larger DSM Working Group on their progress at the next meeting.

Meeting adjourned at 4:30 p.m.