

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

<b>Date:</b> November 23, 2017	<b>Time:</b> 9:00am-1:00pm
<b>Location:</b>	<ul style="list-style-type: none"><li>Vantage Venues (formerly St. Andrews Conference and Convention Centre), 150 King Street West, 16th Floor - Room F1</li></ul>
<b>Meeting Chair(s) and Facilitator:</b>	Nik Schruder (IESO)
<b>Scribe:</b>	Dixon Grant (Navigant)

## Meeting Objective(s):

- Review action items from prior Advisory Group meeting
- Review workshop findings
- Input on short term opportunities arising from the Mid-Term Review process to date

## Attendees:

**Members:** Gia De Julio (delegate – Alectra Utilities), Amha Abraha (CBRE Limited), Chris Barker (CustomerFirst Inc.), Margaret Rodd (Entegrus Powerlines Inc.), Hang Li (Delegate - 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:** Tim Sturgeon (Delegate - Burman Energy Consultants), Jesse Kulendran (Electricity Distributors Association), Erika Lontoc (Enbridge Gas Distribution Inc.), Afreen Khan (Environmental Commissioner of Ontario), Emma Schwab-Pflug (Ministry of Energy), Katie Zwick (Ministry of Energy and Climate Change), Roy Hrab (Ontario Energy Association), Valerie Bennett (Ontario Energy Board), Tina Nicholson (Union Gas Limited)

**IESO:** Nik Schruder – Chair, Phil Bosco, Susan Harrison, Erinn Meloche, Graham Smith, Bojana Zindovic

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

**Regrets:**

**Members:** Raegan Bond (Alectra Utilities Inc.), Colin Anderson (AMPCO), Guru Kalyanraman, Myfanwy Parry (Housing Services Corporation)

**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.), Giovanna Gesuale (Enwin Utilities Limited), Joe Barile (Essex Powerlines Corporation), Frances Murray (Just Energy Ontario LP), Jeff Kish (liteSMART), 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
Update the comment on slide 5 of the workshop summary document to include that the definition of CDM also involves customers’ ability to differentiate between CDM and Green ON.	Navigant to include in final report.
Update the comment on slide 17 of the workshop summary to state that “joint programs” is referring to joint programs between LDCs and gas utilities.	Navigant to include in final report.
Provide more information into which customers attended the customer workshop.	Navigant to include in final report.
Provide communication to LDCs with more detail regarding target exchange.	IESO to revise Target Exchange Guideline and post for LDC comment in December. Guideline should include examples of eligible and non-eligible target exchanges.
New Zealand is a successful case study for indigenous conservation. IESO should capitalize on the findings of the conservation activities in New Zealand.	IESO to investigate.

Key Themes Identified
<ul style="list-style-type: none"><li>• Targets, target exchange, and budgetary strain:<ul style="list-style-type: none"><li>• The CFF and IAP target should be met within budget or under budget, if possible. However, it is desired that CDM will not be discontinued should the target be met and budget remains from the original allocated CDM budget.</li><li>• Framework cost-effectiveness should be maintained and improved, if possible</li><li>• A target exchange mechanism must balance appropriate LDC performance incentives taking into consideration an LDC’s effort to achieve its target, and the</li></ul></li></ul>



## Key Themes Identified

- appropriateness of an LDC's target
- The framework is trending to meet and likely exceed the 7 TWh CFF target under budget, but some LDCs expressed that they would run out of budget prior to 2020 if target exchange is unavailable
- There is disagreement as to the extent of need for changes to the current target exchange mechanism for LDCs
- Exchange of funds from IAP should only occur if IAP customers can continue to be adequately supported
- There is disagreement as to whether LDCs should take more or less responsibility for current IESO administered programs (e.g. Energy Performance Program, Whole Home), but both scenarios represent a cost-transfer (IESO central services budget vs. LDC's allocated CDM budget)
- There is disagreement on how to handle LDCs that sell off part of their CDM target, thereby reducing their required mid-term target threshold (and final target threshold), and enabling them to earn a performance incentives as a result of the exchange
- There is limited insight into the extent of the Central Services budget constraints
- Working groups:
  - Working group roles, responsibilities, and reporting structures must be clearly defined, structures of the groups themselves were seen as less important
  - Working groups should include natural gas utilities and GreenON representation, where appropriate
  - Working group forums that are open to stakeholder feedback from multiple stakeholder groups were strongly supported
- Other themes:
  - Clarification on the potential overlap between CDM and climate change offsets is still being sought. Currently, interaction between cap and trade and CDM environmental attributes does not exist and there is a list of acceptable activities to receive offsets
  - IESO has limited visibility into accurate LDC CDM forecasts which may be problematic when dealing with target exchange amongst LDCs

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

Speaker: Nik Schruder (IESO)

Nik walked through the agenda and facilitated introductions of the Advisory Group members. Jodi Amy summarized the meeting notes from the last Advisory Group meeting on October 19<sup>th</sup> and requested feedback and comments. No comments received, October meeting notes considered final.

## **Agenda Item 2: Workshop findings**

Speaker: Jodi Amy (Navigant)

Jodi summarized the workshops including a brief overview of the sessions with each stakeholder group.

*Questions/comments:*

*Questions surrounding the breakdown of attendees at the customer workshop. Response that many attendees represented larger distribution connected customers. A breakdown will be provided in the final report.*

*A utility member asked for clarification on the environmental attributions comment on slide 5. They mentioned that this was more related to attribution. A customer mentioned that they interpret this as rights for environmental attributes. Response that this is meant to represent offsets shared between IESO and the customer, as per the updated Energy Conservation Agreement (ECA). Further discussion on the interaction between cap and trade and environmental attributes. Clarification that currently, this interaction does not exist and there is a list of acceptable activities to receive offsets in the California market.*

*A utility member indicated that the definition of CDM finding on slide 5 should be interpreted as customers' ability to differentiate between CDM and Green Ontario Fund. Response that this statement will be confirmed in the session notes and adjusted as needed.*

*A customer indicated that it is problematic that the IESO has low visibility into LDC forecasts and this visibility is important for an effective target exchange mechanism. Response that the IESO is considering options for an ongoing solution to provide IESO more insight into LDCs' forecast and target achievement. Utility members indicated their support for providing more valuable forecasts to the LDCs. Response that this is currently being discussed through the data and reporting working group.*

*A utility member mentioned the comment "challenge on the power of LDCs" on slide 16, and indicated that this issue is often due to safety requirements of LDCs for connection of CDM programs and CHP. The utility member stated that the group should be aware this is the opinion of one customer, and may not be representative of all customers' opinions.*

*Discussion surrounding customers' feedback on LDCs and whether comments were focused more on delivery or the programs themselves. Response that customers positively mentioned LDCs' connection with the community. Comments from customers highlighted the desire for more flexibility of programs themselves and were concerned with the high amount of effort it takes to complete an application. Utility member indicated that the application issues are primarily due to program design, and are not necessarily an issue with program delivery. A service provider indicated that this issue ties back to the theme of simplicity.*

## **Agenda Item 3: Target exchange criteria**

Speaker: Phil Bosco (IESO)

Phil walked through the target exchange presentation discussing principles, criteria, processes, advantages, and disadvantages.

*Questions/comments:*

*A utility member indicated that one of the principles should be that the process is simple, as the current CDM plan is already an onerous task. The utility member indicated that the “protects ratepayer value” principle on slide 3 does not carry much weight as the CFF budget is already committed to cost-effectiveness criteria. Response that this represents an instance where the IESO fills a gap in programming, which could result in a situation where the central services budget will require additional budget. A utility member indicated that the principle should be changed to “maintain cost-effectiveness.” Response that the framework is already cost-effective, but an issue could arise if the framework over-performs and runs out of budget. There is also the concept of cost efficiency i.e. the framework is already cost-effective but it can always become more cost efficient. Utility members indicated that the first two bullet points on slide 3 are contradictory.*

*A utility member asked if the goal is to meet the CFF target or maintain the budget. Response that the goal is to achieve the CFF target for as little budget as possible. Discussions surrounding why choose this goal instead of using the full allocated budget to achieve the highest savings as possible. Response that at this point, LDCs are trending to exceed the CFF target under budget. A utility member asked if the target is met, will support for CDM cease. Response that the IESO will not cut the budget off at 7 TWh, but some LDCs may run out of budget. It is important to ensure that any target exchange stays below the total allocated budget.*

*A utility member asked if a target exchange bid will be rejected (as part of their CDM plan submission) if it is apparent that higher incentives will be paid to an LDC than originally intended. Response that the IESO’s review of a given target exchange is intended to look at the overall budget, not into specific LDC incentives. There was agreement that IESO would clarify this as part of the revised target exchange guideline.*

*A utility member indicated that the main causes of budget constrain leading to the need for target exchange are specific programs (e.g., HAP), yet the focus of discussion has been primarily on LDC performance incentives. Response that LDC performance incentives are not the main concern, but do need to be taken into consideration when managing the overall budget. The IESO is aware that it must be consistent on how target exchange bids are approved or rejected. It is a concern, and not aligned to the spirit of the framework, if low-performing LDCs sell off some of their allocated target but still receive a performance incentive. A utility member responded that there were issues with the initial budget and target allocation, and it may be challenging to determine if an LDC is actually trying to achieve their target. An LDC may underperform due to a target allocation that does not accurately reflect their CDM potential in its service territory. LDCs that have had an inappropriate target allocation should be able to exchange part of their target. However, this is often seen as if they are “gaming the system.”*

*A utility member indicated that it would be helpful to see the original budget for central services (broken down by category) and the updated central services budget/forecast given the new areas it will have to cover.*

*An association member stated that this discussion is overlooking the Energy Conservation Agreement contract between IESO and LDCs. Response that the contract was developed in 2014 and there have been many changes since it was originally drafted. A customer asked if the contract articulated the target exchange mechanism in detail. Response that there was language about the target exchange in the contract, but the target exchange guideline is the primary document which is being updated in December.*

#### **Agenda Item 4: Options for short-term framework modifications**

Speaker: Ben Grunfeld and Jodi Amy (Navigant)

Jodi described the purpose of this agenda item: to get feedback on two opportunities to address issues in the short-term. Jodi summarized the background and context for the short-term opportunities document.

Ben and Jodi reviewed the first opportunity: enabling a responsive framework.

*Questions/comments:*

*Discussions regarding the membership of continuous program improvement team would serve. Discussions on the membership (e.g., gas utilities, third parties, GreenON) and interactions with the advisory function of the feedback forums. Response that under this format, these other entities would be considered and included where appropriate. A utility member voiced their support of facilitating more stakeholder feedback into the framework. They indicated that the current working group structure leads to confusion as to which parties are responsible for certain aspects of the process. Response that this would be addressed by formalizing and improving the working group reporting structure. Discussion that roles and responsibilities are as important as the structure of the working groups themselves. Agreement amongst the group.*

*Brief discussions on governance (e.g., structure approval by CFIC). A utility member indicated that most of the structure that is identified in this short-term opportunity already exists, but there is a bottleneck due to small changes not being approved and changing review criteria requirements. Response that there are also multiple layers (e.g., subgroups, working group, CFIC, IESO) that potential program changes must pass through and the working groups sizes are a challenge. This could be improved if the reporting structure was designed so that the 3-5 member working groups report directly to CFIC or directly to IESO.*

*A Ministry observer noted that it should be made clear that all organizations that fund a particular program are part of the program's working groups. Response in agreement.*

Jodi reviewed the second opportunity: tackling budget constraints. Advisory Group members were asked to focus on clarifying questions and to provide feedback after the meeting.

*A utility member indicated that it will be a major challenge to identify the primary reason for an LDC to undertake a target exchange – whether it be that they want to maintain their performance incentive, or because they believe there is not enough CDM potential in their service territory. IESO response that in many cases it is easy to identify which is which, particularly due to the current achievable potential study and how “active” an LDC is supporting conservation. The IESO regularly engages with LDCs that are underperforming, and is aware of the organizations that are active in trying to meet their CDM targets. A utility member responded that the allocation of CDM targets may have been unfair to begin with. IESO response that the updated achievable potential study is being used for the mid-term threshold for target achievement if it is lower than the original allocated target.*

*A utility member asked what the motivation is for LDCs to enter into target exchange if they will lose their chance at a performance incentive and will not be able to maintain customer coverage after trading away part of their target. Response that this is a valid point, but this is also an opportunity for LDCs to avoid financial and administrative penalties.*

*A customer member asked what the problem is with the IESO being the clearing house for target exchanges in order to represent the provincial view. A utility member indicated that there is a mechanism in place already (target exchange), and there is no need to go through a significant clearinghouse exchange process. The LDCs should be able to handle this themselves. Also, LDCs are not aware of how big of a problem this is, and whether this is truly an issue or a perception of the issue. The utility member indicated that they suspect that the issue is primarily inherent with smaller LDCs. Response that it is not only an issue with small LDCs based on information received by IESO.*

*A customer asked if the IAP is underperforming due to lack of interest from customers. Response that IAP customers have varied needs, and often their projects are long-term that require a significant amount of time and internal commitment prior to moving forward. The intention is to only transfer budget from IAP as long as it does not interfere with IAP customers’ ability to participate and be supported.*

*Discussions surrounding the strain on the central service budget and how central administered programs (e.g., Energy Performance program (EPP) and Whole Home) are treated within the framework. A customer indicated that it is strange that LDCs are getting the benefit for EPP savings, yet it is being funded and delivered by the IESO through the central service budget. Response that this is something that should be fixed in the short term, and in general, it is good policy to design a framework where the dollars should follow the savings. A utility member asked if there would be an option of transferring delivery of EPP and Whole Home to LDCs. Response that Whole Home is already delivered by gas utilities, but there is the opportunity for LDCs to participate. The utility member indicated that EPP is aligned with retrofit and it would make sense to give this to LDCs.*

*A utility member asked about the magnitude of the central services shortfall. Response that the forecasting for central services is underway, but there is strain that is expected to get worse as the framework progresses. The utility member asked how big the issue of LDCs with budget strain is. Response that at the moment it is*

*not that big. There are only a few issues in front of the IESO right now, but more LDCs are expected to run into budget issues as the framework progresses.*

*A utility member asked why OESP is not used for HAP. Response that this would go above and beyond the existing CFF budget. Also, given the observation that CFF is expected to come in under budget, there is minimal justification to seek excess budget. A utility member indicated that it is very difficult to provide insight the budgetary issues without knowing what the magnitude of the issues are.*

Nik told the group that they could provide written feedback on the short-term opportunities. Written comments were received from both an LDC Advisory Group member, a consultant Advisory Group member, and an observer.

### **Agenda Item 5: Indigenous conservation programming report update**

Speaker: Graham Smith (IESO)

Graham presented the background, approach, preliminary findings and next steps of the indigenous conservation programming report.

*Questions/comments:*

*A customer member indicated that there was a successful case study from New Zealand, that was successful because it emphasized the health aspect of conservation. Response that IESO will get in touch to review this.*

### **Agenda Item 6: Long Term Energy Plan (LTEP) update**

Speaker: Emma Schwab-Pflug (Ministry of Energy)

Emma discussed the conservation initiatives in the LTEP, as well as the LTEP directives and next steps.

*Questions/comments:*

*A customer stated that the Ministry of the Environment and Climate Change (MOECC) is not currently interacting with the Ministry of Energy (MOE) on climate change adaptation, even though there is an overlap with aspects of the LTEP, specifically CHP. Response that there is a team at ENERGY that is working on this, but overlap between the MOE and MOECC will be further investigated.*

### **Agenda Item 7: Closing Remarks**

Speaker: Nik Schruder (IESO)

Nik closed off the meeting by re-iterating that members will be permitted to provide written comments to IESO/Navigant within the week. Written comments were received from both an LDC Advisory Group member, a consultant Advisory Group member, and an observer.