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Independent Electricity System Operator  
1600 – 120 Adelaide Street West  
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Dear Stakeholder Relations:

**Re: Conservation First Framework – IESO Identified Short-Term Opportunities.**

Toronto Hydro's comments with respect to the material presented at the November 23, 2017 mid-term review meeting are provided below. As noted in the meeting, the two areas of "Enabling a Responsive Framework" and "Tackling Budgetary Strain" have been identified in this forum as being two areas of pressing concern with respect to the Conservation First Framework (CFF) and represent short-term opportunities for the CFF.

The first overarching comment is that these issues have not been raised to Conservation First Implementation Committee (CFIC) where discussions of this nature should be happening to address delivery and governance issues. This would allow them to be addressed in a more timely manner.

The second comment is these issues seemed to be at odds with the overall success of the CFF. To date the provincial results are tracking towards target achievement with spending under budget. This has been a combination of a number of factors including the continued success of provincial programs and the entry into the market of a number of local programs that have provided refreshed opportunities for the customer to participate in programs. Although there are going to be localized issues Toronto Hydro, and the LDC community, are more than willing to work with the IESO to ensure that the CFF is delivered optimally for the province.

1) Enabling a Responsive Framework

There are some valid concerns with respect to the functioning of the CFF and the ability of program changes/redesign to be completed in a timely manner. However, the solution is not one of working group structure, but rather process and resourcing.

For the first issue, the process for program approvals is not working with both the IESO and LDCs, expressing frustration with the current situation. What we recommend is a re-evaluation of the process to establish a trackable approval process where decisions are made jointly by both parties and actual elapsed time is tracked. A process that is transparent, with clear decision criteria and trackable outcomes will go a long way to resolving the dissatisfaction parties feel with the process.

To support this we suggest that a joint operational IESO/LDC committee be established and empowered to review and accept program design and modifications. This committee can be tasked with developing the processes to support the timely execution of these changes.

The second impediment to the ability of working groups to function effectively is they have been not adequately supported. Moreover, earlier efforts by the LDC community to self-fund assistance for the groups was not supported by the IESO. As such, it is recommended that the IESO commit to a process that provides working groups the required funding prior to each annual work plan being executed to minimize work plan delays and deliverables.

Once there is a sound funding and approval process, the LDCs are happy to work with the IESO refresh the working group structure and related processes to ensure success for the next 3 years.

## 2) Budgetary Constraints

It is difficult to determine the magnitude of the problem and propose solutions when there is not sufficient forecasting or transparency on the various components of the Conservation First (CF) budget to analyze projected outcomes. However, the high-level information provided by Navigant at the meeting shows the overall provincial trend is towards underspending in aggregate for the LDCs and the IESO IAP program. As such, this would suggest that there is not a problem with the overall budget, but with a small number of LDCs overachieving on their allocated target. Since the overall CF budget appears to be sufficient, the ECA has provisions to allow for the efficient re-allocation of budget/target to adjust for the initial allocations provided to each LDC.

Therefore, it is recommended that the IESO/LDCs establish a forecasting methodology to properly account for the performance of the CFF so decisions can be made proactively. From this, recommendations on allocating the surplus IAP and LDC funding can be made based on information and fact. In parallel with this, it would be prudent to review the budget/target transfer guidelines with CFIC LDCs to introduce safeguards if required.

While this is being established, there are a number of short-term solutions that can be used to bridge funding issues while transfers are being arranged including the LDCs funding shortfalls or the IESO using surplus IAP funding.

Toronto Hydro continues to be a strong supporter of the CFF and welcomes the opportunity to work with other LDCs and the IESO to continue to evolve the CFF framework to support provincial conservation goals. We believe these constructive comments will further improve an already successful initiative.

Thank you for the opportunity to provide feedback and welcome the opportunity to discuss further during the mid-term review process.

Regards,



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