

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

Date: September 21, 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:	Nik Schruder (IESO)
Scribe:	Dixon Grant (Navigant)

Meeting Objective(s):

- Review key takeaways and action items from prior Advisory Group meeting
- Input on draft current state summary: budgets, targets, and cost-effectiveness

Attendees:

Members: Raegan Bond (Alectra Utilities Inc.), Amha Abraha (CBRE Limited), Guru Kalyanraman, Candace Major (delegate – 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), Edward Rubinstein (University Health Network)

Observers: Gia De Julio (delegate – Alectra Utilities), Bart Burman (Burman Energy Consultants), Jesse Kulendran (Electricity Distributors Association), Sam Byers (Enbridge Gas Distribution Inc.), Afreen Khan (Environmental Commissioner of Ontario), Giovanna Gesuale (Enwin Utilities Limited), Frances Murray (Just Energy Ontario LP), Yvonne DiTullio (Delegate - Ministry of Energy), Katie Zwick (Ministry of Energy and Climate Change), Janet Taylor (Oshawa PUC Networks), Tina Nicholson (Union Gas Limited)

IESO: Nik Schruder – Chair, Kausar Ashraf, Archana Gupta, Julia McNally, Erinn Meloche, Bronwen Smith, Alisha Sunderji, Terry Young

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

Regrets:

Members: Chris Barker (CustomerFirst Inc.)

Observers: Colin Anderson (AMPCO), Bala Gnanam (BOMA), Joanne Van Panhuis (Brantford Power Inc.), Michael Lio (buildABILITY), Wes Johnston (CanSIA), Brandon Weiss (Cornerstone Hydro Electric Concepts Association Inc.), Sarah Colvin (Ecobee), Erika Lontoc (Enbridge Gas Distribution Inc.), Edward Glasbergen (Energy+ Inc.), Joe Barile (Essex Powerlines Corporation), Jeff Kish (liteSMART), Emma Schwab-Pflug (Ministry of Energy), Jack Gibbons (Ontario Clean Air Alliance), Roy Hrab (Ontario Energy Association), Valerie Bennett (Ontario Energy Board), Dan Roberts (Roberts and Company), Ersilia Serafini (Summerhill), Tim Wilson (Thunder Bay Hydro), Steve Zebrowski (Veridian Connections Inc.)

Action Items Identified	Response
Updates to the Final Report Outline including: specifically identify what is working well already, split key opportunities into this framework and next framework, points of divergence to be reflected in the final report	Navigant to update documents to be reflected in the final report
Updates to the Topic 8 Phase I report including: review and reflect CHP acquisition costs, change statement on slide 22 to “centrally administered,” change the statement on slides 63 and 64 to “retain a portion of un-spent budget,” provide insight on how many LDCs have majority of their savings come from primarily on central programs, clarify pay-for-performance	Navigant to update documents and IESO to circulate
Updates to the Topic 8 Phase II report slide 8 including: add central services budget into chart, add a new chart with LDC data extrapolated to include all LDCs, include a note that recent changes to the framework may impact acquisition costs going forward, include a note that final spending and savings results will not be known until well after the end of the framework, change the chart to read “total spending,” add a note that uncertainty is higher at the end of the framework leading to less applications from customers	Navigant to update documents and IESO to circulate
Updates to the Topic 8 Phase II report slide 9 including: change the chart to read “total spending,” separate BMG from retrofit in charts, add description of what is included in “pipeline” and “potential pipeline,” provide net to gross conversion methodology for charts, charts should be updated with an adjustment factor to reflect uncertainty of forecasts, add a note that uncertainty is higher at the end of the framework leading to less applications from customers	Navigant to update documents and IESO to circulate
Updates to the Topic 8 Phase II report slides 12 and 13 including: add a forecast of acquisition costs related to forecasts on slide 8 and 9, note what costs and what savings (e.g. legacy, verified etc.) are included in	Navigant to update documents and IESO to circulate

Action Items Identified	Response
the acquisition cost analysis, include slide on changes in net to gross ratios over time, change the term to “resource acquisition cost,” add drivers of declining acquisition costs	
Updates to the Topic 8 Phase II report slide 14 including: reword the first bullet point for clarity	Navigant to update documents and IESO to circulate
Updates to the Topic 8 Phase II report slide 15 including: update the TRC charts, add a note that no LDCs had a PAC below 1, include a detailed description of cost effectiveness, add in portfolio level PAC and TRC to the charts	Navigant to update documents and IESO to circulate

Key Themes Identified
<ul style="list-style-type: none"> • The IESO uses CDM plan data to determine current and anticipated LDC progress, however this data is not fully reflective of internal LDC forecasts. • Forecasts using currently available data, including internal LDC forecasts and IESO pipeline forecasts, indicate that the 7 TWh target will be met under budget. • Customers are less likely to pursue programs near the end of a framework due to their uncertainty that programs will continue. • There is variability amongst the LDC community in target achievement, spending and cost effectiveness. At the end of the framework, it is likely that there will be some LDCs that exceed targets and budgets, while others may not. • If there is budget remaining towards the end of the framework, there must be consideration into how this additional allocated budget is spent, if at all, or if it is simply not charged to electricity customers through the global adjustment. • Acquisition costs have declined overtime for many programs, but the opinion was shared that acquisition costs could increase over time. Acquisition costs vary between LDCs, and there is an opportunity to share best practices to improve acquisition costs across LDCs. • Many LDCs believe the best method for budget and target exchange is between LDCs, but there may be a need for the IESO to support some of the smaller LDCs and/or to provide short term budget support. • Many members agree that consistency of coverage is important. Many believe that the strong focus on meeting targets and budgets and the potential for a target/budget exchange could cause certain customers to be underrepresented. Customers commented on the importance of IESO oversight on the target/exchange mechanism to protect customer coverage. • The province has multiple, potentially conflicting, goals for conservation (i.e. electricity, gas and GHG), which could lead to the province not delivering on all of its goals. • There are many improvements that have been identified for the framework, but some cannot be implemented in the short amount of time left. There must be a prioritization of opportunities that can be carried out within this framework.

Key Themes Identified

- There should be coordination between all conservation frameworks (i.e. gas, Green Ontario Fund) when determining future state actions.
- The ability for the Mid-Term Review to enact changes to aspects outside of the Conservation First Framework and Industrial Accelerator Program may be limited.

Agenda Item 1: Welcome and Introduction

Speaker: Nik Schruder (IESO)

Nik walked through the agenda, and asked for introductions of delegate Advisory Group members and new observers. Nik briefly discussed the action items from the previous meeting, and asked the group if there are any questions or comments. No comments provided.

Agenda Item 2: Update on Market Research

Speaker: Jodi Amy (Navigant)

Jodi walked through the changes to the Market Research Themes from the previous Advisory Group meeting. She also provided an update on the Market Research Plan presentation. She asked the group for questions or comments. No comments provided.

Agenda Item 3: Final Report Outline

Speaker: Jodi Amy (Navigant)

Jodi walked through the final report outline. Jodi asked the group to provide feedback and noted that the group can also provide feedback after the meeting once members have had more time to review the materials.

Questions/comments:

A utility member asked if the advisory group would be able to provide recommendations for the “key opportunities” sections in the final report. Response that recommendations and observations from the Advisory Group meetings will help inform the options and opportunities identified by Navigant in the final report to the IESO.

A customer asked if there are any plans to capture jurisdictional scan information from past topic reports in the final report. Response that this will be covered in Appendix B: Current State Summaries. A utility member emphasized that there should be a section to identify what is working well already in the framework. Response that this will be called out in the report.

A service provider member mentioned that the final report should include two sections: changes that can be made in the current framework, with an emphasis on program design, and changes that can be made in the next framework. Response that we will split the key opportunities section into these two.

A utility member asked who the author of this report would be. Response that this is a Navigant report, informed by the current state summary research, primary market research, workshops, public engagement, and AG meetings. The IESO will take this report, which will include the Advisory Group feedback, and make recommendations to the Ministry.

A utility member asked if the final report will reflect points in divergence of opinion among stakeholders. Response that this will be reflected in the final report.

A utility member responded that there has not been the opportunity to offer many conclusions through the Advisory Group process. Response that the IESO/Navigant has considered including a formal advisory Group position on certain aspects. A customer member identified that the Advisory Group does not agree on everything, and the recommendation is that Navigant comes forward with options given the information, however it is important to note that not all members of the Group may support all options.

Agenda Item 4: Non-Energy Impacts study plan

Speaker: Kausar Ashraf (IESO)

Kausar presented an overview of the study plan. Kausar discussed the purpose, methodology and deliverables of the study.

Questions/comments:

A utility member asked what other costs could be impacted by the non-energy impacts adder. Response that incremental cost, societal cost and others will be considered.

Utility members asked if the adder would be incremental to the avoided supply cost, and whether it would be effective retroactively. Response that the adder would not be incremental to avoided supply cost and would most likely be effective going forward.

A service provider asked if this review is only targeted at the Conservation First Framework. Response that the review includes both gas and electricity frameworks.

Members of the group asked about the jurisdictional scan aspect of the study and how regionalities of Ontario would be taken into account. Response that this is not outside of scope, and discussions will be carried out to review this from a regional perspective.

A customer asked how the delivery of programs will be impacted. Response that this is not intended to change the delivery of programs, just the impact. A customer asked if it is possible that, if the adder is

changed, projects that are approved now will be rejected in the future. Response that the purpose of this study is to look at all the non-energy impacts of the program. So, this could either improve or adversely impact the cost effectiveness, but this will be on a program by program basis.

A utility member asked if the adder could be adjusted so that each measure will have its own adder. Response that this is possible, but it is also likely that the adder will be adjusted to be at a program or sector level. The overall goal is to determine if the original 15% adder is appropriate, or if it should be changed.

A service provider asked if there has been any thought put into the impact carbon price will have on cost effectiveness. Response that this is a good point, and it has been flagged.

A customer mentioned that it is important to regard the non-energy impacts from a project level to capture the customer perspective. Response that this will be taken into consideration.

An observer asked what the impact of changing the adder will mean to the framework, specifically to incentive stacking. A utility member agreed, and emphasized that this concern should be considered as part of EM&V as well as non-energy impacts. Response that as the analysis progresses, these nuances will be captured.

A service provider asked how this study can be communicated to common readers as it takes a certain amount of engagement and education to be able to understand these concepts. Response that there will be a deliverable as part of the greater study that deals with how to effectively communicate non-energy benefits.

Agenda Item 5: Update on IESO Internal Audit of CDM Plan and Business Case review process

Speaker: Julia McNally (IESO)

Julia provided an overview of the internal audit that was carried out on CDM Plan and Business Case review process. The overall outcome was that the IESO has a solid process, but there are opportunities for improvement in:

- Record management
- Internal service standards
- Streamlining internal processes

The internal audit identified a moderate risk level.

Questions/comments:

A utility member asked whether it should be a concern that the risk assessment was moderate. Response that the risk level indicates that it is important to follow up on the recommendations, but not a major concern relative to a high-risk level. An observer asked what the risk rating means. Response that this is the risk that, if the IESO does not fix the suggested improvements, it will not complete the approval within the allotted time.

A utility member asked if the audit looked at CDM Plans and Business Case reviews from start to finish. Response that the auditors looked through the process from start to finish, but only focused on the processes, not the quality of the review.

A service provider asked how this internal audit will inform the streamlining of processes. Response that the output of the internal audit plan was communicated to IESO management. The IESO is moving forward with many recommendations from this process.

A utility member asked if the internal audit involved discussions with external parties (e.g. LDCs). A service provider mentioned that there are third parties that are involved in the design and review of plans, and it would be beneficial to include them in the streamlining process. A utility member agreed that service providers and LDCs should be involved with continuous business improvement. Response that the internal audit was focused on IESO's internal processes, and did not include third parties, but these comments will be taken into consideration.

A customer asked if the LDCs are responsible for an internal audit of their own processes? Response that from a compliance perspective, the IESO has other methods to audit LDCs' processes. However, it will be up to the LDC if they would like to perform an internal audit of their own processes.

A utility member asked if there has been any thought put into carrying out audits of the CDM plans itself, i.e. if LDCs are achieving the goals they set out in the CDM Plan. Response that through the IESO mid-term review process it has been determined that the current CDM Plan process may not provide the most accurate information on LDC progress. At the moment, the IESO only has CDM Plans and pipeline from iCON, but are interested in determining if there are any other methods of more accurately capturing LDC progress.

Agenda Item 6: Updates to Topic 8 part I, Refresh of Province-Wide Progress and Discussion

Question 1

Speaker: Benjamin Grunfeld (Navigant)

Updates to topic 8 part I were presented, and the attendees were asked to provide questions and comments.

Questions/comments:

A utility member asked why CHP is specifically called out on slide 22. Response that it is called out because CHP is one of the major drivers of achieving CFF targets for many LDCs, particularly small LDCs. A utility member pointed out that large CHP projects also have large incentives, and if the acquisition cost is not actually lower than other programs then this statement is false. Response that this we will be reviewed.

A utility member disagreed with the statement “Some LDCs are relying primarily on centrally delivered programs...” on slide 22, because LDCs also help with the delivery of these central programs. Response that this will be changed to “centrally administered.”

A utility asked if numbers could be provided on how many LDCs rely primarily on centrally administered programs on slide 22. Response that this will be provided.

A utility member mentioned that on slides 63 and 64 there is an incorrect statement that LDCs can retain 100% of unspent budget. Response that this will be changed to “Retain a portion of un-spent budget”.

A service provider member mentioned pay for performance (P4P) is mentioned on slide 22 and 23, and it should be identified that this is P4P on administrative spending. In other slides of the presentation, P4P is mentioned in the context of incentives. It should be clarified what the funding is when P4P is mentioned. Response that this will be addressed.

Ben walked through the phased approach and key question slides from the topic 8 phase II presentation. **The Refresh of Province-wide Progress** slides were presented.

Questions/comments:

A utility member mentioned that the LDC forecast spending does not include central services. Response that the central services forecast will be layered on to this in a different colour.

A utility member mentioned that it would be useful to have the LDC forecasts extrapolated to include the rest of the utilities, beyond the five provided for the analysis. Response that charts will be updated.

A utility member mentioned that it is important to note that in the LDC forecast there are different statuses (e.g. some money has already been committed, and considered spent), which is not reflected in the charts. Response that only one of the five utilities who provided an LDC forecast provided this, so it was not possible to capture that granularity overall.

A utility member emphasized that in the second half of the framework, savings will be more expensive and more time consuming to achieve, so it is not as simple as doubling the savings of the first half. A note should be added that it is difficult to forecast the second half of the framework given spending in the first half. Response that intuitively this comment makes sense, but the data from LDCs and program level acquisition costs show costs coming down in many examples. The utility clarified that there are many aspects of the framework that have been changed since the start of the framework, which will impact acquisition costs going forward, and this is not captured in the data. Response that this fact has been identified as a major observation, and will be emphasized going forward.

A service provider emphasized that LDCs are limited in their spending by regulations, which could be a reason for the under-spending relative to savings. Response that this will be taken into consideration. It is also important to note that spending among LDCs varies greatly.

A customer asked how the “underspend” that is shown on slide 8 impacts cost effectiveness. Response that overall, this indicates relatively a high cost effectiveness.

A service provider a member asked what happens to unspent conservation funds at the end of the framework. Response that CFF funds are recovered through the global adjustment, so any allocated funds that are not spent ultimately do not end up getting charged to customers. Utility members emphasized that we will not know the full spending results until well after 2020 due to true ups, and a note of this should be made.

A service provider member asked if “cumulative” spending on slides 8 and 9 is the correct word, and that perhaps this be changed to “total.” Response that this will be changed.

A service provider asked if behind the meter generation (BMG) is included in slides 8 and 9. The member emphasized that it is important to capture how much of the forecast is BMG, because if BMG is no longer funded through the CFF it would be good to be able to easily see the impact. Response that in slide 8, if the LDCs provided BMG numbers then it is included. In slide 9, BMG is included and can be called out. BMG be called out on slide 8 if LDCs provide more data granularity.

A utility member asked what the difference between pipeline and potential pipeline. Response that there are statuses in the data source that have been mapped to these categories. This mapping can be provided upon request.

A utility member emphasized that the pipeline and potential pipeline charts on slide 9 only represent retrofit and BMG. Therefore, even though the charts represent underspending, LDCs must support other less cost-effective programs. This means that there is more of a chance of running out of budget than is displayed by this slide. A utility member also noted that these pipeline forecasts may be over-stated.

A utility asked if these are gross or net numbers on slide 9, and if net, how were these converted. Response the methodology for this will be provided within the updated deck.

A utility member asked what made up anticipated spending on slide 9. Response that anticipated spending includes both retrofit and behind the meter generation pipeline data from the IESO.

A service provider member asked if the verified and unverified amounts were the same between slides 8 and 9. It is important so when BMG and retrofit are split out, you can compare them apples to apples. Response that there is a slight adjustment to these values due to the context of the data sent over from LDCs.

A utility member emphasized that these are forecasts, and this should be reflected either with a note or an adjustment factor. Utility members were asked if they have an adjustment factor for pipeline. Utilities

identified that it ranges from 80% to high 90%. However, the high-end of the range assumes that almost all projects get through at some point, but not necessarily within the framework. A customer emphasized that there is an increased amount of uncertainty near the end of a framework, so customers are less likely to apply for projects at the end. Response that this will be noted. An observer asked how much the forecast will change if certain programs are no longer covered under the framework (e.g. if LEDs are no longer covered, how will the forecast be impacted). A utility member responded that forecasts are typically carried out given the latest information available, so there is a risk associated with any forecast.

A customer asked what the definition of “sales” is on slide 10. Response that this represents total electricity distribution sales, coming from the Ontario Energy Board Yearbook of Electricity Distributors.

A utility member asked how the small, medium and large utilities are defined. Response that the lines were drawn using the size of LDCs to best represent the data.

A utility member asked if the energy savings as a percent of sales chart includes only Northeast US utilities. Response that yes, this is all northeast US utilities. Also, it represents a mix of jurisdictions with central, hybrid and utility delivery.

Ben presented the slides for the discussion question: **Do the detailed results provide any additional insights that might change how to adjust targets or budgets?**

Questions/comments:

A utility member asked if a forecast of the acquisition costs can be added using the data used to create the charts on slides 8 and 9. Response that this will be added in.

Utility members agreed that it should be noted what costs are included in the acquisition cost analysis, as well as what savings are included (legacy, verified or unverified) as well as the change in net to gross ratios over time. Response that these will be added to slides 12 and 13.

A service provider member noted that the wording should be changed on slide 12 and 13 to “resource acquisition costs.” Also, it should be noted on the slide what the drivers of declining acquisition cost are. Response that these will be added to slides 12 and 13.

A utility member asked if penetration and participation rates can be added to this. Response that this will be added to slides 12 and 13 if available.

A utility member noted that the jurisdictions that have a higher percent of sales, also have a higher acquisition cost. A customer asked if this interpretation could be applied to cost effectiveness. Response that cost effectiveness also considers benefits, and there are many unique characteristics of other jurisdictions that complicate this. A utility mentioned that comparing the levelized cost of delivery addresses this.

A customer member asked why BC, Quebec and other jurisdictions were not considered. Response that the analysis was focused on the Northeast due to similar climates, and data from other jurisdictions may not have been available.

A utility mentioned that there has been feedback that conservation is undeserved in the residential market, however the chart on slide 14 does not demonstrate this. Response that it is important to drill down into the sentiment behind this and determine why people think residential is underserved.

A customer mentioned that the chart on slide 14 does not specifically break out customer segments. Clarification was provided that Coupons and Heating & Cooling program are targeted for residential customers, whereas Retrofit, Small Business Lighting and industrial programs are targeted for business customers.

A utility member asked if the scales for the residential total resource cost (TRC) test ratio are correct. Response that they are, and this is largely driven by LEDs offered through the Coupons program. It was noted that more focus should be placed on the program administrator cost (PAC) ratio, because this is what LDCs are assessed on as per the Energy Conservation Agreement (ECA).

A utility member asked for clarification on what the analysis was done to create the TRC and PAC graphs. Response that segment level TRCs and program administrator cost test ratios (PACs) were plotted by LDC.

A customer asked what is causing the positive TRC LDCs in the residential chart. Response that these results are difficult to represent accurately, and this will be taken back and reworked.

A utility member asked if there are any utilities with a PAC below 1. Response that, per the ECA, there are no concerns with the PAC. This will be noted on the slide along with a more detailed description of cost effectiveness.

A customer asked if the residential programs are performing more cost-effectively than the business programs. Response that it from a TRC perspective, is difficult to compare residential to business due to LEDs offered through the coupon program. There are essentially no incremental costs associated with LEDs because they have such a long life, thus LEDs are actually cheaper than the lower efficiency alternative.

A utility member mentioned that it would be beneficial to have an aggregated sector-specific PAC and TRC level layered on to each of the charts. Response that this will be added in.

A customer noted that it is counter-intuitive that there are smaller LDCs that are more effective at delivering programs than larger LDCs. Response that this could be due to small LDCs with large projects.

Ben presented the following key take-aways to the group.

- From the data available, forecasts show that the overall framework will deliver on the 7 TWh target, and it looks like it is trending under budget.

- There is a caveat that this forecast is subject to change because it is based on current information
- There is variability amongst the LDC community, where some LDCs may meet or exceed targets and some may not. Similarly, some LDCs may reach their budget and others may not
- Cost effectiveness is positive overall, but when you drill down into segments and individual LDCs there is significant variability
- Knowing all of this, should we be looking at how budgets and targets are re-allocated amongst LDCs?

Ben then presented the slides for the questions: **should budgets and targets be adjusted given framework and policy objectives? If so, how? What about beyond 2020?**

Questions/comments:

A customer member stated that since the framework focuses on budgets and targets, it means that “hard decisions” are being made where certain programs are not pursued, which is problematic. The questions asked do not address this issue. The member also asked what is the province’s primary goal: GHG emissions reduction overall, or are GHG emissions, electricity use and gas use reductions equal overall? Response that these can be thought of as tiered structures. There is a strong drive to reduce GHG emissions, but at the same time there is the desire to reduce electricity use and natural gas use. There is overlap between all three. The customer stated that given this response, there is the possibility that the province does not deliver on its GHG goals.

A service provider mentioned that it should be identified which of the options on slides 17, 18 and 20 are practical, given the remaining time in the framework and policy objectives. It was noted that doing this could help narrow down the options available.

A utility member stated that there is an imminent issue with targets and budgets. The member stated that a reallocation of budgets and targets at this time would be a massive undertaking, which is a very complicated thing to deal with in the last two years of the framework. The member stated that LDCs can facilitate target exchange between themselves, but there needs to be a level of flexibility from the IESO to help some of the smaller LDCs (e.g. through bridge financing). The need for a large-scale exchange process is most likely a long-term need. One option suggested by an LDC is for the IESO could do a target exchange with LDCs using the budget and target available for the IAP.

A utility member stated that changing the target to a different metric (e.g. from energy to peak demand) would be very complicated and time consuming. One possible solution in the short term is for LDCs to track some of these metrics (e.g. GHG emission reductions) to help inform a target change in the future.

A customer mentioned that the issue of unspent budget must be addressed, and it is important to determine how this money can be spent within the framework in a positive manner. Response that the IESO has small visibility into actual leftover budget given that the CDM Plans are their main source of information. In order

to respond to this, the IESO would need more accurate information from LDCs to determine what will actually be spent.

A utility member mentioned that there is already an effective method of reallocation of budgets and targets between the LDCs, and that LDCs are already in the process of getting better at this. Response that if the IESO stopped funding gaps in the framework, it might cause more exchange of budgets and targets amongst LDCs. A customer member disagreed and stated that they believe the IESO is the best agency to facilitate exchange between LDCs, while considering market renewal, congestion needs and other considerations. The customer stated that it would be unfortunate that an LDC would have to turn down a customer even though they have available budget.

A utility member asked if there is data from the previous framework about LDCs meeting their targets. Response that in the previous framework there was a lot more flexibility of budgets and targets.

A utility member noted that they do not believe there will be an underspending of budgets at the end of the framework. Response that based on the information that is available, it points to an underspending.

A utility member emphasized that it is vital that projects continue in every region, and to ensure that programs will not be turned down. Agreement from customers and utilities that this should be the case, as long as this stays within the overall budget of the framework.

The group was posed the question: should the province be worried about budget and target exchange leading to lower coverage in the service territory of the LDC that gives up some of its budget and target?

A customer responded that the assumption is that an LDC would only trade away a portion of its budget if it had little to no opportunity within its service territory. A utility member mentioned that the target/budget exchange effectively transfers budgets and targets within sector using the funding rate for that sector.

A utility member mentioned that there is a risk of target exchange leading to certain programs not being funded in certain areas of the Province. A clarification was provided that the government is worried about the small cost and small savings programs, which may not be funded after an exchange is carried out.

A customer noted that a target/budget exchange between LDCs may be focused on shifting money towards LDCs that can go after “easy” savings, potentially leaving behind the more expensive savings in the other LDC’s territory.

A utility mentioned that exchanging budgets and targets at the portfolio rate allows for a consistent offering across the board i.e. to continue to offer every program to every sector. A customer disagreed and stated that multiple customers have mentioned risks of not being covered after exchange.

A utility asked if there is equal concern that a utility must turn down a customer because it has run out of budget. Response that there needs to be a solution where there is coverage for all customers that want to access a program, regardless of their location in the province, or if their utility has given up or received budget. A utility member noted that LDCs must maintain a minimum savings every year, so they cannot give away everything. Also, there must be approval for every exchange. The ECA requires that utilities deliver programs in all segments.

A customer emphasized that their business has urgency around completing applications to programs quickly because they have seen programs disappear quickly.

LDCs were asked what is stopping them from exchanging targets today.

A utility responded that they have only recently been able to forecast where their budget and target will stand at the end of the framework.

A service provider member stated that there are activities that should be carried out, but are not, due to the limitations of budgets and targets. For example, bill education.

A service provider observer asked is if the clearing rate for a target exchange would be set. Response that there is nothing within the ECA that sets a rate. The observer mentioned that it should be taken into consideration during target exchange if there are LDCs outperforming others on an acquisition rate basis.

A utility stated that the IESO receives unallocated budget and target data from LDCs within CDM plans. Response that the CDM Plans may not be the best source of information because these can be outdated or “fitted” to align with allocated budgets and targets.

The group was asked what criteria should be used when considering a budget/target exchange proposal.

A customer member mentioned that there should be a requirement to show that all efforts have been pursued within the territory that is putting budget and target up for exchange. It was emphasized that coverage must be consistent. A utility member disagreed and stated that the ECA allows LDCs to decide if they want to offer specific programs. It would go against the ECA if an exchange requires that certain programs must be offered by an LDC after they have received extra budget through an exchange. The utility member asked what criteria would the IESO consider in a target/budget exchange. Response that there are many considerations including the updates from the 2016 achievable potential study as well as addressing congestion in certain regions. It was noted that it was possible that these considerations could conflict with certain framework mandates (e.g. consistent coverage across the framework).

A customer noted that progress towards CDM plans is only evaluated against targets and budgets, and asked why would regional considerations be a factor in target/budget exchange? Response from a utility member that in addition to budgets and targets, there are baseline requirements that LDCs achieve a

minimum amount of savings per year, offer a program in each customer segment and offer the province-wide programs. A utility member mentioned that this issue may not be particularly significant, as LDCs can negotiate a solution amongst themselves that meets the needs of almost all customers, and any lack of coverage will be very minor. Response that even small numbers of complaints are taken into consideration by the government.

Agenda Item 7: Discussion Question 2

Speaker: Benjamin Grunfeld (Navigant)

Ben presented the slides for the key questions: **What are some alternate approaches and what could be the impact on cost effectiveness? Are these approaches appropriate for the second half of the framework? Beyond 2020?**

Questions/comments:

A customer member noted that the timeframe rollover between frameworks is difficult for customers and LDCs because projects are put on hold in the pipeline or customers wait to apply due to uncertainty. It is important to note that sometimes projects have longer timelines than frameworks.

A customer member noted that incentive levels must be kept up to date with the changes to energy efficiency measure costs. Costs of certain measures have gone down, and certain costs have gone up. Response that this is important and efforts will be made to keep up to date with these costs.

A service provider observer mentioned that there are delivery channel differences amongst certain LDCs, where some LDCs have been more effective with certain delivery channels than others. Response that it would be valuable to add a mechanism to share best practices across LDCs.

A service provider member mentioned that if you compare LDCs of different size, there is a point where administrative costs per kWh of savings start to decline the larger the LDC is. Other members noted that administrative costs are allocated in a manner that is not fully reflective of actual time spent on administering programs, so this may not be a perfect comparison.

A service provider member mentioned that pay for performance models of offering energy efficient technologies are becoming more prevalent.

The group was asked the question: is driving cost effectiveness down more or less important than consistent coverage across the province?

A utility member mentioned that this is a more of a policy question.

A utility member mentioned that if there is a conservation framework after the CFF, there must be a method for addressing the issues note previously inherent to large projects, particularly for smaller LDCs.

A service provider member noted that it may be beneficial to support a framework that has more incentives in order to improve cost effectiveness. Response that the framework currently has some incentives for achievement.

Agenda Item 8: Discussion Question 3

Speaker: Benjamin Grunfeld (Navigant)

Ben presented the slides for the key questions: **what are some methodologies to reduce reliance on incentives? Are these methodologies appropriate for the second half of the framework? Beyond 2020?**

Questions/comments:

A customer stated that they are supportive of complementary solutions to customer incentives. However, many sub-sectors, like social housing, cannot access certain customer incentive mechanisms. For example, loans.

A service provider member emphasized that improving the current incentive-setting methodology is important to take into consideration in parallel to the alternative incentive mechanisms.

The group was asked, other than the cost what are the major barriers to participation?

A customer mentioned that capacity is always a barrier including staffing availability, as well as education on programs.

A customer member mentioned barriers to participation are dependent on the sector and the nature of business. Competition is a major factor for many businesses. Despite this, many businesses are not participating in conservation at all.

A customer mentioned that incentives themselves are the major barrier to participating in programs.

Agenda Item 9 - Future State Principles discussion

Speaker: Benjamin Grunfeld (Navigant)

Ben walked through a brief overview of the Future State Discussion document.

Questions/comments:

A utility member stated that the initial Ministerial guiding directive contained guiding principles that LDCs have effectively met. These directives should be included in this report, and it should be noted that some of these guiding principles have changed, and there have been new directives added since then.

A customer emphasized that guiding principles need to be updated to reflect the new current state of affairs. I.e. the guiding principle is to incent people and businesses to pursue energy efficiency projects that they would not have otherwise pursued.

A customer emphasized that give-aways do not support long term sustainable energy efficiency behaviour, and conservation should be focused on other methods of motivating customers to participate in energy efficiency. A service provider observer agreed and mentioned that some of the harder sales to make are when “freebies” are given.

A service provider emphasized that a lot of energy efficiency technology is moving towards automation where customers do not even need to think about conservation.

A customer, emphasized that the idea behind “conservation first” can be a challenge to interpret given that there are caps on budgets.

A customer asked where planning and integration falls into the future state principles. Response that it falls into place into the cost effectiveness aspect.

A utility member noted that there are competing principles related to providing consistent coverage of programs, including those that are low cost effective, but targets must be achieved within budgets. The member asked if there is a way to separate these two, for example by not holding certain programs to a cap. Response that a focus should be put on improving the cost effectiveness of the programs that currently have low cost effectiveness.

A service provider member mentioned that the bullet on slide 9 “Cap on budget of \$2.2 Billion for CFF to deliver 7 TW” should be the first primary guiding policy. Response that primary guiding policy aspects on slide 9 are not ranked.

A service provider mentioned that the future state should focus on improving the customer experience. A customer mentioned that it is important to recognize that customers have many different priorities, and this should be taken into consideration. Response that these fit into the customer experience guiding principle.

A service provider member mentioned that easy access to programs and seamless communication with one organization is important for customer satisfaction when accessing conservation programs, especially for residential customers. The member asked how the IESO will ensure customer expectations are being met. Response that this is a key question, and must be considered in the future state. Slide 9 includes customer experience as a guiding principle for the future state.

A service provider member asked if customer experience was a guiding principle at the beginning of the framework. Response that certain principals were aligned with customer experience, but it was not explicitly a guiding principle.

A utility member asked for clarification if the future state that is being discussed in this document is within the current CFF framework. The utility member noted that it is important to maintain consistency for customers. Response that the current framework is the primary focus area, but some of the outcomes of this may carry forward into the next framework.

A utility member asked what the primary guiding policies and initial guiding principles on slide 9 will be used for. Response that the options for the future state will take into consideration the principles and policies on slide 9. The utility asked if the policies and principles on the slide will be built into a future ECA. Response that any recommended changes from the mid-term review, including changes to the ECA, should fit within the principles on slide 9.

A customer member asked if there are any areas that have been discussed as part of the advisory group process that will get dropped as a result of these principles. For example, adding a GHG target. Response that all gaps and areas of discussion that arise in the Advisory Group meetings and market research will be assessed against the principles on slide 9. It is a possible solution to drop the gaps that do not align with the principles on slide 9 if the benefit of improving these gaps does not merit the cost of improvement. The member noted that it should be flagged in some way which topics will be dropped off from discussion as a result of these principles.

A service provider member asked if more principles can be added to the two on slide 9. Response that more principles can be added, but it may result in over-complications.

A customer identified that a focus should be placed on improving the efficiency of the sector by focusing on high value targets (e.g. on peak, constrained regions).

A utility member mentioned that it is important to focus on the aspects that can be changed within the time remaining in the framework.

A service provider member asked if the simplicity of implementation should be considered as part of the future state. Response that this will be done to help identify which activities will be done in the current framework and what will be focused on in future frameworks.

A service provider mentioned that a caveat should be added up front to note that changes will only be applicable to the CFF, and the extent to changes to external aspects are limited.

A utility member mentioned that another approach would be to look at all the gaps first and determine the future state principles based on that. Response that gaps are still being collected, including through the workshop today. A big challenge is to determine how to prioritize the gaps, which can be done using the principles on slide 9. These principles will also allow the IESO to justify its recommendations to the government.

A utility member mentioned that a guiding principle for the future should be added that focuses on coordination with other frameworks available (e.g. CCAP). Response that these can be included through both of the principles (cost efficiency and customer experience). An observer mentioned that these principles also must align with the mandate of the Green Ontario Fund.

Agenda Item 10: Closing Remarks

Speaker: Nik Schruder (IESO)

Nik and Jodi gave a brief overview of the next steps for the Mid-Term Review.

Questions/comments:

A utility observer asked if there will be an update on the collaboration fund. Response that not at this stage, but this can be provided at a later date.