CONSERVATION FRAMEWORK MID-TERM REVIEW

MINI WORKSHOP

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THERE ARE FOUR KEY ISSUES THAT HAVE BEEN IDENTIFIED FROM THE MID-TERM REVIEW PROCESS, WHICH WERE SELECTED FOR DISCUSSION

Big projects, small LDCs

- Behind-the-meter generation projects take a significant amount of budget (and target)
- Significant uncertainty in whether projects will move forward (difficult to participate in target exchange with this uncertainty)

Working groups

- Program design/re-design occurs through working groups (include LDCs, gas utilities, and IESO and Ministry observers)
- Accountability and control of outcomes is perceived to be misaligned/ missing

Non-delivering LDCs

- LDCs can opt out of province-wide program delivery, as per Directive, for which IESO is required to deliver on their behalf
- Delivery would need to be funded through central services which may be constrained

CDM forecasting

- CDM Plans are currently designed with the requirement that the plan meets target within the allocated budget
- CDM Plans are not an accurate reflection of future expectations, in particular, expected shortfalls or overages in budget

THERE ARE SEVERAL RELEVANT FACTS THAT CAN ASSIST IN QUANTIFYING THE ISSUES IDENTIFIED

Relevant Facts:

- ✓ LDCs, in aggregate, are on-track to meet the 7TWh target under budget (assuming current conditions continue, e.g., acquisition costs, market conditions, etc.)
- ✓ Some LDCs are closer to their 2020 target than others:
  - ✓ 3 LDCs have exceeded their 2020 target (representing approx. 1 percent of the total provincial target)
  - ✓ An additional 2 LDCs are within 25 percent of 2020 target (representing approx. 2 percent of the total provincial target)
  - ✓ An additional 7 LDCs have exceeded 60 percent of 2020 target (representing approx. 16 percent of the total provincial target)
- ✓ 14 LDCs have opted out of offering certain province-wide programs
  - ✓ These LDCs represent less than 7 percent of the 7 TWh target and impacts approximately 3 percent of total Ontario customers
  - ✓ **Programs (# LDCs opting out):** Business Refrigeration Initiative (5)*, High Performance New Construction (5), Audit Funding (5), Existing Building Commissioning (6), Monitoring & Targeting (8), Energy Managers (3), Process & Systems (5), Home Assistance Program (1), Heating & Cooling (1), and Residential New Construction (8)
  - ✓ These programs have contributed to less than 7 percent of progress to date across the province

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** Business Refrigeration Initiative is a new province-wide program*

THERE ARE SEVERAL RELEVANT OBSERVATIONS THAT INFLUENCE THE ISSUES IDENTIFIED

Relevant Observations:

- ✓ CDM plans are "force fit" to meet targets within their allocated budget and do not provide meaningful forecasting insights to IESO or LDCs
  - ✓ Supporting processes are also challenging (e.g., need to resubmit with each change, the use of placeholder values, etc.)
- ✓ Program design and re-design processes are cumbersome:
  - ✓ Business case development and review are lengthy processes and unclear criteria can lead to wasted efforts and frustration
- ✓ Inflexible budgets, targets, and program design create a constraining environment
  - ✓ Requirement to focus on resource acquisition costs from a portfolio management perspective can cause certain programs to have less emphasis within the portfolio (e.g., Home Assistance Program)
- ✓ Overall uncertainty and risk of higher program acquisition costs, larger project timelines (e.g., will they complete prior to December 31, 2020), and other market forces

RECALL THE PRINCIPLES DEVELOPED TO GUIDE FRAMEWORK CHANGES

The Framework itself has guiding principles within policy and the Energy Conservation Agreement, the principles below are intended to guide Framework changes as part of the Mid-term Review

PRIMARY GUIDING POLICY

Customer coverage: CDM continues to be delivered to all customer segments

Cap on budget of $2.2 Billion for CFF to deliver 7 TWh

GUIDING PRINCIPLES

DISCUSSED DURING PREVIOUS ADVISORY GROUP MEETING

Principle	Description	Changes to the Framework…
COST EFFICIENCY	CDM continues to be a cost efficient and cost competitive resource	*Continuously drive towards improvements in acquisition costs and cost effectiveness*
CUSTOMER EXPERIENCE	Customer interactions with the framework will continue to be improved	*Focus on improving the customer experience*

IDENTIFIED DURING WORKSHOPS

Principle	Description	Changes to the Framework…
ALIGNMENT	CDM begins to align with broader climate policy	*Increase understanding, integration, and ability to quantify GHG impacts*
FLEXIBILITY	CDM processes allow for adjustments as technologies and markets evolve	*Increase the ability to make changes to programs and technologies within programs*

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ISSUE-FOCUSED BRAINSTORMING EXERCISE

Objectives:

- To generate a shortlist of practical and implementable solutions (in place by 2020) for each of the four identified framework key issues.
- To assess the impact of solution implementation on diverse stakeholders partnered in achieving framework overall objectives.

Key Questions:

- In looking at the assigned issue what ideas do you have that will improve, mitigate, or resolve the noted problem?
- Which ideas are realistic, timely and practical to implement?
- Who needs to be involved in moving the idea(s) forward?

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Issue 1: Big projects dominate small LDC budgets and targets and come with a significant amount of uncertainty

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THERE ARE VARYING STAKEHOLDER PERSPECTIVES RELATED TO THE CHALLENGES ASSOCIATED WITH BIG PROJECTS AND SMALL LDCS

IESO Perspective

- Need to *adequately* serve all customer segments
- Need to maintain ratepayer value
- Achievement of 7 TWh target
- Others?

LDC Perspective

- Ability to fund large projects (e.g., BMG) along with inherent project uncertainty, while still being able offer suite of all province-wide programs to all customers until 2020
- Uncertainty on whether large projects will actually proceed and whether full savings value will be realized
- Uncertainty on results of mid-term review
- Others?

Customer Perspective

- Desire to continue to have access to all available programs
- Ability for LDC to support a large BMG project for their facility
- Others?

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Issue 2: Program design and re-design occurs through working groups, accountability and control is perceived to be misaligned/missing, leading to frustration and lack of progress

THERE ARE VARYING STAKEHOLDER PERSPECTIVES RELATED TO THE MODIFICATION OF WORKING GROUPS

IESO Perspective

- Need to continually improve programs
- Incorporate EM&V recommendations and requirements into programs
- Need to be responsive to government policy direction
- Due diligence on business cases approvals (rigour, ratepayer value, etc.)
- Challenge with the balance between accountability and control
- Lack of clarity on roles and responsibilities
- Others?

LDC Perspective

- Need for clarity and consistency in approval criteria
- Resource needed to support program design, business case development, etc.
- Uncertainty in ability to transition pilots to local / province-wide programs
- Challenge with accountability and lack of authority
- Others?

Customer Perspective

- Desire to have programs available that meet the needs of the market
- Desire to see feedback captured in program changes and new programs
- Incentive levels to stay current with technology costs
- Desire to see flexible and streamlined processes
- Others?

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Issue 3: LDC CDM Plans are “force fit” to meet assigned budgets and targets and provide minimal value to communicate future expectations

THERE ARE VARYING STAKEHOLDER PERSPECTIVES RELATED TO THE IMPROVEMENT OF IESO VISIBILITY AND FORECASTING

IESO Perspective

- Need to *adequately* serve all customer segments
- Understanding current status of budgets and achievement of targets (both achieved and committed/expected)
- Early indicators of challenges with the framework
- Consistency in LDC forecasting assumptions/methodologies (comparability)
- Others?

LDC Perspective

- CDM plans are viewed as an administrative exercise with little value
- Placeholders ($1 and 1 MWh) were problematic in the past
- Risk associated with large projects (e.g., not proceeding, in-service by end of 2020)
- Uncertainty in savings/costs for centrally administered programs
- Others?

Customer Perspective

- Desire to have access to programs available
- Desire to investigate opportunities for deeper savings (with potentially higher acquisition costs)
- Desire to see ratepayer dollars spent responsibly
- Others?

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Issue 4: Non-delivering LDCs require IESO to backstop to ensure province-wide availability of programs, placing strain on central services

THERE ARE VARYING STAKEHOLDER PERSPECTIVES RELATED TO THE CHALLENGES ASSOCIATED WITH NON-DELIVERING LDCS

IESO Perspective

- Need to *adequately* serve all customer segments
- Need to maintain ratepayer value
- Achievement of 7 TWh target
- Need to deliver province-wide programs if LDCs opt out, and associated CFF budget availability
- Others?

LDC Perspective

- Ability to continue to provide core programs to customers
- Uncertainty on results of mid-term review
- Administrative efforts associated with program delivery
- Focus on programs with low acquisition costs
- Others?

Customer Perspective

- Desire to have access to programs available
- Others?

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EXERCISE & DISCUSSION

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ONE SIZE FITS ALL FRAMEWORK

THERE ARE VARYING STAKEHOLDER PERSPECTIVES RELATED TO A ONE SIZE FITS ALL FRAMEWORK

IESO Perspective	LDC Perspective	Customer Perspective
• Need to *adequately* serve all customer segments • Consideration of regional constraints and value of CDM • Need to demonstrate ratepayer value • Varying levels of commitment and capability across LDCs • Others?	• Ability to manage portfolio based on LDC preferences • Risk tolerance across LDCs • Unique considerations for each LDC (regionality, customer composition, past performance, saturation, etc.) • Others?	• Desire to have programs available that meet individual needs • Consistency of program offerings for multi-site customers • Varying sizes of projects and incentives require the same amount of administrative effort (burdensome) • Others?

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ONE SIZE FITS ALL FRAMEWORK: KEY QUESTIONS FOR DISCUSSION

- **What would you hope to see as outcomes of moving away from a "one size fits all framework"?**
- **Who would be the main beneficiaries of these outcomes?**
- **What information do we need to have or better understand in order to make this move?**
- **What are some short-term (2018 to 2020) changes that can be made to better manage the CDM portfolio in the current one size fits all framework, and helps build experience of what could be possible in a more open framework?**
- **What are some longer-term (post 2020) considerations and alternate approaches that move away from a one size fits all framework while maintaining some key policy objectives and principles?**

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DISCUSSION

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