

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

<b>Date:</b> October 19, 2017	<b>Time:</b> 9:00am-3:00pm
<b>Location:</b>	<ul style="list-style-type: none"><li>Vantage Venues (formerly St. Andrews Conference and Convention Centre), 150 King Street West, 27th Floor - Room L2</li></ul>
<b>Meeting Chair(s) and Facilitator:</b>	Nik Schruder (IESO)
<b>Scribe:</b>	Dixon Grant (Navigant)

## Meeting Objective(s):

- Review key takeaways and action items from prior Advisory Group meeting
- Input on key issues identified through the Mid-Term Review process to date

## Attendees:

**Members:** Colin Anderson (AMPCO), Gia De Julio (delegate – Alectra Utilities), Guru Kalyanraman, Margaret Rodd (Entegrus Powerlines Inc.), Hang Li (Delegate - Housing Services Corporation), George Katsuras (Hydro One), Iuliana Calin (Nest Labs), Michael Marchant (Toronto Hydro-Electric System Limited), Edward Rubinstein (University Health Network)

**Observers:** Bill Hicks (Delegate - Burman Energy Consultants), Erika Lontoc (Enbridge Gas Distribution Inc.), Jesse Kulendran (Electricity Distributors Association), Afreen Khan (Environmental Commissioner of Ontario), Giovanna Gesuale (Enwin Utilities Limited), Joe Barile (Essex Powerlines Corporation), Frances Murray (Just Energy Ontario LP), Roy Hrab (Ontario Energy Association), Valerie Bennett (Ontario Energy Board), Katie Zwick (Ministry of Energy and Climate Change), Tina Nicholson (Union Gas Limited)

**IESO:** Nik Schruder – Chair, Susan Harrison, Erinn Meloche, Bronwen Smith, Terry Young

**Ipsos and DNV GL:** Michael Howell, Martin Hrobsky, Lily Kim, Marc Collins

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

**Regrets:**

**Members:** Raegan Bond (Alectra Utilities Inc.), Amha Abraha (CBRE Limited), Chris Barker (CustomerFirst Inc.), Myfanwy Parry (Housing Services Corporation), Mark Schembri (Loblaw)

**Observers:** Bala Gnanam (BOMA), Joanne Van Panhuis (Brantford Power Inc.), Bart Burman (Burman Energy Consultants), Michael Lio (buildABILITY), Wes Johnston (CanSIA), Brandon Weiss (Cornerstone Hydro Electric Concepts Association Inc.), Sarah Colvin (Ecobee), Edward Glasbergen (Energy+ Inc.), Jeff Kish (liteSMART), Emma Schwab-Pflug (Ministry of Energy), Jack Gibbons (Ontario Clean Air Alliance), Janet Taylor (Oshawa PUC Networks), Dan Roberts (Roberts and Company), Ersilia Serafini (Summerhill), Tim Wilson (Thunder Bay Hydro), Steve Zebrowski (Veridian Connections Inc.)

Action Items Identified	Response
Re-word/remove the statement that LDCs characterize CDM as a “soft benefit” in the market research section of the final report.	Navigant/Ipsos to update documents and IESO to circulate
Ensure the usage of the terms “standardize,” “centralize,” and “flexibility” are clearly defined throughout the market research section of the final report.	Navigant/Ipsos to update documents and IESO to circulate
Identify and communicate specific examples of feedback from market research participants in the market research.	Navigant/Ipsos to investigate and work with IESO to determine the best method to communicate

Key Themes Identified
<ul style="list-style-type: none"><li>• Many market research participants identified the desire for simpler access to CDM while being provided more flexibility, which may be contradictory</li><li>• Customers want CDM to move away from a “one size fits all” approach</li><li>• Emphasis on the continuity in CDM programming and the impact of uncertainty of funding on participation which is possible in the second half of the framework</li><li>• It is important that the context of market research participant feedback is clearly communicated in final documents</li><li>• Channel partners had a high degree of variability in their market research feedback</li><li>• Advisory Group is supportive of the update to the non-energy impacts adder, but there is concern about whether its implementation will have much of an impact, especially given the short amount of time left in the framework</li><li>• Tools should be developed to allow organizations to identify the most impactful projects for customers given the updates to the non-energy impacts adder</li><li>• It is important to communicate the non-energy impacts adder effectively to customers and other stakeholders</li></ul>



## **Key Themes Identified**

- Integration between the multiple entities that participate in energy efficiency activities in Ontario (e.g. IESO, LDCs, Gas Utilities, GreenON) is vital for the 2019 achievable potential study (APS)
- It would be beneficial to carry the 2019 APS out at the transformer station level, but this level of granularity may be too difficult to achieve for a fully integrated APS

### **Agenda Item 1: Welcome and Introduction**

Speaker: Nik Schruder (IESO)

Nik walked through the agenda and facilitated introductions of new and delegate members. Jodi Amy (Navigant) walked through the action items and key themes from the previous advisory group meeting. Jodi requested comments from the group, and indicated additional feedback on the phase II budgets, targets, cost effectiveness current state summary after the meeting.

*Questions/comments:*

*A service provider asked what is included in the total resource cost (TRC) test ratios. Response that cost effectiveness ratios are presented at the portfolio level, i.e. CFF in aggregate, as well as at the sector and program level. LDC ratios are presented at the portfolio level, the sector level and program level.*

### **Agenda Item 2: Market Research Findings**

Speaker: Michael Howell and Lily Kim (Ipsos)

Michael and Lily presented the market research objectives, background and methodology followed by a summary of findings by segment, opinions, key takeaways sections and themes.

*Questions/comments:*

*A utility member asked if the number of completed market research interviews reflect the numbers expected at this stage. Response that approximately 50 out of 70 targeted interviews were obtained. A utility member inquired about responses from non-multi-site customers. Response that recruiting efforts were dedicated to all segments identified in the Market Research Plan, however, not all participated at the same rate. A utility member asked what the target number of multi-site customer participants was. This information is available in the Market Research Plan documentation. A utility member asked if there will be any caveats added to the market research report given the low number of responses from certain segments. Response that the methodology is qualitative and is intended to provide in-depth insights from a smaller number of interviewees.*

*A service provider asked if service providers were included in the market research. Response that service providers were approached and did not indicate an interest in participating.*

*Utilities provided comments on certain summary statements such as the characterization of CDM as a “soft benefit,” centralized and de-centralized delivery of CDM, and the terms “standardization” and “centralization.” Responses clarified the context, sources, and intended interpretation of the terms. Additional clarity is to be provided in the final report.*

*A utility member asked why the energy manager program has been described as cancelled in the market research report. Response that some participants had the perception that it has been discontinued even though the program is still active or could be confusing the existing energy manager program with previous versions of the program or similar programs.*

*Discussions surrounding the desire for both flexibility and standardization, which can be conflicting statements. Desire from customers to move away from a “one size fits all” approach. Discussion that simplicity from a customer perspective may be a better term than standardization, especially by providing simple access of information to customers.*

*A service provider indicated that the themes in the market research findings are consistent with past evaluation reports. The service provider indicated that they were hoping that this market research activity would identify with more actionable items. Response that customers often provide an opinion of what they want to have happen, but do not know how to make this happen. The service provider re-iterated that these themes are useful but we need real next steps to address these.*

*A utility member indicated that they were surprised with some of the feedback from customers, and that the group should be provided more information as to what is causing these customers to provide negative feedback. The utility member noted that some of the negative feedback could be on aspects of the framework that are outside of the control of LDCs. Response that Ipsos has many specific examples that can be communicated.*

*A utility member indicated that the issue of continuity of programs, i.e. customers worried about programs disappearing is not emphasized enough in this market research. Continuity issues will be more present in the next half of the framework and customers may be less likely to participate in CDM because they are worried the programs will be discontinued.*

*A customer asked for clarification on the education theme, and whether this is intended to target CDM customers or Ontario as a whole. Response that the education theme is intended to be broad. The customer indicated that it is especially important to provide education to channel partners because they are most often the point of contact with customers.*

### **Agenda Item 3: Non-Energy Impacts Report**

Speaker: Mark Collins (DNV-GL)

Mark gave a high-level overview of the non-energy impacts report, presented the updated non-energy impacts values, and options to capture non-energy impacts.

*Questions/comments:*

*A utility member asked for clarification on how the greenhouse gas (GHG) impact value is applied. Response that the IESO has an emission factor that is connected to updated avoided cost which is expected to be available in a future release of the cost-effectiveness tool as part of the outcome of the Mid-term review process.*

*A utility member asked why \$40 was used as the benchmark cost for GHG emissions. Response that the IESO planning department currently uses this value for all official documents. It is assumed that the value takes into consideration future policy developments. This number is also flexible to be changed if there are new developments.*

*A utility member indicated that Ontario should improve the adder, i.e. choose an option other than “retain existing 15% adder.” However, any changes to the non-energy impacts adder could cause more complications for the framework considering the limited time remaining. Response that the adder is expected to have a larger impact going forward as programs shift focus towards projects with higher GHG savings. A utility member indicated that the adder could impact new program re-design and Evaluation, Measurement, & Verification, thus any changes to the adder could have a significant impact.*

*A customer emphasized the importance of the qualitative aspects of non-energy impacts, e.g. often customers care less about the energy savings aspects CDM and care more about aspects like safety. A service provider indicated that they hope that the result of this process is a tool that allows providers to identify the most impactful opportunities for customers. Response that discussion on the major impacts for customer categories could be provided in the non-energy impacts report.*

*A customer requested clarification on sources of data used to arrive at results in the non-energy impacts report. Response that kilowatt hours were actual results, but the avoided costs are forecasts. Clarification was provided that the non-energy impacts are be used to determine societal benefits, and will not necessarily be used to determine the cost effectiveness of CDM projects from the customer perspective. A utility noted that the updated non-energy impact amount may influence incentive levels.*

### **Agenda Item 4: Achievable Potential Study**

Speaker: Bronwen Smith (IESO)

Bronwen presented the Achievable Potential Study (APS) slides and asked for feedback on: the integration between electricity, natural gas, other fuels and GHG emissions, the granularity of the study, and scope of measures.

*Questions/comments:*

*A provider asked who benefits from carrying out this study. Response that different entities have different uses for the study, and it is beneficial to get feedback from stakeholders as to what value the study provides to them. The provider stated that greater integration would provide value to customers, given their desire for simplicity of delivery.*

*Utility members indicated that further integration is necessary. Integration between electricity and GHG emissions is particularly important due to recent developments in climate change policy in relation to electricity CDM. Response that the primary objective would be to have integration, and will work towards this goal with the different entities.*

*A customer responded that the data must have at least sector-specific granularity. A service provider indicated that the level of granularity must take into consideration the rate of system change, e.g. the rapid growth of technology companies, and should probably be carried out more regularly than every three years.*

*A utility member indicated that the study should include a transformer station level of granularity to provide more information on the behind the meter generation potential. Response that if more granularity is required, the IESO will also need more data at this granularity, which can be an issue because many LDCs may not be interested in sharing or have data available at the requested granularity. A utility member and service provider indicated that to allow for greater integration, and given the short amount of time, the focus may have to be limited to regional data only. A utility member indicated that if the definition of CDM changes following the mid-term review, the scope of the achievable potential study should reflect the new definition.*

#### **Agenda Item 5: Mini-Workshop**

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

Advisory Group members and observers were segmented into four groups to discuss four issues identified through the mid-term review process: big projects and small LDCs, non-delivering LDCs, CDM forecasting, and working groups.

*Summary of discussions and conclusions:*



The problem statement associated with the “big projects, small LDCs” issue was refined to: “How can the framework accommodate large projects with limited budget and assigned targets.” Several possible solutions were identified including:

- The ability to (a) access budget from IESO central services or Industrial Accelerator program, and (b) streamline processes to reduce administration spending to enable the ability for LDCs to access bridge funding from the IESO on a project by project basis. This was complemented by allowing CDM Plans to show a true picture of LDC forecasts (e.g. required budget, even if above allocated budget) to show the extent of the issue.
- Once specific questions regarding the framework are answered (e.g., what is happening with Combined Heat and Power projects and will the IESO reassign targets and budgets based on the 2016 achievable potential study), make the target exchange more flexible, for example, to accommodate stages or projects, increasing the ability to transfer budgets and/or targets, and transferring budgets from LDCs that are underspent to LDCs that need additional budget. Recognition that this solution is not sufficient to solve this issue.
- Other solutions included: setting limits to prioritize projects, remove caps on incentives while maintaining caps on administrative spending, increasing flexibility to allow project financing, and leveraging incentive stacking.

The problem statement associated with the “non-delivering LDCs” issue was refined to: “How do we help all LDCs deliver all programs.” Several possible solutions were identified including:

- Increasing and leveraging collaboration (regionally, with gas utilities, and with other LDCs) and resource sharing.
- Rebuilding LDC budgets to determine what budget is required, combining Affordability Fund and Home Assistance Program budgets (have LDCs deliver a combined program), LDCs conducting budget exchange only.
- Recognition that more information is needed to understand why LDCs have opted out of delivering certain province-wide programs (e.g., lack of customer interest, lack of eligible customers, low perceived value of the program, limited budget, etc.).

The problem statement associated with the “CDM forecasting” issue was refined to: “How do ensure the data we require to administer the framework is acceptable, timely, and adaptable.” Several possible solutions were identified including:

- Acceptance and flexibility in data and results being “good enough” and providing sufficient insights into reality to make decisions. Tradeoff between accuracy and timeliness.
- Open and transparent communication, clear timelines and expectations, and an agreed upon change process were highlighted as important.
- Need for centralized approach to avoid scattered approaches which could include sharing best practices across LDCs with the recognition that benefits should flow back to the data owners that provided the information.
- More flexibility in CDM Plans was also highlighted.

*The problem statement associated with the “working groups” issue was refined to: “How do you shorten approval times to increase efficiency and allow for more effective and actionable program designs and modifications.” Several possible solutions were identified including:*

- *Clear and timely guidelines, steps, approvals, expectations, and accountability were seen as important to establish with joint accountability and control between IESO and LDCs. Delegated authority was also discussed.*
- *Clear accountability and governance are seen as important requirements as well as clear goals (i.e., specific, measurable, etc.)*
- *Smaller working groups, shorter meetings, more discipline, deadlines and touchpoints, and fewer layers of approval were identified to speed up decisions.*
- *Recognition that one process does not work (i.e., small program changes vs. big changes)*

### **Agenda Item 6: Discussion on “One Size Fits All Framework”**

Facilitator: Jodi Amy (Navigant)

Advisory Group members and observers discussed the challenges associated with a one size fits all framework.

*Summary of discussions and conclusions:*

*Concern that this structure of framework stifles innovation and prevents simplicity and flexibility. This needs to be balanced with the need for consistency in experience. Discussion on the move to program guidelines rather than rules to enable greater flexibility. General agreement that there are benefits in moving away from a one size fits all approach.*

*Discussions on pilot programs and the need for differing requirements for pilot programs to allow the challenges associated with risks and measurement and verification processes to be investigated. Further discussion on the need to pilot more options and other implementation/delivery models) and incentive level.*

*At the LDC level, discussion on larger LDCs providing administration and/or delivery services to smaller LDCs who do not want to be involved in CDM. A large LDC highlighted models in other jurisdictions that have central delivery for smaller LDCs and larger utilities controlling their own portfolios. Further discussion on whether there could be regional pieces or groups and whether this is currently happening in some form in Ontario.*