

**Ontario Energy  
Board**

**Commission de l'énergie  
de l'Ontario**



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**BY EMAIL AND WEB POSTING**

August 21, 2015

**To: All Natural Gas Distributors  
All Participants in the Consultation Process EB-2014-0134  
Other Stakeholders**

**Re: 2015-2020 Demand Side Management Evaluation Process  
of Program Results  
EB-2015-0245**

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This letter establishes the OEB's process to evaluate the results of Natural Gas Demand Side Management (DSM) programs from 2015 to 2020.

## **Background**

As outlined in Section 7 of the [OEB's Report on DSM](#) issued December 22, 2014, the OEB will be taking a central role in the evaluation process of DSM program results. DSM programs will be evaluated on an annual basis, with results issued by the OEB to be used by the gas utilities when they file applications for recovery of amounts related to DSM activities.

## **DSM Evaluation Governance**

The OEB will rely on the DSM evaluation governance structure outlined below. The evaluation governance structure describes the general role of the main parties involved in the evaluation process. The evaluation governance structure is expected to be fully implemented following the OEB's selection of an Evaluation Contractor.

<b>OEB's DSM Evaluation Governance Structure</b>	
<b>Party</b>	<b>Role</b>
OEB	The OEB is responsible for coordinating and overseeing the evaluation and audit process, including selecting a third party Evaluation Contractor and publishing the final evaluation results on an annual basis.
Evaluation Contractor (EC)	The Evaluation Contractor will carry out the evaluation and audit processes of all DSM programs.
Natural Gas Utilities	The natural gas utilities are responsible for developing an initial evaluation plan that will inform the evaluation of programs, filing an annual draft evaluation report and providing program data and coordination support to the Evaluation Contractor and OEB staff, as requested.
Evaluation Advisory Committee (EAC)	An Evaluation Advisory Committee (EAC) will be formed to provide input and advice to the OEB on the evaluation and audit of DSM results. The EAC will consist of representatives from non-utility stakeholders, independent experts, staff from the Independent Electricity System Operator (IESO), and observers from the Environmental Commissioner of Ontario and the Ministry of Energy, all working with OEB staff.

### **Evaluation Approach**

The OEB will retain a third party Evaluation Contractor to undertake DSM program evaluations and annual audits of program results.

The Evaluation Contractor will draft an Evaluation, Measurement & Verification (EM&V) Plan for the natural gas utilities' DSM programs for approval by the OEB. The EAC will provide advice and input on the development of the plan as required. The EM&V Plan will, at a minimum, address the following:

- Annual Evaluation and Audit of DSM results
- Annual update of input assumptions
- Multi-year DSM program impact assessments and evaluation studies

The OEB-approved EM&V plan is expected to span a period of three-years to coincide with the mid-term review of both the 2015 to 2020 Natural Gas DSM Framework and Electricity CDM Framework.

## **Annual Evaluation & Audit Process**

Consistent with current evaluation practices, the Evaluation Contractor will be responsible for auditing each gas utility's annual DSM results based on the three-year OEB-approved EM&V plan. The detailed annual evaluation and audit process will be developed as part of the EM&V plan.

## **Updating Input Assumptions**

The Evaluation Contractor will review and propose updates to the OEB related to data within the Technical Reference Manual (TRM) on an annual basis. This review of the TRM will include proposed updates to input assumptions to reflect the findings of the annual DSM evaluation and audit. This may require additional research in order to add any new technologies to the TRM and improve the current list of assumptions.

Best efforts will be made to align the natural gas DSM input assumptions list with the electricity CDM input assumption list, where appropriate. The OEB is of the view that having alignment on resource savings amounts related to both natural gas and electricity energy efficiency technologies will help enable a greater level of integrated and collaborative program design and delivery.

## **Multi-Year DSM Program Impact Assessments and Evaluations**

The OEB will engage the Evaluation Contractor to conduct multi-year impact assessments and targeted evaluations of selected natural gas DSM programs on a periodic basis throughout the 2015 to 2020 DSM period.

Within the Evaluation Contractor's multi-year impact assessments, the Evaluation Contractor will be responsible for undertaking various studies which may include estimating natural gas savings, undertaking net-to-gross studies, investigating free ridership rates and spillover effects, examining the level of persisting natural gas savings from various programs and conducting other evaluation studies as required.

## **Transition Plan**

The OEB recognizes that there is a current evaluation process underway, led by the natural gas utilities with support from three committees: the Technical Evaluation Committee (TEC), and two Audit Committees (one for each utility). The committees are comprised of natural gas utility staff, industry stakeholders and independent experts.

The current responsibilities of the TEC include the development of the Technical Reference Manual (TRM), the completion of a Commercial and Industrial Custom Project Net-to-Gross Study, a joint utility Boiler Baseline Study, and the initiation of a Persistence Study. This is important work that should continue at this time. The evaluation and audit of all natural gas DSM program results under the new 2015–2020 DSM Framework will follow the new process outlined in this letter. Once an Evaluation Contractor is retained by the OEB, OEB staff will work with the TEC on an appropriate plan to transition to the new framework on a go-forward basis. With the formation of an Evaluation Advisory Committee (EAC), as described below, an Audit Committee will no longer be required.

### **Formation of the Evaluation Advisory Committee**

The Evaluation Advisory Committee (EAC) will provide input and advice as required throughout the DSM evaluation process. The EAC will be comprised of:

- Experts representing non-utility stakeholders, with demonstrated experience and expertise in the evaluation of DSM technologies and programs, natural gas energy efficiency technologies, multi-year impact assessments, net-to-gross studies, free ridership analysis and natural gas energy efficiency persistence analysis
- Expert(s) retained by the OEB
- Representatives from the IESO
- Representatives from each natural gas utility
- Representatives from the Ministry of Energy (MOE) and the Environmental Commissioner of Ontario (ECO), who will participate as observers

The OEB has recently selected a group of experts representing non-utility stakeholders to provide input and advice as part of the DSM Technical Working Group formed for the natural gas conservation potential study. As the technical expertise and experience required for both the DSM Technical Working Group and EAC are similar, the OEB has appointed the same individuals to represent non-utility stakeholders on the EAC as follows:

- Chris Neme, Energy Futures Group
- Jay Shepherd, Jay Shepherd Professional Corporation
- Marion Fraser, Fraser & Company

Due to a potential conflict, Ian Jarvis, who is a member of the DSM Technical Working Group, has not been included as a member of the EAC.

In reviewing nominations from non-utility stakeholders as part of the formation of the DSM Technical Working Group, the OEB considered the diversity of their expertise, their participation in similar OEB proceedings and working groups and their experience with the Ontario natural gas sector, as well as their ability to represent stakeholders. The selected candidates are expected to provide input and advice based on their experience and technical expertise and not to advocate position of parties they have represented before the OEB in various proceedings.

The OEB will determine the appointment of additional experts following the selection of an Evaluation Contractor.

### **Cost Awards**

Cost awards will be available under Section 30 of the *Ontario Energy Board Act, 1998* to eligible persons in relation to their participation in the Evaluation Advisory Committee or other consultations during the course of the DSM evaluation process. Details will be provided at the appropriate time. Costs awarded will be recovered from all rate-regulated natural gas distributors based on their respective distribution revenues.

If you have any questions regarding this consultation process, please contact Josh Wasylyk at [Josh.Wasylyk@OntarioEnergyBoard.ca](mailto:Josh.Wasylyk@OntarioEnergyBoard.ca) or at 416-440-7723.

The OEB's toll free number is 1-888-632-6273.

Yours truly,

*Original Signed By*

Kirsten Walli  
Board Secretary