

# Conservation Framework: Mid-term Review Advisory Group - Meeting Notes

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| <b>Date:</b> February 23, 2017           | <b>Time:</b> 9:00am-2:00pm   |
| <b>Location:</b>                         | <ul style="list-style-type: none"> <li>St. Andrew's Club &amp; Convention Centre, 150 King Street West, 16th Fl., Toronto - Room F1</li> </ul> |
| <b>Meeting Chair(s) and Facilitator:</b> | Katherine Sparkes (IESO)   |
| <b>Scribe:</b>                           | Jodi Amy (Navigant Consulting)   |

## Meeting Objective(s):

- Introductions
- Review of group Terms of Reference and Engagement Plan
- Review of Mid-Term Review Study Plan
- Input on draft metrics for Mid-term Review Scorecard (1<sup>st</sup> study deliverable)

## Attendees:

**Members:** Amha Abraha (CBRE Limited), Chris Barker (CustomerFirst Inc.), Raegan Bond (Alectra Utilities), Iuliana Calin (Nest Labs), Guru Kalyanraman (CLEAResult Canada Inc.), Michael Marchant (Toronto Hydro-Electric System Limited), Walter Nuvoloni (Lafarge), Myfanwy Parry (Housing Services Corporation), Margaret Rodd (Entegrus Powerlines Inc.), Edward Rubinstein (University Health Network), Mark Schembri (Loblaw), Sahar Mishriki (Hydro One) - delegate

**Observers:** Colin Anderson (AMPCO), Bart Burman (Burman Energy Consultants), Giovanna Gesuale (ENWIN Utilities Limited), Edward Glasbergen (Energy+ Inc.), Roy Hrab (Ontario Energy Association), Michael Lio (buildABILITY), Erika Lontoc (Enbridge Gas Distribution Inc.), Tracy Lynch (Union Gas Limited), Frances Murray (Just Energy Ontario LP), Justin Rangooni (Electricity Distributors Association), Dan Roberts (Roberts and Company), Emma Schwab-Pflug (Ministry of Energy), Janet Taylor (Oshawa PUC Networks), Joanne Van Panhuis (Brantford Power Inc.), Brandon Weiss (Cornerstone Hydro Electric Concepts Association Inc.), Steve Zebrowski (Veridian Connections Inc.), Katie Zwick (Ministry of Environment and Climate Change)

**IESO:** Katherine Sparkes – Chair, Carrie Aloussis, Susan Harrison, Erinn Meloche

**Navigant:** Jodi Amy, Benjamin Grunfeld

## Regrets:

**Members:** George Katsuras (Hydro One)

**Observers:** Sarah Colvin (Ecobee), Ben Weir (CanSIA), Joe Barile (Essex Powerlines Corporation),

Jeff Kish (liteSMART), Ersilia Serafini (Summerhill), Jack Gibbons (Ontario Clean Air Alliance), T Wilson (Thunder Bay Hydro)

**IESO:** Alexandra Campbell, Evelyn Lundhild

**Navigant:** Arabind Nanda

| Action Items Identified  | Response  |
|--|---|
| IESO and Navigant to map policy objectives from 2013 LTEP and Conservation Directions to Mid-Term Review objectives.             | Section to be added in each monthly topic report  |
| IESO and Navigant to outline what is out of scope of Mid-Term Review.  | Section to be added in each monthly topic report  |
| IESO and Navigant to add a “Definition of Conservation and Demand Management” standalone topic to the Mid-term Review Study Plan | Added to next draft of Study Plan   |
| IESO and Navigant to update scorecards taking advisory group’s (Advisory Group) comments into consideration.                     | Comments will be addressed in the topic scorecards present in each monthly topic report |

| Key Themes Identified   |
|---|
| <ul style="list-style-type: none"> <li>• Need to clearly map policy objectives from 2013 LTEP and Conservation directives to the mid-term review objectives</li> <li>• Need for specific, quantitative policy goals for conservation/DSM in Ontario</li> <li>• Need to incorporate both participant and non-participant feedback</li> <li>• How Conservation and Demand Management is considered in the context of Regional Planning and challenges with metrics (e.g., Conservation and Demand Management is measured in terms of energy savings whereas regional planning considers peak demand savings)</li> <li>• Bill savings are an important outcome of participation from a customer perspective</li> <li>• Definition of Conservation and Demand Management, what is/should be included? What is not/should not be included? What are the impacts on participants and non-participants?</li> <li>• Capturing regional differences in metrics and analysis</li> </ul> |

**Agenda Item 1: Welcome and introduction**

Speaker: Katherine Sparkes (IESO)

Katherine kicked off the Advisory Group meeting with a discussion on the purpose and goals of the Advisory Group. She reiterated the goal of engaging broadly to gather multiple views on programs to date to ensure the recommendations of the review reflect the views of the market. Roundtable introductions were made of Advisory Group members, observers, IESO and Navigant staff. Introduction concluded with a review of agenda items.

**Agenda Item 2: Review of Mid-term Review Engagement Plan**

Speaker: Susan Harrison (IESO)

Susan provided a summary of the engagement plan posted on the engagement website for the Mid-Term Review including a discussion of the IESO engagement framework, draft engagement plan, engagement approach, high-level timelines and schedule. IESO will be seeking comment throughout the process to continuously improve its practices.

### **Agenda Item 3: Review of Mid-term Review Advisory Group Terms of Reference (TOR)**

Speaker: Susan Harrison (IESO)

Susan communicated that the draft Terms of Reference was posted, revisions were made with respect to how the IESO will work with both the observers and Advisory Group. Susan reiterated expectations for Advisory Group members. Materials will be provided in advance, with expectation that materials will be reviewed to allow the Advisory Group meetings to focus on discussion rather than education. Advisory Group members are expected to provide input on materials. Members may consult within constituencies if desired. Member attendance in-person is preferred, delegates are discouraged to ensure continuity and understanding of content.

Susan reiterated the roles of observers: observers may observe discussions and participate when requested. Meeting administration was reiterated: monthly scheduled meetings, meetings facilitated by Katherine Sparkes, materials will be posted in advance, notes will be posted to the engagement website following circulation to the Advisory Group for review.

#### ***Questions/comments:***

*Discussions to confirm the level of detail and review process for notes. Confirmation that notes will represent a higher level summary of discussions and perspectives rather than a transcript. Feedback will be solicited from the Advisory Group members prior to posting.*

### **Agenda Item 4: Review of Mid-term Review Study Plan**

#### **Part I: Background and Context**

Speaker: Katherine Sparkes (IESO)

Katherine communicated the process that was undertaken to develop the project plan (e.g., issues list, timing, etc.) and the goals of the Conservation First Framework, Industrial Accelerator Program and the Mid-term Review.

#### ***Questions/comments:***

*Discussions on the overarching policy objectives set by government and how they map to the Mid-Term Review and framework objectives as it is hard to determine how we are doing against a policy if we have not defined the policy. Group members noted that there should be consideration of the impacts of codes and standards on energy efficiency in Ontario and the broader energy policy in which Conservation First Framework and Industrial Accelerator Program take place. IESO responded that the specific policy objectives for Conservation are understood to be set out in the Directions that IESO received for each of Conservation First Framework and Industrial Accelerator Program as well as the 2013 Long Term Energy Plan (LTEP). IESO clarified that the intent of the Framework is to determine the effectiveness of the implementation of the Government's Direction and to inform the Government's Direction for conservation and demand*

*management for the 2018-2020 period and beyond. It was noted that it is important to consider Government policy developments since the targets and policy were set in 2014, for example, climate change action plan (CCAP).*

*Discussions and clarifications that the Directions for Conservation First Framework and Industrial Accelerator Program set out a framework focused more on resource acquisition than market transformation. Confirmation that while the scope of the Mid-Term Review within the 2018 to 2020 period is limited to resource acquisition. However, 2020+ could consider conservation in a broader sense. It was also noted that certain initiatives - e.g. innovation funding, pay for performance based programs – are promoting market transformation.*

*Comment that to improve understanding of customer satisfaction and existing program infrastructure usability, a summary of applications and types of projects that were successful and not successful (and if not successful, why) would be helpful. IESO/Navigant responded that what has happened in the past will be covered in the topic based reports, for example, timelines, approval rates, etc. Follow-up comment that it would be helpful for IESO to outline what is out of scope for the Mid-Term Review (e.g., program design and eligibility should be out of scope).*

*Comment that it would be effective to test whether a factor is an enabler to encourage conservation and to determine the effectiveness of outreach. Outreach in terms of program education, how many people are aware, level of knowledge in the market. Taking a snapshot of 2018 and need to consider how success is viewed differently throughout the framework.*

Katherine reviewed aspects of the Conservation First Framework and Industrial Accelerator Program such as dollars invested and new programs developed by LDCs. Katherine reviewed key parameters and considerations such as the most recent directive to the IESO (to ensure province-wide programs are available to all Ontarians) and reasoning behind the timelines of the study. Reviewed specific areas that the Mid-Term Review will consider.

Katherine discussed the objectives and outcomes of the Mid-Term Review, guiding documentation (direction and Energy Conservation Agreement), and key issues and supporting inputs to be investigated.

**Questions/comments:**

*Comment that the existing policy framework sought to provide a balance between provincial consistency and flexibility for LDCs to develop local programs. Is the current balance driving or limiting participation? The answer to this question could be informed through participant and non-participant discussions.*

*Clarification that for combined heat and power projects the government owns the rights to emission reductions for the electricity savings, but the host site owns the emissions associated with the facility. IESO confirmed.*

Katherine reviewed slides containing study inputs.

**Questions/comments:**

*Question whether demand response is part of Conservation and Demand Management. Response was no, the first residential Demand Response auction occurred in December 2016; LDCs are still maintaining peaksaverPLUS. Follow-up comments that Demand Response should be considered as part of the discussion about the definition of Conservation and Demand Management, many activities are not defined, for example, dynamic pricing, integrated planning has demand needs, maybe demand and energy targets would address several issues. Demand Response and energy efficiency are interconnected and should at minimum be connected in some way. It was also suggested that solar and storage should be considered in the definition of Conservation and Demand Management. There was general agreement that the Mid-Term Review should look carefully at the definition of Conservation and Demand Management.*

**Part II: Project Plan**

**Speaker: Benjamin Grunfeld (Navigant)**

Ben walked through the project plan for the mid-term review. The list of issues identified by IESO were bucketed into seven topics that cut across both Industrial Accelerator Program and Conservation First Framework. Review will be conducted in four stages. Stage one is intended to capture the current state of affairs, stage two confirms whether the current state is accurately captured and identifies issues/challenges/opportunities given current state, stage three draws out and identifies gaps, cost/benefits, recommendations, opportunities for medium and longer term issues, and stage four provides full report taking into account all stages.

**Questions/comments:**

*Discussion on where individual items are captured in the project plan, for example, collaboration, governance, local vs. non-local, incentive setting methodology, etc. Response that there is overlap across the topics. Question as to whether it makes sense to have another topic area with electric vehicles, behind-the-meter generation, etc. Response was that the plan contemplates to include these items with climate change, however, its could also fit in with planning integration and is more broadly part of the definition of Conservation and Demand Management and extent to which review brings out strengths and weaknesses.*

*Confirmation as to whether there is a timeframe to respond to topic reports. Advisory Group comments on materials requested within one week of meeting.*

*Confirmation regarding which jurisdictions will be reviewed and whether any form of normalization would occur. Response that the specific jurisdictions are not yet formalized, typically review North America. The point of the jurisdictional review is to call out unique or interesting approaches to as considerations for the framework moving forward, recognizing that there are regional, demographic, regulatory, etc. differences.*

Ben reviewed the slides specifying the issues, methodologies, and inputs for topic 1: customer and market engagement.

**Questions/comments:**

*Comments that two issues identified as part of Industrial Accelerator Program (efficacy of current approach and awareness/understanding of programs) would be valuable to review as part of Conservation First*

*Framework as well. It will be important to capture what is working well and what is not working well. Clarification requested regarding which topic will cover infrastructure and contracts. Response that external facing will be covered under topic one (customer and market engagement) and internal will be covered under topic three (governance and operations). Comment that if a contract is hard to read and understand it should be considered part of customer engagement. Response that if a contract is structured to manage risk there is also an internal consideration around balancing the right level of risk and customer experience. Comment that best practices from other jurisdictions could identify the needs of the customer and outreach as an objective should be considered.*

*Discussion surrounding utility costs and rates as a barrier to customer participation, costs are the bottom line from a customer perspective – are rates driving customer experience, motivations, etc. and are we broad enough here to identify the barriers and how many are Conservation First Framework related? Response that there is a broader communication piece to rates and how we speak to customers that is separate from this review.*

*Question regarding whether this section will be broken down by segment. Response that existing materials will be evaluated through potential studies, market research, Evaluation, Measurement & Verification, etc. Discussion regarding how the differences across LDCs will be captured within the study recognizing that customer feedback and efficacy may differ across the utility and the difference may or may not be attributable to the framework. Further comment that the Achievable Potential study addressed some LDC variation and there will be variation across programs. Response that the Advisory Group will be a good source to ensure LDC differences are captured, need to think more about how this is integrated into the study, for example integrating regional differences into the scorecard. In addition, the regional specificity in Evaluation, Measurement & Verification and Customer Satisfaction (CSAT) work will be helpful along with primary research.*

*Comment regarding the need to look at how customer feedback is solicited and handled and what is the value to the customer to drive the solution and the effectiveness of communication. Response that outreach and communication are part of the engagement and we can look at the tools and systems that support communication and outreach. Question regarding whether there is room to investigate non-cost effective bill savings programs. Response is that this issue could be considered with budget and cost-effectiveness.*

*Question regarding whether the study will include asking customers more broadly about their perception of energy efficiency in general. Response that broad, mass market outreach was not intended as part of the scope. Any existing market research will be used as appropriate.*

*Question regarding the consistency of attribution of savings across jurisdictions. Observation that results coming back are different between LDCs. Response that process evaluations capture actual savings and what it is about the local delivery, administration, etc. that is affecting the results. Impact evaluations would review, for example, net-to-gross. There are differences that can be linked back to the process evaluation.*

Ben reviewed the slides specifying the issues, methodologies, and inputs for topic 2: collaboration.

**Questions/comments:**

*Comment regarding collaboration between ministries beyond Ministry of Energy and Ministry of*



*Environment and Climate Change. Discussion surrounding whether and how collaboration is really beneficial to customers. It was noted that perhaps collaboration should not be the policy objective or the thing that is measured but that the potential outcomes of collaboration – cost-efficiencies and customer satisfaction – should be the goals and that the Mid-Term Review should suggest how best to meet these goals.*

Ben reviewed the slides specifying the issues, methodologies, and inputs for topic 3: governance and operations.

**Questions/comments:**

*Discussion that comparators from other jurisdictions are needed to understand how well the framework is working (it is not enough to compare year over year result within Conservation First Framework/Industrial Accelerator Program itself). Another comment that historical comparisons within Ontario are also important. Response that there are certain variables that can be compared with other jurisdictions (e.g. resource acquisition costs, cost effectiveness, administrative vs. incentive cost splits, customer satisfaction scores, etc.) Navigant/IESO will undertake a jurisdictional scan to identify/document these comparators.*

*Question regarding whether new programs were for anyone. Response that the funding is made available to the LDCs to design and deliver new programs.*

Ben reviewed the slides specifying the issues, methodologies, and inputs for topic 4: non-energy benefits.

**Questions/comments:**

*Comment regarding the resiliency and climate change work from the Toronto climate initiative could be a good source of information.*

Ben reviewed the slides specifying the issues, methodologies, and inputs for topic 5: planning integration.

**Questions/comments:**

*Question regarding how desired behaviour is incentivized. Response that there are different ways such as targets, payments under the framework, etc. The focus will be how planning integration works today, how it could work under this framework, and how it could/should evolve. It was noted that the lack of demand reduction targets for LDCs is a significant barrier to the integration of Conservation and Demand Management into regional planning. It was suggested that there should be GHG reduction targets within the framework.*

Ben reviewed the slides specifying the issues, methodologies, and inputs for topic 6: climate change.

**Questions/comments:**

*Question regarding who receives the outcome of this discussion. Response that ultimately the Ministry of Energy, however, there will be ongoing discussions with government throughout and there is a larger interest in the climate file and recommendations. Question regarding who provides the recommendations at the end of the Mid-Term Review. IESO noted that the recommendations are made by the IESO to the*

Ministry. The work of the Advisory Group as well as the broader engagement group will inform the IESO's recommendations. The IESO will note instances where there were diverging opinions or alternative options put forward by interested parties.

Ben reviewed the slides specifying the issues, methodologies, and inputs for topic 7: budgets, targets, cost-effectiveness

**Questions/comments:**

Question regarding how the midterm review interacts/connects with the Long Term Energy Plan (LTEP). Response that the LTEP is under development and not anticipated to be released for several months. IESO and Advisory Group will address outputs from LTEP as they are available and as they may impact Conservation First Framework and Industrial Accelerator Program.

**Agenda Item 5: Presentation of Draft Mid-term Review Scorecard**

**Speaker: Benjamin Grunfeld (Navigant)**

Ben reviewed each element of the draft Conservation First Framework scorecard and communicated the purpose of the review which was to obtain feedback from the Advisory Group on the metrics within the scorecard.

**Element 1: Budgets, targets, cost-effectiveness**

**Questions/comments:**

Discussions surrounding the definition of demand (e.g., system peak, facility peak, etc.). Need to define what demand savings are reported in the scorecard. Discussions regarding the measurement of naturally occurring conservation level and incentive setting as it informs market transformation. Response that IESO will look to add additional system impact metrics based on data available through evaluation, measurement and verification.

Questions surrounding the "red/yellow/green" and how the level will be informed, for example, will policy inform the level? Response that there are a few options that will be considered and refined.

Discussions regarding the level of detail and whether acquisition costs, funding by program, LDC, section, region, etc. will be measured and a caution regarding attribution of differences to structure vs. region vs. LDC. Response confirming that the metrics can be developed, in theory, but the study will focus on the trends rather than calling out individual LDCs. The level of detail from various sources will define the depth of analysis possible, for example, Customer Satisfaction (CSAT) scores are primarily by large LDC or province-wide, but Evaluation, Measurement & Verification results are by region.

**Element 2: Customer and market engagement and satisfaction**

Discussions regarding market penetration. Caution regarding the measurement and interpretation of market penetration metrics due to the fact that similar programs have been active across multiple frameworks. Questions arose regarding the methodology that will be used to calculate penetration metrics. Response that the achievable potential study will provide a source that can be leveraged to understand market penetration.



*Discussions surrounding sources and segmentation. Question regarding whether LDC surveys and segmentation will be used. Response that LDC surveys will be used to the extent possible with considerations for the variation in methodologies. Scorecard will segment customers to the extent possible.*

### **Element 3: Governance and operations**

### **Element 5: collaboration**

#### **Questions/comments:**

*Discussion surrounding the need to define what qualifies and the spectrum of a “collaborative effort.” Would expect to see benefits (cost-efficiencies, customer satisfaction) and be able to quantify them, perhaps by comparing metrics between collaborating vs. joint plans vs. non-joint plans to attempt to identify the impact. Discussion surrounding whether scale efficiencies, cost-effectiveness, or customer impact can be identified or, more broadly, if we can demonstrate why collaboration might be beneficial.*

### **Element 6 and 7: Planning integration and climate change objectives**

#### **Questions/comments:**

*Discussion surrounding business competitiveness and losing market share as it relates to bill impacts and customer satisfaction, specifically surrounding customer uncertainty about behind-the-meter generation and climate policy. Response that the general question is out of scope, however, not out of scope if we are specifically investigating the incentives associated with behind-the-meter generation.*

#### **Overarching Questions/comments:**

*Discussion surrounding whether there is a way to include more measures of quality and effectiveness such as how innovative a program is (rather than how many new programs there are). Also a suggestion that LDC engagement should be measured. Additional discussion surrounding measurement of the lost opportunity associated with slow, tedious processes. Response that some aspects of innovation could be captured such as unique pilots, new technologies deployed, or innovative delivery. Response that customer satisfaction scores will be a good measure of program design/delivery quality.*

*Discussion surrounding the metrics overall and that tracking these throughout the framework would have provided more value, at a minimum we should track the same metrics moving forward. It was noted that many of the metrics are tracked and have been reported publicly and through organizational governance channels. The scorecard brings many metrics together in a simplified list.*

*Discussion surrounding loss mitigation and where this falls within the study. Response that this topic will be addressed as part of the definition of Conservation and Demand Management. Additional discussions surrounding bill savings for customers.*

*Question surrounding next steps for scorecards. Response that we will revisit based on the feedback above at the next meeting and in the meantime Advisory Group members can provide additional feedback.*