

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

Date: May 25, 2017	Time: 9:00am-2:30pm
Location:	<ul style="list-style-type: none">St. Andrew's Club & Convention Centre, 150 King Street West, 27th Fl., Toronto - Room L2
Meeting Chair(s) and Facilitator:	Katherine Sparkes (IESO)
Scribe:	Jodi Amy (Navigant Consulting)

Meeting Objective(s):

- Review key takeaways and action items from prior Advisory Group meeting
- Input on draft Topic 4 Summary: Governance and Operations

Attendees:

Members: Chris Barker (CustomerFirst Inc.), Guru Kalyanraman (CLEAResult Canada Inc.), Michael Marchant (Toronto Hydro-Electric System Limited), Myfanwy Parry (Housing Services Corporation), Edward Rubinstein (University Health Network), George Katsuras (Hydro One), Amha Abraha (CBRE Limited), Iuliana Calin (Nest Labs), Nathalie McLauchlin (designate, Alectra)

Observers: Valarie Bennett (Ontario Energy Board), Afreen Khan (Environmental Commissioner of Ontario), Bart Burman (Burman Energy Consultants), Jesse Kulendran (Electricity Distributors Association), Emma Schwab-Pflug (Ministry of Energy), Westly Johnson (CanSIA), Steve Zebrowski (Veridian Connections Inc.), Janet Taylor (Oshawa PUC Networks), Michael Lester (Enbridge Gas Distribution Inc.)

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

Navigant: Jodi Amy, Benjamin Grunfeld, Emay Cowx (C2C Strategies)

Regrets:

Members: Raegan Bond (Alectra Utilities), Margaret Rodd (Entegrus Powerlines Inc.), Mark Schembri (Loblaw), Walter Nuvoloni (Lafarge)

Observers: Colin Anderson (AMPCO), Sarah Colvin (Ecobee), Michael Lio (buildABILITY), Joe Barile (Essex Powerlines Corporation), Jeff Kish (liteSMART), Ersilia Serafini (Summerhill), Jack Gibbons (Ontario Clean Air Alliance), Tim Wilson (Thunder Bay Hydro), Dan Roberts (Roberts and Company), Joanne Van Panhuis (Brantford Power Inc.), Brandon Weiss (Cornerstone Hydro Electric Concepts Association Inc.), Giovanna Gesuale (ENWIN Utilities Limited), Edward Glasbergen (Energy+ Inc.), Roy Hrab (Ontario Energy Association), Tracy Lynch (Union Gas Limited), Frances Murray (Just Energy Ontario LP), Katie Zwick (Ministry of Environment and Climate Change)

IESO: Evelyn Lundhild

Action Items Identified	Response
IESO and Navigant to finalize current state summaries 2 and 3 based on Advisory Group feedback	Navigant/IESO to update documents and circulate
IESO and Navigant to update current state summary 4 based on Advisory Group feedback	Navigant/IESO to update documents and circulate
IESO to collect additional information on new programs and amendments to existing programs to better understand reasons for rejection	IESO to provide an update to Advisory Group when to analysis is complete
IESO and Navigant to prepare discussions questions to guide future Advisory Group meetings	Navigant/IESO to develop and circulate in advance of future Advisory Group meetings

Key Themes Identified
<ul style="list-style-type: none">• Key processes that have opportunities for improvement and potentially high impact: province-wide program changes and introduction of new province-wide programs, responsibility and authority, program operations (iCON, approvals prior to project initiation)• Roles, responsibilities, and processes surrounding working groups and Conservation First Implementation Committee and where the voices of the customer, manufacturers, service providers and other interested stakeholders is appropriately captured and whether a more formal/different process is needed to ensure these perspectives are heard and considered in decision-making.• Roles, responsibilities, and processes surrounding competition and innovation and how the framework can enable more innovation and what are the implications• Processes and rules related to incentive stacking and recognition that this will increase in the future with the Climate Change Action Plan



Key Themes Identified

- Inconsistency across the province in terms of interpretation of program rules, results (specifically net-to-gross), and project approvals with specific discussions around the difference between project approvals between electricity and natural gas programs
- Other processes that could be improved with a smaller impact are: updated templates and processes for CDM plans, program business cases, customer interaction with Evaluation, Measurement, and Verification processes and IESO-LDC audits
- Future Advisory Group meeting format will be modified to increase focus on discussion rather than a review of the current state summary topic

Agenda Item 1: Welcome and Introduction

Speaker: Katherine Sparkes (IESO), Jodi Amy (Navigant)

Katherine kicked off the Advisory Group meeting with a review of the agenda and objectives. Roundtable introductions were made of Advisory Group delegates and IESO observers. Katherine highlighted that most action items would be discussed during the next agenda item.

Agenda Item 2: Review of Action Items

Speaker: Jodi Amy (Navigant)

Jodi highlighted the updates and status of the Market Research Plan. The IESO and Navigant are reviewing contemplated market research efforts against existing IESO market research and other efforts underway as part of the evaluation, measurement, and verification process to minimize duplication of efforts.

Questions/comments:

Member commented that outreach to the financing sector could provide additional perspectives with respect to market transformation.

Jodi highlighted the updates to Topic 2: Definition of Conservation and Demand Management (CDM) and described the methodology used to track changes between versions circulated to the Advisory Group. Jodi highlighted the updates to Topic 3: Collaboration.

Questions/comments:

Advisory Group member requested changes in formatting on certain slides, Navigant agreed to update the slides. Clarification of the costs include and not included in levelized cost and acquisition cost metrics, specifically that the metrics are from the LDC CDM Plans. Navigant to add a note to clearly communicate what is and is not included in the metrics. Advisory Group member flagged that eligibility for the Industrial

Conservation Initiative is not impacted by energy efficiency program participation. Ministry of Energy confirmed.

Agenda Item 3: Project Plan Progress

Speaker: Jodi Amy (Navigant)

Jodi highlighted the status of the Mid-term Review project plan.

Questions/comments:

Advisory Group member suggested that additional time should be provided to discuss the budgets, targets, and cost effectiveness topic. Navigant and IESO to consider this feedback and review the schedule to see where additional discussion time can be added.

Agenda Item 4: Topic 4: Governance and Operations

Speaker: Benjamin Grunfeld (Navigant)

Ben presented the first two content slides within the executive summary of Topic Report 4: Governance and Operations. Feedback was requested from the Advisory Group.

Questions/comments:

Advisory Group members provided specific feedback on slides communicating roles and responsibilities within the Conservation First Framework and Industrial Accelerator Program. Comments on including the link back to policy objectives and the role of the Ministry of Energy. Comments emphasizing the interaction directly between LDCs and IESO, for example, with respect to regional/local programs and pilots. Comments on the role of contractors, financing and insurance companies. Question surrounding where low income fits into the Working Groups, composition of working groups, and whether the Working Groups were insular.

Katherine paused to provide clarity on the mid-term review process: (1) provide comment on the baseline (current state) assessment to determine if anything is missing; and, (2) any suggestions or thoughts moving forward, for example challenges and discussions for future state and/or solutions can be provided.

Questions/comments:

Question regarding whether the current framework is based on a stream of information from IESO or are/were other stakeholders engaged in the development of the framework. Response from Ministry of Energy observer that there was a broad consultation with LDCs as part of the 2013 Long Term Energy Plan. The current Mid-Term Review process is relying on IESO to bring forward feedback that includes considerations of the perspectives of all interest parties. In addition, feedback from customers was reflected in revisions that have been made to the Framework, for example, as reflected in the December directive to the IESO.

Comment on the process and whether we will begin to discuss and recommend changes on each topic and have an exchange on how we improve moving forward. Clarification that comments and discussion can be brought forward from any and all members at any time and that for the purpose of Advisory Group meetings, we will move forward assuming that materials have been reviewed by Group members in advance and allocate significant Advisory Group meeting time to discussion. Further feedback that the topics are complex and it would be helpful to have one or two questions to focus on. Response that discussion questions will be prepared to facilitate this process and bring forward this experience.

Discussions surrounding overall governance of the Conservation First Framework. Discussions surrounding innovation and alignment with policy objectives. Specific discussions surrounding competition with respect to program delivery and whether market mechanisms would be appropriate in the context of CDM and whether the rules and structures enable innovation. Both LDCs and customers commented that the current structure impedes innovation; service providers and suppliers noted that the current process does not allow for open competition.

Discussions surrounding the program design and approval processes. Comments surrounding risk as it relates to responsibility. Service providers and suppliers questioned why business cases would be needed if other parties are willing to take on the risk. In addition, the use of market mechanisms was discussed. LDCs commented that it is important to remember that cost effectiveness is not the only goal of the framework. Further comments from LDCs that the program design template is challenging due to the spreadsheet format.

Significant discussions surrounding changes to existing programs.

- Customers commented that there is difficulty with established channels to bring changes and innovations or projects forward beyond engaging with individual LDCs and there should also be a channel for customers. Customers further questioned whether there is a cohesive way to bring in customers to communicate with IESO and LDCs regarding shared barriers and opportunities and facilitate ways to communicate to Ministry of Energy. Clarification was provided by the IESO that Ministry of Energy has a presence on Working Groups. Discussions surrounding whether a formal structure/voice of the customer panel would be valuable.*
- LDCs commented that feedback is obtained from key accounts and they work directly with customers daily. One challenge is the ability of Working Groups to affect changes as the business case development and review/approval process is hindering agility. LDCs highlighted that there are instances where program design recommendations are developed by the Working Groups, endorsed by the Conservation First Implementation Committee, but ultimately not accepted by IESO. Fundamentally, LDCs are given the responsibility, but not the authority or budget to make changes to programs. LDCs feel the criteria is unclear and too much time is wasted between iterations of recommendations. Further discussions on whether the root cause of the back and forth can be*

determined and improved. Further comment that a risk/value based tiered approval approach may make sense.

- *IESO noted that it has implemented changes to the business case process and template over the last 18 months – in consultation with LDCs – and the timing for program review and decisions has decreased to within the established service level. IESO further noted that it has worked to ensure that market research and feedback from customers are required components of business cases.*
- *Comment that the IESO's quasi regulatory role and the provincial delivery agent role may be at odds and leads to complications and emphasizes the importance of delivering on very different roles.*
- *Discussions surrounding the roles and authority of the Conservation First Implementation Committee, Working Groups, and LDCs. Discussions surrounding how the role of the Conservation First Implementation Committee has evolved over time in so far as it started out as a result of the contract between the LDCs and IESO for the previous 2011-2014 framework in which LDCs could not change the agreement themselves but rather had delegated contractual changes to a third party within the contract. The Conservation First Implementation Committee was created to provide some coordination amongst LDCs and IESO for the administration of the Energy Conservation Agreement given that each LDC has full autonomy for its own contract with IESO under the Conservation First Framework. Roles discussed included specific interaction with IESO related to contractual changes representing LDCs, and endorsing program changes and new program design recommendations from Working Groups. It was noted that while perhaps Conservation First Implementation Committee serves its purpose from a contract administration perspective, a broader group of interested stakeholders may be beneficial to providing ongoing guidance to the direction of CDM in Ontario.*
- *Customers commented that ruling by committee is not the best approach and if targets are being met, does there need to be a discussion about governance. Further recognition that there are many indicators and multiples areas that must be considered beyond targets.*

Comments on CDM Plan templates and governance surrounding the process. LDCs highlighted an opportunity to streamline the process.

Discussions surrounding audits from IESO to LDCs. Comment that perhaps more flexibility surrounding timing, frequency, and communication is needed. Comment from service providers and suppliers that there needs to be due diligence up front and compliance after. The IESO noted that it has made several changes to the Conservation First Framework counterparty compliance audit (which has just started LDC audits) to address LDC feedback on prior approaches.

Further discussions surrounding the role of governance in program changes. Recognition that governance by committee structure is naturally slower and less efficient, but builds consensus. LDC comment that the

IESO is responsible for defining programs. Confirmation that the Working Group and Conservation First Implementation Committee role is to provide recommendations rather than decisions. Broad discussion regarding the need to define success (e.g., cost effectiveness, participation, etc.). LDCs highlighted a disconnect between recommendations that come from Working Groups and what is adopted by the IESO which contributes to delays and frustration and creates a barrier to the adoption of new technology and innovation. Emphasis that the goals should be more clearly communicated by IESO. IESO noted that its role is to review and make decisions with regards to programs and to ensure alignment with CFF policy and that certain proposed programs/changes have not achieved such alignment.

Discussions surrounding program operations. LDCs highlighted that iCON is a high impact and high frequency process and there are large issues and is both an IESO-LDC process and direct to customer process. iCON impacts customers the most and operational productivity.

Specific discussions surrounding the Evaluation, Measurement and Verification process. LDCs highlighted a large difference in Net-to-Gross across the province and the need to understand what is driving the difference. LDCs are working with IESO to understand what is driving the difference. Comment from IESO that they have heard that there is a large difference across the province in terms of customer experience. Customers also noted that the difference in experience by program depending on which LDC is responsible for delivery (for example, LDC rule interpretation regarding intent to participate in a program prior to completion of a formal application varies). Customers noted that the Evaluation, Measurement and Verification process is sometimes unclear. Customers sometimes receive multiple calls afterward completing a project. It is frustrating having to dig through documentation. The process should be more straight forward.

Customers commented that buildings are entire systems (i.e. include both electricity and natural gas) it seems complicated to apply to two sets of utilities. Application processes has multiple levels. Overall customer experience of the time it takes to move through the process and waiting for approval.

Discussions surrounding stacking of incentives. Customers commented that as more funding becomes available through other sources (e.g., Climate Change Action Plan), there is an increasing need in the process to also consider the role of these other sources as an influencer to move forward with a project. There could be increasing instances where the validation that a customer is influenced by a funding source (or sources) stands on conversations rather than formal paperwork. Further comments from customers that stacking creates confusion on eligibility - gas/electric treat funding differently. Service provider/supplier commented that from a customer standpoint, communication to customers is confusing and unclear. Further comment that benefits must be stacked in a clear, easy to understand way. Observer comment that the issue with free ridership and conversations in advance of the project is that free ridership studies go back to customer after and stacking is a consideration.

LDCs commented that the same project in multiple territories approved through different LDCs, there is different interpretation of rules in different territories which can lead to different savings and understanding

of programs. The time required to go through the process is challenging. LDCs and applicant representatives do the work to help customers. The issue is that the process that we have is not efficient and there are a lot of human resources required with the process due to the system.

Customers commented that the project approval process is a challenge and can create delays to interval processes. LDCs agreed and questioned whether it was possible to loosen rules to make the process faster and/or more streamlined/simplified. IESO highlighted that LDCs are responsible for the creation of participant agreements and forms and program delivery and that program rules were revised – at the request of LDCs – to allow the ability to begin a project without all documentation provided that the customer indicated their intent to apply to the LDC before they started the project. Customers comment that they had not heard about this opportunity. LDCs commented that this process requires them to issue the customer a waiver letter and an application number is still required to get started. LDCs also noted that they may have challenges with confirming what the existing equipment was. Customers commented that with gas utilities, the utility is comfortable provided there was dialogue in advance. From an LDC perspective there are two issues: (1) If an LDC funds the project, will the savings be validated; and, (2) from a compliance stand point, will the LDC get refunded and can LDC prove that the conversation (binding commitment) occurred.

Agenda Item 5: Closing Remarks

Speaker: Katherine Sparkes (IESO), Benjamin Grunfeld (Navigant)

Question regarding the style and structure of the meeting with a focus on discussion. There was general agreement from Advisory Group members to focus on this approach. Confirmation that moving forward, the meetings will focus on specific thoughts and comments on materials followed by facilitated discussion questions on the topic. Further comment that later in the summer when insights are forming, will begin to bring in options to determine what resonates with the group while beginning to consolidate comments across topics.