

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

Date: July 20, 2017	Time: 9:00am-4:00pm
Location:	<ul style="list-style-type: none">St. Andrew's Club & Convention Centre, 150 King Street West, 16th Fl., Toronto - Room F1
Meeting Chair(s) and Facilitator:	Katherine Sparkes (IESO)
Scribe:	Dixon Grant (Navigant Consulting)

Meeting Objective(s):

- Review key takeaways and action items from prior Advisory Group meeting
- Seek input on draft current state summary: Climate Change

Attendees:

Members: Gia De Julio (delegate – Alectra Utilities), Amha Abraha (CBRE Limited), Chris Barker (CustomerFirst Inc.), Margaret Rodd (Entegrus Powerlines Inc.), Myfanwy Parry (Housing Services Corporation), George Katsuras (Hydro One), Mark Schembri (Loblaw), Iuliana Calin (Nest Labs), Michael Marchant (Toronto Hydro-Electric System Limited)

Observers: Bart Burman (Burman Energy Consultants), Wes Johnston (CanSIA), Erika Lontoc (Enbridge Gas Distribution Inc.), Afreen Khan (Environmental Commissioner of Ontario), Joyce Mankarios (Delegate - Electricity Distributors Association), Frances Murray (Just Energy Ontario LP), Yvonne DiTullio (Delegate - Ministry of Energy), Valerie Bennett (Ontario Energy Board), Roy Hrab (Ontario Energy Association), Janet Taylor (Oshawa PUC Networks), Dan Roberts (Roberts and Company), Tim Wilson (Thunder Bay Hydro), Tina Nicholson (Union Gas Limited), Steve Zebrowski (Veridian Connections Inc.)

IESO: Katherine Sparkes – Chair, Carrie Aloussis, Erinn Meloche, Nik Schruder, Terry Young

Navigant: Jodi Amy, Emay Cowx (C2 Strategies), Dixon Grant

Ministry of Environment and Climate Change: James Nowlan, Clarence Cheng, Anna Palamarchuk

Regrets:

Members: Raegan Bond (Alectra Utilities Inc.), Guru Kalyanraman (CLEAResult Canada Inc.), Walter Nuvoloni (Lafarge), Edward Rubinstein (University Health Network)

Observers: Colin Anderson (AMPCO), Bala Gnanam (BOMA), Joanne Van Panhuis (Brantford Power Inc.), Michael Lio (buildABILITY), Brandon Weiss (Cornerstone Hydro Electric Concepts Association Inc.), Joe Barile (Essex Powerlines Corporation), Sarah Colvin (Ecobee), Giovanna Gesuale (Enwin Utilities Limited), Edward Glasbergen (Energy+ Inc.), Jesse Kulendran (Electricity Distributors Association), Katie Zwick (Ministry of Energy and Climate Change), Emma Schwab-Pflug (Ministry of Energy), Jack Gibbons (Ontario Clean Air Alliance), Ersilia Serafini (Summerhill)

IESO: Evelyn Lundhild, Susan Harrison

Navigant: Benjamin Grunfeld

Action Items Identified	Response
Slide 44 references Ontario Planning Outlook Scenario B. This should be changed upon release of the 2017 Long Term Energy Plan.	Navigant/IESO to update documents and circulate once data becomes available
Slide 12 should be identified as a “snapshot” that reflects the information available at the time, and the slide should also incorporate the fact that there are federal incentives.	Navigant/IESO to update documents and circulate
Discussion question 2 should be changed from asking if the current structure is “conducive” to “optimized” to support Ontario’s climate change policy objectives.	Navigant/IESO to update documents and circulate
A caveat will be added to slide 13, where it will be stated that: if Combined Heat and Power offsets grid-electricity, it would be considered higher-emitting. However, if Combined Heat and Power offsets other less-efficient generating types, then it coincides with climate strategy.	Navigant/IESO to update documents and circulate

Key Themes Identified
<ul style="list-style-type: none"> • Class B customers should be a focus for interviews in the market research phase. • Given the future supply mix in Ontario, increased electrification may result in increased greenhouse gas (GHG) emissions. In this scenario, conservation will be vital in meeting Ontario’s climate change targets. • There is an overlap between Conservation and Demand Management (CDM) and Demand



Key Themes Identified

Side Management (DSM) targets and future Climate Change Action Plan programs and targets. Communication to customers could be confusing if there is no integration.

- Collaboration is required for integration between the three frameworks, but there is little policy guidance on how this could be enabled, specifically around incentive stacking and attribution of energy savings between frameworks.
- Collaboration should be driven from the top down (i.e., amongst the ministries) to reduce duplication of efforts and increase cost-effectiveness.
- If there is an overlap between climate change objectives and Conservation First Framework programs, the Conservation First Framework targets and budgets should be updated accordingly.
- It will be more cost-effective to modify existing programs than add new programs to meet climate change goals.
- There will be a learning curve for customers to understand greenhouse gas reduction goals (which could increase electricity use) versus electricity reduction goals.
- Harmonization of targets between frameworks may be necessary in achieving integration. However, these targets must be carefully designed and must be cost-effective.
- Conservation First Framework policy should be adjusted to include fuel-switching, and there is support for incentives for distributed energy resources.

Agenda Item 1: Welcome and Introduction

Speaker: Katherine Sparkes (IESO)

New participants to the Advisory Group meeting were introduced. Updates were given on previous current state summary reports. Katherine communicated the intention to cover the budgets, targets, and cost-effectiveness topic over the next two Advisory Group meetings (August and September). The group provided no comments or feedback on the past materials or the next Advisory Group meeting intentions. No comments on the meeting notes from June, considered final.

Agenda Item 2: Update on Market Research Plan

Speaker: Jodi Amy (Navigant)

The market research plan update was presented. Information about the timing and target participants of interviews and workshops was conveyed.

Questions/comments:

Feedback from the group indicated that the C-Suite level individuals from LDCs, especially larger LDCs, will not have the best insight into the Conservation First Framework. It was emphasized that C-Suite level employees were targeted to focus on strategic direction of CDM at utilities and that it is also important that

the individuals contacted have knowledge of the Conservation First Framework. For larger LDCs, it will be important to identify the most appropriate contact which may not be a C-Suite level individual.

A member asked if the Advisory Group will be able to review materials in advance of the workshops. It was confirmed that an email with information on the workshops will be circulated in advance. A member asked whether the Advisory Group will be able to observe the focus groups. It was confirmed that this can be accommodated, but these focus groups will only be held if time permits.

A utility member asked why the applicant representatives have been removed as a target group in the Market Research Plan. The response was that the applicant representative point of view will be captured through workshops with customers and contractors and through ongoing evaluation, measurement and verification.

A customer stated that contacting the Class B rate class should a focus for market research. Specifically, that there should be more Class B-specific opportunities because this class of customer is underserved relative to Class A and residential. It was confirmed that a focus will be put on “medium-sized” businesses, which should be representative of Class B customers.

Agenda Item 3: Update on Natural Gas DSM Framework Review

Speaker: Valerie Bennett (Ontario Energy Board)

Valerie presented an update on the Natural Gas DSM Framework Review. The group was informed that the DSM framework has been given a Mid-Term review extension to December 1st, 2018.

Questions/comments:

A customer asked if gas consumers that do not classify under the “large final emitter” threshold will be able to recoup the Western Climate Initiative credits for reducing gas consumption. The customer indicated that if gas consumers could be certified for credits, there would be more buy-in. OEB offered to take this comment back for additional clarity.

A utility member asked about what the government is doing for non-energy benefits as it relates to environmental benefits. The response is that there is a 15% adder to compensate for all non-energy benefits, and that this adder will consider both gas and electricity. It was noted that environmental benefits are not the only component of non-energy benefits.

Agenda Item 4: Update on Climate Change Action Plan

Speaker: James Nowlan (Ministry of Environment and Climate Change)

James presented an overview of The Climate Change Mitigation & Low-Carbon Economy Act (2016) and the corresponding Climate Change Action Plan. It was noted that the transportation,

and building sectors were identified as key areas for future reduction, however it was highlighted that the Plan is a large undertaking that will touch all sectors.

Questions/comments:

A utility member asked if there is collaboration with Toronto Housing as part of the Climate Change Action Plan. James responded that the Ministry of Housing collaborates with all housing providers, but Toronto is one of the largest. This is targeted in the Climate Change Action Plan, and significant funding has already been committed to this and will continue in the future.

A utility asked about the future schedule of cap and trade auctions. The response was that auctions will happen four times a year, every three months. There will be a linked auction with California and Quebec.

A customer asked if cap and trade auction revenues will flatten out past 2020. The response was that there is a significant amount of uncertainty. The Ministry of Environment and Climate Change is about to initiate their post-2020 analysis, which will provide more insight into this. It was noted that it is a positive sign that California has extended their cap and trade program past 2020.

A customer asked if non-registered emitters are able to certify credits for greenhouse gas reductions. The Ministry of Environment and Climate Change is currently assessing this, as this is something that they would like to encourage. The customer asked what percent of total emissions are provided by the large-end users that currently classify as registered emitters. This was not able to be broken out at the time of the Advisory Group meeting. Discussion surrounding the fact that the cost of emissions is passed to customers through a regulatory charge on natural gas bills.

A customer asked what is the Ministry of Environment and Climate Change's approach to bridge the education and communication gap between energy conservation targets and the new GHG-reduction targets and corresponding programs. The Ministry of Environment and Climate Change is aware that there is an overlap between climate change programs and CDM and DSM programs, and that there is an opportunity to provide a more user-friendly interface for access to programs, regardless of which organization delivers the program. Funding for this could potentially be provided through the Green Ontario Fund, and this will be targeted at residential and all sizes of commercial and industrial customers. Discussion surrounding how various customer groups will gain access to programs, response that this is a question that will be figured out and answered over time.

Utilities emphasized that they have built up strong relationships with customers, and asked how LDCs can assist the Ministry of Environment and Climate Change manage the execution of conservation programs funded through the Green Ontario Fund. The response is that the Green Ontario Fund is still in the early stages of implementation, and it would benefit from communication between the Ministry of Environment and Climate Change and utilities. Additionally, the Ministry of Environment and Climate Change could facilitate discussions between utilities and other Ministries.

Agenda Item 5: Discussion Question 1

Speaker: Jodi Amy (Navigant)

“What do Ontario’s current climate policy and plans mean for the Conservation First Framework and the Industrial Accelerator Program?” Jodi summarized the content slides related to this question, and requested feedback from the Advisory Group.

Questions/comments:

The group clarified that any changes to “structure” would be defined in the context of how climate change targets and activities relate to the Conservation First Framework and Industrial Accelerator Program.

A utility member mentioned that shifting transportation from fossil-fuels to electricity will increase electricity demand, which will cause an increase in electricity-sector GHG emissions. This is because higher electricity demand in the future will increase both nuclear and natural gas-fired generating output. This problem will be exacerbated when nuclear plants are taken offline, and further natural gas generation is needed. It was indicated that conservation could play a vital role in mitigating this. A customer indicated that conservation should be focused on critical peaks, to avoid the use of natural gas generation to meet high demand spikes. The discussion covered the fact that there are many programs that have both gas and electricity savings, which lead to lower GHG emissions, and that collaboration is vital to optimize these programs.

A member indicated that there is a formula on slide 44 that indicates that the Ontario Planning Outlook Scenario B demand forecast is used. This outlook may not be accurate upon the release of the 2017 Long Term Energy Plan. It was indicated that this would be updated based on Long Term Energy Plan 2017 when it is published.

Utilities indicated that it is not necessary to add GHG-specific targets and programs, incremental to the current Conservation First Framework and Industrial Accelerator Program goals. It was discussed that there are two established frameworks, gas and electricity, and that most of these programs could be tweaked to provide more emission reductions (e.g. by addressing critical peak). The group supported this and indicated that incremental GHG targets and programs would add confusion, and that the future approach should be more integrated. A customer agreed, and indicated that there will be a learning curve for customers if targets transition from energy savings to GHG savings. It was indicated that the current gas and electricity programs fail to treat the building as a whole system and simply focus on specific equipment or components of a building. It was mentioned that integrating CDM and DSM may help with this. A utility member proposed that a solution to the problem of climate change programs overlapping with CDM and DSM programs is to allow the government to co-brand with the LDCs and gas utilities, which will avoid the confusion for customers from choosing between multiple suppliers.

A customer mentioned that the voluntary nature of DSM is a potential barrier for integration between DSM and CDM frameworks and the Climate Change Action Plan. Discussions surrounding the fact that there is

minimal policy direction for collaboration beyond the requirement that it must be done. Customers indicated that there are aspects of the Conservation First Framework that are incongruent with climate change goals.

Agenda Item 6: Discussion Question 2

Speaker: Jodi Amy (Navigant)

“Is the current structure of Conservation First Framework and Industrial Accelerator Program conducive to supporting Ontario’s climate change policy objectives? Why or Why not?” Jodi summarized the content slides related to this question, and requested feedback from the Advisory Group.

Questions/comments:

A utility member asked if the statement on slide 12 that Ontario Climate Change Solutions Deployment Corporation being centralized is finalized. It was stated that the slide represents a snapshot of the current information, and will be updated if anything changes. A member mentioned that federal incentives are also available and should be added to this slide.

A utility indicated that the Ministry of Training, Colleges and Universities is providing incentives for energy efficiency in schools, which are stackable with other incentives. A customer indicated that there are other aspects of conservation in the Ministry of Housing.

The conversation returned to the question about what can be done to the CDM and DSM frameworks to improve collaboration, specifically as it relates to delivery of programs and cost-effectiveness. A utility member indicated that the Ministry of Environment and Climate Change and the Ministry of Energy must collaborate to offer electricity, gas and GHG programs in an integrated way to prevent duplication and increase cost-effectiveness. A customer agreed, and indicated that there needs to be a top-level forum between all Ministries involved in energy efficiency. A member indicated that customer buying profiles need to be considered in the objectives of CDM, DSM and Climate Change Action Plan, and that certain programs attract specific customers. A specific example was offered with respect to learning thermostats – certain segments of customers may prefer to simply purchase the thermostat and receive a rebate and other segments may prefer a direct install approach with an audit. These are different buying profiles for different customer segments and programs offering incentives for similar measures and approaches may not result in overlap if the delivery method varies.

A utility emphasized that the current structure needs to be better integrated at the policy level to support climate policy and avoid duplicative efforts. A customer supported this, and stated that there needs to be collaboration and integration, where all the parties are pursuing a central goal.

A customer indicated that the response to discussion question 2 is “yes”. However, there is still room for improvement. A utility responded that the discussion question could be change to from “conducive” to

“optimized.” The members agreed that the current structure is not optimized to support Ontario’s climate change objectives.

Discussion Question 3

“Should CDM targets, budgets, and/or structure be adjusted in light of the Climate Change Action Plan and broader climate policy? If so, how?” Jodi summarized the content slides related to this question, and requested feedback from the Advisory Group.

Questions/comments:

A participant mentioned that there should be a mechanism within the Climate Change Action Plan for the planning of replacement energy (e.g., fuel switching).

A customer indicated that climate change policy may result in a situation that is at odds with the Conservation First Framework goals. It was indicated that organizations should not be operating in isolation, and there must be lateral conversations allowing for integration amongst the various frameworks. Further, there must be transparency in the process.

A utility indicated that there will be ramifications to budgets, targets and planning if the Ministry of Environment and Climate Change intends to roll out programs that overlap with LDC programs.

A utility member mentioned that fuel-switching is not discussed much in the Conservation First Framework, and that this is a policy issue. It was suggested that the Conservation First Framework should be adjusted to include fuel-switching.

It was noted that a caveat will be added to slide 13, where it will be stated that: if Combined Heat and Power offsets grid-electricity, it would be considered higher-emitting. However, if Combined Heat and Power offsets other less-efficient generating types, then it coincides with climate strategy.

A utility member mentioned that customers have requested solar PV be included in CDM, and that this should be considered as a method to reduce emissions. The member believes that solar PV could be easily added to the Process and Systems Upgrades program, which would be more effective than creating a new program for it under the climate change strategy. This was supported by an equipment provider, who stated that many customers are interested in distributed energy resources.

The question of whether there is a role for CDM to support potential electric vehicles initiatives in Climate Change Action Plan was posed. Discussion surrounding how to dissuade electric vehicle owners from charging at peak times. A utility member voiced opposition to penalizing customers for charging in peak times. A customer mentioned that there may be opportunity to offer incentives to bundle solar and electric vehicles to avoid this issue. Similarly, a utility mentioned that storage could be incentivized by utilities to

support increased electric vehicles. Utilities agreed that they will have a key role from a system planning perspective due to increased electrification from electric vehicles.

A utility indicated that stacking incentives would work if there is a centralized delivery agent. However, it will take a lot of effort to implement this. LDCs agreed that they are the best entity to act as a delivery agent, but policy and regulation is not aligned to allow them to do this effectively. Currently, utilities are unable to optimize incentives for customers (i.e., stack them). The only way to improve this is if the LDCs implemented/delivered all programs, or had more information into the program requirements, and incentive amounts of other frameworks.

A customer stated that it is important to note that there are customers who are interested only in specific programs, and other customers that are interested in a broad-array of programs. The conversation around incentive stacking must take into consideration varying customer preferences.

A utility mentioned that it is not established whether LDCs can count savings towards their target if the savings are funded outside of the Conservation First Framework (e.g., through the Climate Change Action Plan funding). The Ministry of Energy responded that this is currently under review.

A gas utility asked how the integration between electricity and natural gas frameworks can occur since the DSM mid-term review has been delayed. This misalignment may be exacerbated by the introduction of the climate change strategy.

Utilities agreed that if Conservation First Framework programs are being cannibalized by Climate Change Action Plan programs, LDCs should get more budget and/or reduced targets. The group was reminded that the 2016 achievable potential study was essentially based on outlook B of the Ontario Planning Outlook, which had flat demand, and the Climate Change Action Plan focuses on electrification activities. Thus, there could be more potential for savings. Utilities mentioned that targets and budgets were based on achievable potential study, so it makes sense that these would change if the achievable potential changes. Another utility commented that a GHG target may be more appropriate to align CDM and DSM efforts with the broader climate policy objectives to align participants towards to the same goals.

A customer indicated that the low-income program is already underperforming, and this may be exacerbated due to the implementation of Climate Change Action Plan activities. Utilities responded that there is expected to be additional funding for low income programs that will expand the eligibility.

An observer commented that it would make sense to align the targets of each framework along the same criteria (i.e. harmonize the targets). It was questioned whether an energy (kWh) target makes sense. A customer questioned how this will impact the Conservation First Framework Directive to have conservation act as a piece of the supply-mix. A utility member added to this, mentioning that the Conservation First Framework was built on the idea that it is cheaper to implement cost-effective conservation than to build new generation, and asked how that statement could apply to a GHG reduction target. The group discussed

whether this harmonized target would be designed to attain reductions at all costs. The conclusion from the group was that the harmonized targets would have to be subject to cost-effectiveness tests.

Agenda Item 7: Discussion Questions 4 and 5

Speaker: Jodi Amy (Navigant)

“Should other aspects of the Conservation First Framework must be adjusted to account for the Climate Change Action Plan, and if so, how?” Jodi summarized the content slides related to this question, and requested feedback from the Advisory Group.

Questions/comments:

Clarification that this is in relation to high-level structure of the Frameworks, not program design. An observer commented that there should be a delivery model that allows a customer to seek the most cost-effective opportunities for them, regardless of the delivery agency. This must be done through harmonized targets, and harmonized delivery. A customer mentioned that it is important that the delivery agencies are flexible to changes resulting from the Climate Change Action Plan. A customer commented that there must be a structure of governance that provides LDCs the knowledge and responsibility to communicate DSM and Climate Change Action Plan offerings to their customers.

A utility member asked if the Advisory Group will be giving a recommendation on if budgets and targets should be changed. The response was that all comments in this and previous Advisory Group meetings will be rolled up and discussed with other parties in the market research phase to determine options and opportunities.

“What are the implications for customers with the introduction of Climate Change Action Plan?” Jodi summarized the content slides related to this question, and requested feedback from the Advisory Group.

Questions/comments:

A customer re-iterated the concern that a gas utility could pull out of DSM, because it is voluntary. It was noted that gas utilities face particularly high pressure for reductions because Climate Change Action Plan is highly focused on GHG reductions. A gas utility responded that DSM is a core capability to both gas utilities in the province, as they are aware that it is important for their customers to save money on gas costs.

A utility mentioned that Climate Change Action Plan will provide more opportunities for customers, and may increase competition, which may result in benefits for customers. However, the centralized approach that the Climate Change Action Plan takes may result in the loss of the local benefits that are inherent to the Conservation First Framework. The introduction of Climate Change Action Plan may also increase confusion and can have a negative impact on participation.

No further comments were provided on the slide deck.

Agenda Item 8: Closing Remarks

Speaker: Katherine Sparkes (IESO)

Katherine notified the group that Nik Schruder (IESO) will be taking over the role of chair for future meetings.