Comments submitted to the IESO from Alectra Utilities Corporation

The IESO initiated the mid-term review of the Conservation First Framework (CFF) and Industrial Accelerator Program (IAP). This has included a formal engagement process with the establishment of the Conservation Mid-Term Review Advisory Group, of which Alectra Utilities Corporation (Alectra) is a member.

In addition to its active participation in the Advisory Group, Alectra is pleased to submit the following comments.

Alectra supports the planned outcomes of the Mid-Term Review; specifically:

- Allocated LDC targets/budgets that are achievable;
- Plan/solutions to address outstanding needs identified by customers, e.g., multi-site customers, and low-income customers;
- Plan for establishing a target exchange mechanism, should one be needed;
- Tools to ensure Conservation delivers system value when/where needed, e.g., programs to address peak demand/local planning needs;
- Conservation programs to support Ontario's climate change objectives; and
- Options for delivering energy efficiency beyond 2020.

In response to the IESO's Key Questions for Engagement Participants, Alectra provides the following:

1. What are other considerations for the four Non-Energy Impacts options presented?

Alectra does not have other considerations to add.

2. Could the application of Non-Energy Impacts adders be applied at the measure, program and sector-level? How else may it be used?

Non-Energy Impacts (NEIs) are most appropriately applied at the measure level when the right amount of research, analysis, experience, and quantification is available to utilize a value with a reasonable level of confidence. Unfortunately, due to its nascent state, the application of NEIs in Ontario may have to be applied at the higher levels of programs or sectors, or the continued simple adder method. The IESO's research, conducted by DNV-GL, suggests the current value of 15% is much too conservative, and Alectra agrees that if an adder is the continued preference, then an adder up to 30% is reasonable.

Alectra recommends that the IESO limit the resources to be focused on NEIs and related analysis at this time.

3. What are some opportunities and concerns associated with LDC target exchange? What are some other options to address variability in LDC progress?

Alectra is a proponent of the option to exchange or "trade" targets. However, the root of the need for such an exchange is the fact that LDCs have limitations with both targets and budgets. Many LDCs are concerned that their current CFF budgets will expire before they reach their savings targets, or before the end of 2020, limiting the availability of CDM programs to customers. LDCs are reluctant to strive for more savings if they will be financially limited.

On March 31, 2014, the then OPA was directed by the Minister "to coordinate, support and fund the delivery of CDM programs through licensed electricity distributors…to achieve a total of 7 TWh of reductions of electricity consumption between January 1, 2015 and December 31, 2020". The OPA/IESO has not been directed to limit the budget to achieve this 7 TWh goal. Arguably, the Minister, the IESO and Ontario's ratepayers should be willing to spend more than the current LDC budget of $2.2 Billion to achieve additional energy savings if it can be reached economically, consistent with the goals of the regulators. Alectra submits that if LDCs are permitted to strive for greater savings by using more of the IESO's budget, as a result most or all LDCs will more easily achieve their minimum targets, and many LDCs will significantly exceed their savings targets.

It is not sufficient to compartmentalize and address these Mid-Term Review issues as individual problems to solve. They are interrelated and we should use these dependencies to our advantage to solve the issues. This might be best achieved by creating smaller sub-committees with expert advisors, and bringing their recommended solutions back to the larger Advisory Group, who will be obligated to receive these recommendations with due consideration.

4. Should targets or budgets be adjusted for the Conservation First Framework or Industrial Accelerator Program? If so how, and what factors should be considered?

The low level of achievement in the IAP suggests that the IESO should reconsider all elements of the program including whether it should be delivered by other parties such as LDCs, whose experience in direct customer service and successful delivery of CDM programs to large industrial customers may be of benefit.

General Comments Applicable to this Review

Alectra makes the following additional submissions:

Issue	Idea to mitigate or resolve the problem	Idea realistic, timely and practical	Who needs to be involved?
1. Big projects small LDC	1. Change programs to have time bound incentives (earlier than 2020). Currently Retrofit/PSUP applications pre-approved in 2015 have a completion date expiry of December 31, 2020, requiring LDCs to fulfill on possibly outdated pre-approved applications.	YES	Working groups /IESO
2. Program Design & redesign	1. Suggest that the IESO establish a short list of defined approval criteria, under which Working Groups design or re-design programs. IESO can then approve based on whether programs meet these defined criteria; there is a concern about the inability of Working Groups to implement program design changes, and this approach might address that concern. 2. Recommend a tiered criteria and approval process whereby the IESO considers the impact of proposed changes on budget and savings, e.g., if change is less than 5% to program savings and costs, minimise approval requirements. This will result in the IESO's due diligence to be more aligned with actual or perceived risk; and will address the concern that delays in IESO approvals may result in missing the marketplace window of opportunity. 3. Request IESO to have clearly defined, approval process. The addition of unexpected new criteria is disruptive for LDCs and inefficient for the industry. 4. IESO to provide dedicated resources to support Working Groups that are able to provide guidance during design; there is an intent to do so today but the effort is inconsistent. 5. IESO to consider Working Groups as allies, and expert and knowledgeable resources, not as adversaries.	1. YES 2. YES 3. YES 4. YES 5. MAYBE	IESO/Working Groups/LDC
3. CDM Plan force fit	1. Set savings target only or budget only but not both, as per most other jurisdictions. 2. Allow LDCs to forecast in CDM Plan greater than assigned budget with IESO funding the "overage". Would produce more realistic	1. YES 2. YES	IESO/LDCs

	budgets.		
4 Non-delivering LDC	1. Revert back to previous framework, LDCs required to deliver all programs and <u>are fully</u> compensated to do so. 2. Limit the requirement of delivery of all programs to core programs only, e.g., M&T does not apply to all customer bases or LDCs.	1. YES 2. YES	IESO/LDC

"One Size Fits All"

On the topic of "One Size Fits All", Alectra suggests that the IESO qualify what adequately serving all customer segments means. Consider equity rather than equality. The outcome will be innovation to the benefit of customers. Reduce eligibility requirements and approval processes for smaller incentives, on a sliding scale. End "open-ended" approvals for large business programs projects (Retrofit/PSUP) with a time limit of one year.

Rolling Framework

Finally, regarding long term changes: establish a Rolling Framework, whereby year after year it is an extension of the framework and budget, so that there is no "end date" and hence, long cycle and large savings projects can be accommodated.