

November 22, 2022

OEB approves new multi-year natural gas conservation plan for Enbridge Gas Inc. and an updated natural gas conservation policy framework

DECISION

The OEB has approved a 3-year natural gas conservation¹ plan for Enbridge Gas Inc. (Enbridge) beginning January 1, 2023, as well as an accompanying policy framework to guide the development of future conservation plans.

Highlights of the OEB's [Decision and Order](#) include:

- Approval of an enhanced joint residential whole home retrofit program with Natural Resources Canada (NRCan) that will be delivered by Enbridge, providing residential customers with additional financial incentives and more choice when it comes to making improvements related to energy efficiency, including incentives for electric heat pumps, insulation, thermostats, windows, doors and air sealing.
- Continuation of programs for qualified low-income customers to improve the efficiency of their homes at no cost to the customer.
- Approval of continued program offerings for commercial and industrial customers to increase awareness about important energy usage issues, develop custom efficiency improvement plans, and provide financial incentives to help support various energy efficiency projects.
- A new End-of-Term Natural Gas Reduction Incentive that could see Enbridge earn an additional \$30M if it can lower the total volume of natural gas sold to its Ontario customers in 2025 by 1.5% relative to 2022 natural gas sale volumes.
- Establishment of a new stakeholder advisory group whose primary objective is to provide input on Enbridge's next multi-year natural gas conservation plan.
- An updated policy framework to guide future natural gas distributor conservation plans.

In addition to approving a new policy framework, the OEB noted its expectation that Enbridge's next multi-year natural gas conservation plan will result in meaningful natural gas savings each year between 2026 and 2030. The OEB expects that, at a minimum, the level of natural gas savings during the next multi-year term will be the equivalent of at least 0.6% of sales in 2026, 0.8% of sales in 2027 and 1.0% of sales in each year from 2028 through to the end of 2030, relative to the prior year. This will ensure that significant benefits are provided to Enbridge's customers.

Further details of the Decision and Order are provided in the attached Appendix.

¹ In the natural gas context, conservation is also referred to as "demand side management" or "DSM".

Currently, depending on their rate zone, residential customers pay between \$1.05-\$1.70 per month to fund the costs of Enbridge’s conservation programs. The average projected cost under this Decision and Order is a range of \$1.36-\$2.21 per month. Bill impacts will vary depending on how much natural gas individual customers use. Natural gas use is generally highest during the winter months.

BACKGROUND

Since 1995, the OEB has overseen the natural gas conservation plans of Ontario distributors, providing conservation and energy efficiency opportunities to many natural gas customers.

In December 2020, the OEB issued a [letter](#) that provided initial guidance and expectations for the filing of a new multi-year natural gas conservation plan by Enbridge. In May 2021, Enbridge filed an application seeking approval of a natural gas conservation plan and accompanying policy framework.

To ensure that natural gas conservation programs remained available to customers while Enbridge’s application was considered, the OEB issued a [Decision](#) in August 2021 that approved the continuation of the previously approved conservation plans until the end of 2022.

About the OEB

The OEB is the independent regulator of Ontario’s electricity and natural gas sectors. It protects the interests of consumers and supports the collective advancement of the people of Ontario. Its goal is to deliver public value through prudent regulation and independent adjudicative decision-making which contributes to Ontario’s economic, social and environmental development.

Contact Us

Media Inquiries

Phone: 416-544-5171

Email: oebmedia@oeb.ca

Consumer Inquiries

416-314-2455/1-877-632-2727

Ce document est aussi disponible en français.

This Backgrounder was prepared by OEB staff to inform Ontario’s energy consumers about the OEB’s decision and is not for use in legal or regulatory proceedings. It is not part of the OEB’s reasons for the decision; those may be found in the Decision and Order issued November 15, 2022, which is the official OEB document.



DECISION HIGHLIGHTS

ITEM	ASK / PROPOSED	DECISION / FINDINGS
Term <i>(Overview, p. 1, Section 3.1, pp. 11-13)</i>	<ul style="list-style-type: none"> January 1, 2023 to December 31, 2027 	<p>The OEB approved a shorter term – a three-year period from January 1, 2023 to December 31, 2025.</p> <p>This provides greater flexibility to respond to a changing energy landscape, new policy developments at the provincial and federal levels and the introduction of new technologies and modes of energy efficiency and conservation program delivery.</p>
Budget <i>(Overview, p. 2, Section 4.3, pp. 55-57, and Schedule A)</i>	<ul style="list-style-type: none"> \$142.26M (2023) Annual increases for program growth (3%) and inflation (CPI) for the duration of its proposed plan 	<p>The OEB approved a 2023 budget of \$167.24M, which includes increased funding to support the enhanced incentives in the joint residential whole home retrofit program.</p> <p>This amount is to be increased each subsequent year of the conservation plan by the annual rate of inflation and an additional 3% for all program-related costs.</p>
Programs <i>(Overview, pp. 1-2, Section 4.2, pp. 17-54, Schedule B for EGI-NRCan Joint Program details)</i>	<ul style="list-style-type: none"> Enbridge requested programs for each of the main customer segments: Residential, Low-Income, Commercial, Industrial, Large Volume, as well as programs targeted at helping change current practices in the market, including educating contractors and installing more heat pumps and educating and changing building practices of construction companies (homes and buildings). 	<p>The OEB largely approved the programs as filed, with some modifications.</p> <p>The OEB provided direction on how Enbridge is to use ratepayer funding as part of the joint residential whole home retrofit program including:</p> <ul style="list-style-type: none"> Increases to the budget for the residential whole home offering of \$60M (up from the proposed \$30.6M). <p>The increased funding is intended to support the enhanced financial incentives available to participating customers. Providing increased customer incentives will allow for greater opportunities for customers to realize material natural gas savings that will lower natural gas bills.</p> <ul style="list-style-type: none"> Additional incentives for electric heat pumps.

ITEM	ASK / PROPOSED	DECISION / FINDINGS
		<ul style="list-style-type: none"> The elimination of the requirement that a residential customer that participates in the program must remain a natural gas customer after the efficiency improvements. That requirement is inconsistent with allowing customers to make their own energy use decisions and acts as a barrier to achieving greater overall natural gas savings and Green House Gas (GHG) reductions. <p>The OEB rejected the proposed Low Carbon Transition programs that proposed to provide incentives for the installation of gas and hybrid heat pump systems and provide training to contractors.</p> <ul style="list-style-type: none"> The OEB redirected the proposed funding to the joint residential whole home program so that greater progress can be made in advancing the use of electric heat pump technologies throughout Ontario. <p>The OEB also modified the Large Volume program directing that gas-fired electricity generators be exempt from this program.</p> <p>The OEB found that price signals related to carbon pricing as well as legislated requirements are a significant driver in ensuring that gas-fired electricity generators are addressing energy efficiency in a sufficient manner.</p>
<p>Performance Scorecards <i>(Overview, p. 2, Section 4.6, pp. 64-77, and Schedule C)</i></p>	<ul style="list-style-type: none"> Natural gas savings targets that largely resemble current levels for the four main program categories <ul style="list-style-type: none"> - Residential - Low Income - Commercial - Industrial 	<p>The OEB approved the proposed targets, largely as filed, other than for the Residential Program, where the natural gas savings target has been increased by 50%, reflecting the OEB’s approval of an expanded scope and increased budget for the joint residential whole home retrofit program.</p>
<p>Shareholder Incentive <i>(Overview, pp. 2-3, Section 4.5, pp. 58-63)</i></p>	<ul style="list-style-type: none"> Continue the current shareholder incentive structure where up to \$20.9M was available if Enbridge surpassed all its program metrics by 50% (i.e., met 150% of each target). 	<p>The OEB largely approved the continuation of the current structure and maximum shareholder incentive level for program scorecard related results.</p> <p>The OEB revised the earning thresholds from the proposed 50/100/150% levels to 75/100/125%. This results in Enbridge being able to earn a shareholder incentive only if it meets at least 75% of a performance metric, and earnings are capped at 125% of a metric.</p>

ITEM	ASK / PROPOSED	DECISION / FINDINGS
	<p>Proposed a number of new performance metrics, including a Net Benefit Incentive and a Long-Term GHG Reduction Incentive.</p>	<p>The OEB rejected the new proposed Net Benefit and Long-Term GHG reduction incentives. The OEB determined that these proposals would not result in incremental efforts or value.</p> <p>The OEB approved a new, incremental End-of-Term Natural Gas Reduction Incentive focused on overall natural gas reductions. Should Enbridge reduce total natural gas sales volumes at the end of 2025 by 1.5% (on a weather-normalized basis) compared to 2022 sales volumes, it will earn an additional \$30M. Should it only be able to meet 75% of this target, it is eligible for a \$15M incentive.</p>
<p>Stakeholder Engagement <i>(Overview, pp. 1-4, Section 4.13, pp. 89-92, and Schedule D)</i></p>	<ul style="list-style-type: none"> Hold an annual half-day meeting with interested stakeholders to update them on current activities and results. 	<p>The OEB determined that a more intensive approach is required.</p> <p>There will be a new natural gas DSM stakeholder advisory group (DSM-SAG) to be led by OEB staff and include representatives from Enbridge, non-utility stakeholders and independent experts.</p> <p>The DSM-SAG will provide a forum for the provision of meaningful input and recommended changes to Enbridge’s conservation portfolio, including specific changes to programs to increase the level of natural gas savings and contribute to a greater reduction in overall natural gas sales volumes.</p> <p>Ultimately, the OEB expects the DSM-SAG to produce a report that summarizes its work and recommendations and that this report be included as part of Enbridge’s next multi-year conservation plan application.</p>
<p>DSM Policy Framework <i>(Overview, p. 3, Section 4.1, pp. 14-17 and Schedule E)</i></p>	<ul style="list-style-type: none"> Approval of an updated DSM Policy Framework intended to support Enbridge in defining the approved parameters upon which it will operate its conservation programs. No sunset date, unlike the current DSM Policy Framework. 	<p>The OEB approved an updated policy framework.</p> <p>The DSM Policy Framework provides the basis for planning, consideration and decision-making related to ratepayer funded natural gas conservation activities in Ontario.</p> <p>The DSM Policy Framework does not have a sunset date. The OEB will consider future updates or revisions to the Framework where necessary.</p>