

# CONSERVATION FRAMEWORK MID-TERM REVIEW

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WORKSHOP SUMMARY

NOVEMBER 23, 2017

## DISCLAIMER

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## WORKSHOPS WERE CONDUCTED WITH FOUR STAKEHOLDER GROUPS

Workshop	Description	Date	Attendees
LDCs and gas utilities	<ul style="list-style-type: none"> <li>• Presentation and comments on mid-term review findings to date.</li> <li>• Guiding principles exercise to determine what LDCs and gas utilities value in a CDM framework.</li> <li>• Scenario assessment of four different potential directional changes to the CFF framework: minimal disruption, program/sector accountability, climate and collaboration alignment, and innovation focus</li> </ul>	Oct. 2	~25 – 30
IESO	<ul style="list-style-type: none"> <li>• Presentation and comments on mid-term review findings to date.</li> <li>• Alignment exercise to understand the potential internal barriers to implementing changes to the framework.</li> <li>• Discussion and solution generation of key framework challenges identified: working group structure, IESO visibility into LDC forecasts, small utilities with big projects, and non-delivering LDCs.</li> <li>• Further discussion on the challenges associated with a one-size-fits-all framework and what a program sector/accountability framework scenario could look like.</li> </ul>	Oct. 3	~10 – 15
Customers	<ul style="list-style-type: none"> <li>• Presentation and comments on mid-term review findings to date.</li> <li>• Guiding principles exercise to determine what customers value in a CDM framework.</li> <li>• Discussion of anticipated changes to customers' businesses in the future and how a CDM framework could support those changes.</li> </ul>	Oct. 16	~20 – 15
OEB	<ul style="list-style-type: none"> <li>• Presentation and comments on mid-term review findings to date.</li> <li>• Discussion of key cross-cutting questions that impact both CDM and DSM frameworks and CDM and climate efforts. Topics of discussion included: planning integration, climate change, and collaboration.</li> </ul>	Oct. 20	~5 – 10



# LDC AND GAS UTILITY WORKSHOP

## LDCS AND GAS UTILITIES COMMENTED ON THE FINDINGS OF THE MID-TERM REVIEW TO DATE

Definition of CDM needs to align with policy goals and government initiatives. Alignment needs to come from the top.

Collaboration is happening naturally. Positive outcomes should be captured, but there is a balance needed between visibility and administration.

LDCs can be a good vehicle to achieve other policy objectives (e.g., climate). Need to tackle environmental attributes issue.

Some customer groups will underserved whether or not there is a target exchange due to the need to allocate scarce resources. Question of risk and where it lies.

Program approvals (re-design or new programs) seen as a large pain point.

# LDCS AND GAS UTILITIES WERE PRESENTED WITH FOUR FRAMEWORK SCENARIOS FOR DISCUSSION IN SMALL GROUPS

## Minimal Disruption

**Description:** Only focus on improving key items identified through the current state summaries for the second half of the framework.

### LDC Commentary/Reactions:

- Framework changes should be an evolution rather than revolution.
- Minimal disruption not in the best interest of all, there needs to be some disruption to at least begin to align with climate policy through expanded delivery model for LDCs.
- IESO tools (such as iCON) are not appropriate for the market, tools should be designed around programs not vice versa (by customer facing entities).
- CFF is working well and may only require tweaks.
- Needs to be clear policy direction from government (currently there is a lot of “wait and see”).

## Program/Sector Accountability

**Description:** Programs are transitioned to central program administration and delivery, while LDCs focus on program administration and delivery where a local presence makes sense.

### LDC Commentary/Reactions:

- LDCs should be accountable for design, delivery, and administration of programs.
- Centralized delivery model for any program is not desired. LDCs have closest contact with customers.
- Cooperation between IESO and LDCs is minimal because goals are not clearly defined.
- Role of IESO should be limited to EM&V and funding.
- Integrated climate and CDM framework to avoid customer confusion.

# LDCS AND GAS UTILITIES WERE PRESENTED WITH FOUR FRAMEWORK SCENARIOS FOR DISCUSSION IN SMALL GROUPS

## Climate and Collaboration Alignment

**Description:** Increased focus on collaboration with natural gas and Green Ontario Fund programs to work towards the provincial climate policy objective.

### LDC Commentary/Reactions:

- In the short-term, quantify GHG impacts and investigate ways of incenting GHG savings, but new targets should be more of a long-term consideration.
- Modify definition of CDM to consider the impact on targeted needs (e.g., load shifting, CHP) and cost effectiveness.
- Putting demand (kW) back into consideration may help, but would require MOE and MOECC collaboration.
- Ability to leverage existing channels to integrate climate into CDM framework.
- Important not to create customer confusion.

## Innovation Focus

**Description:** Changes focus on improving the ability for new programs to be approved and delivered in the marketplace and adding new players with new approaches and technologies.

### LDC Commentary/Reactions:

- Improve ability to be nimble. Need streamlined approach for programs to easily access incentives, need to remove barriers, and reduce program confusion. Focus on complimentary programs and one access point for customers.
- Sector-based delivery approaches and innovation.
- Should have the ability to expand Working Group membership to channel partners where it makes sense. Clear accountability and roles is critical.
- Should not open target exchange to third parties (LDCs only), targets should stay the same for the balance of the framework.

# AN ACTIVITY BRAINSTORMING BOTH SHORT TERM CHANGES AND A FRAMEWORK BEYOND 2020 UNCOVERED SEVERAL KEY THEMES

## Alignment and collaboration

Adapting programs to align with climate

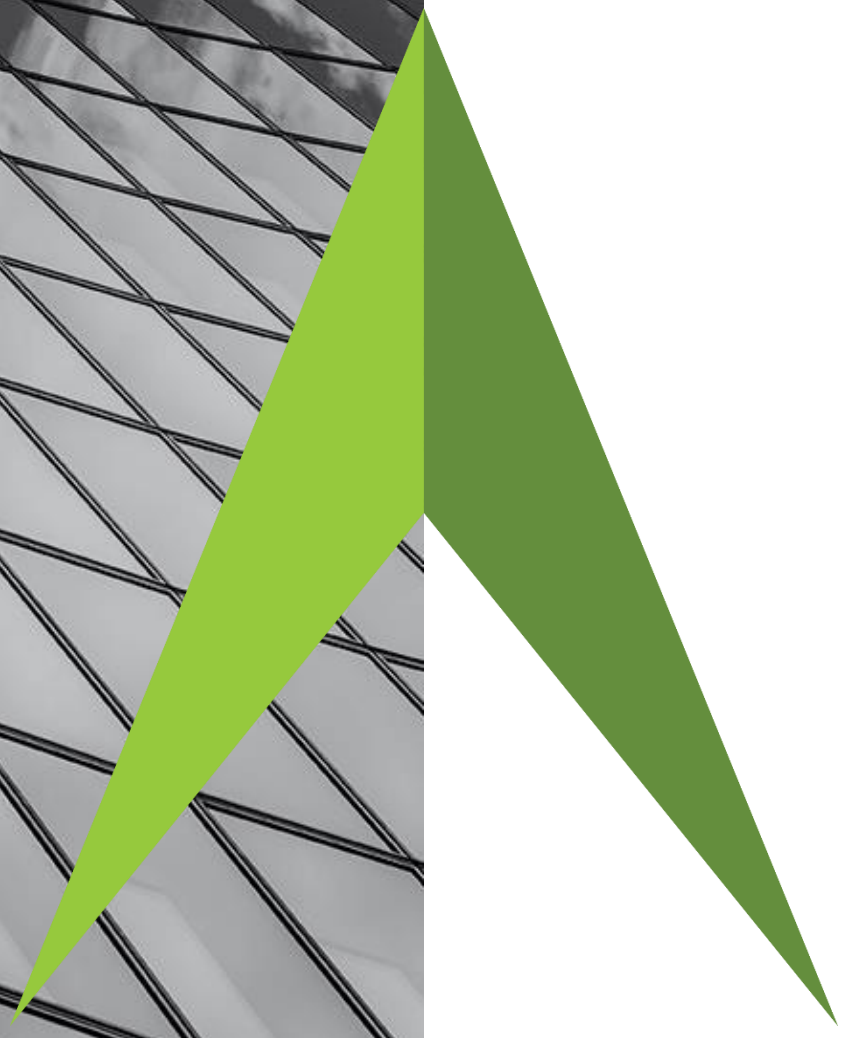
Broader, flexible definition of CDM

Clear accountability and decision making

Future builds on LDC success

Collaboration needs to have a purpose





# IESO WORKSHOP

# IESO DISCUSSION AND SOLUTION GENERATION OF KEY FRAMEWORK CHALLENGES IDENTIFIED

## IESO Visibility

**Description:** the CDM plans are “force fit” and do not provide meaningful insight into what LDCs will actually achieve. LDCs do own internal forecasting using pipeline data, so CDM plans are just a requirement. Challenge is that IESO does not know actual progress towards budgets and targets. CDM plans submission/review/approval is resource intensive.

### IESO Commentary/Reactions:

- **Collaboration, partnerships, and tools to improve the quality of and ability to forecast.**
- IESO has already requested LDC forecasts as part of mid-term review, but may need a more regular view into pipeline and/or to leverage existing LDC forecasts rather than forcing them into CDM Plan.
- Detailed forecasting of the central services budget is required, as well as communication on direction.

## Big projects, small LDCs

**Description:** Concern for smaller utilities around allocated budgets. One project could take a substantial part of budget leading to early target achievement. Difficult to accurately forecast small LDC performance and assess impacts of a target exchange.

### IESO Commentary/Reactions:

- **Target exchange, central management, or budget re-allocation are all options to support this issue.**
- Target exchange allows for re-distribution of target/budget between LDCs to allow small LDCs to accommodate these projects, however additional criteria may be required.
- Budget re-allocation could allow for large projects. Option for central administration could be a solution for large projects where LDC has insufficient budget to continue to offer province-wide programs until end of framework.
- Need to identify the extent of the issue (small LDCs with big projects) to determine how best to respond to challenge.

# IESO DISCUSSION AND SOLUTION GENERATION OF KEY FRAMEWORK CHALLENGES IDENTIFIED

## Non-Delivering LDCs

**Description:** *some LDCs are opting out of province wide programs which increases burden on existing central services budget.*

### IESO Commentary/Reactions:

- **Risk of exhausting central services budget is a definite possibility, given increased role in delivery and other budgetary pressures (e.g., LDC performance incentives, pilots, etc.).**
- Desire to gain efficiencies in existing administration and delivery processes and improving target/budget forecasting.
- Option to start over after the MTR with a new methodology and reallocate budgets and targets.
- Option to obtain budget from LDCs that opt out of province wide programs to manage delivery costs.

## Working Groups

**Description:** *Working Group decisions are slow and cumbersome. Smaller utilities voices not always heard. There is decision by consensus (which questions the efficiency of decision making). Lack of authority and accountability.*

### IESO Commentary/Reactions:

- **Requirement to better define roles, accountabilities, requirements, and decision making authority.**
- Need high-level objectives for program design priorities to guide WGs and track against.
- Different forum required for day-to-day management of programs vs. program design/re-design.

# IESO DISCUSSION ON OTHER FRAMEWORK CHALLENGES AND SCENARIOS

## Sector Alignment

***Description:** Some programs are transitioned to central program administration and delivery where appropriate, while LDCs focus on program administration and delivery where a local presence makes sense.*

### **IESO Commentary/Reactions:**

- **Need to determine which entity is the best suited to deliver to specific programs to specific customers.**
- Concerns on cost efficiency when procuring multiple vendors for the same service.
- Other than Retrofit program, multi-site customers face challenges and are required to submit multiple applications to different entities.
- An example of when LDCs add value is for unique customer segments or when LDCs have unique insights enabling more efficient delivery.

## One size fits all framework

***Description:** The framework treats projects, customers, and LDCs the same across the province. What are some of the challenges associated with this approach?*

### **IESO Commentary/Reactions:**

- **The current framework does not have defined levers that allow IESO to modify framework parameters across LDCs, but mechanisms exist for LDCs to collaborate (e.g., joint plans, target exchange, regional programs, etc.).**
- Size does not necessarily determine effectiveness of delivery. It remains a challenge to identify which entities are delivering more efficiently than others.
- A program delivery procurement could provide the option for LDCs to bid on their own (or other) service territories, but the procurement may not be limited to LDCs only and, in theory, could be more cost efficient.
- In other jurisdictions, utilities typically work with third party delivery agents for jurisdiction-wide delivery of programs.



# CUSTOMER WORKSHOP

# CUSTOMERS COMMENTED ON THE FINDINGS OF THE MID-TERM REVIEW TO DATE

- **Barriers:**
  - Current program structures and requirements can create unintended results that are at odds with the overall objectives (e.g., less efficient unit installed to avoid the additional costs of measurement & verification)
  - Need to consider the customer costs of participating in programs (admin time and resources) which can negate any incentive benefits and result in low/no uptake of certain technologies
  - Accessibility of data and consistency remains a barrier
  - Approach needs to consider both simplicity and flexibility
- **Gaps:**
  - Other technologies may require additional support (e.g., district energy)
  - Need to consider the building as whole (moving away from simple projects)
  - Desire for additional education and information to enable operational and behaviour savings
- **Cross-fuel integration:**
  - Cross-fuel integration and consistency is desired
  - There are differences in the electricity and natural gas processes; natural gas programs tend to be easier to understand and to complete
- **Enablers:**
  - There are existing groups not enabled by this framework that share best practices about energy management and programs (e.g., electricity CDM, gas DSM, water, etc.)

# CUSTOMERS IDENTIFIED PRINCIPLES TO GUIDE THE FRAMEWORK IN THE NEAR TERM AND LONGER TERM

Principles identified	Description (what the framework would enable)
<b>Simplicity and alignment</b>	<ul style="list-style-type: none"> <li>• Customer centric, ease of use, alignment with operations and policy</li> <li>• No silos between electricity and gas programming</li> </ul>
<b>Transformation</b>	<ul style="list-style-type: none"> <li>• Innovation, flexibility, focus on end result vs. process</li> <li>• Creating step change in performance vs. incremental change</li> <li>• Continuity and certainty in availability of funding</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>• Impact and value visible to both parties (customer and LDC/IESO)</li> <li>• More customer focused, beyond just electricity savings</li> <li>• Measurable, achievable, and sustainable results</li> <li>• More appropriate allocation of risk</li> </ul>
<b>Flexibility</b>	<ul style="list-style-type: none"> <li>• Designing programs with more sector focus, avoiding social equity issues (e.g., all sectors served, including social housing)</li> <li>• Caveat that reductionist method doesn't fit everything (flexibility does not mean simplicity)</li> </ul>
<b>Supported</b>	<ul style="list-style-type: none"> <li>• Customers need technical and administrative resources available to support participation</li> <li>• Ability to leverage programs on a holistic level with lots of options (e.g., whole building vs. technology specific)</li> <li>• Consistent and fair decisions and responses</li> </ul>

# CUSTOMERS HIGHLIGHTED TENSIONS RESULTING FROM THE CURRENT FRAMEWORK AND HOW THEIR BUSINESSES ARE CHANGING

## Tensions within the framework

- **Competing priorities** (*entities involved in the framework make their living on selling electricity*)
- **Customers left behind** (*structure not always fair and equitable to all customers*)
- **Current players not effective** (*gas utilities may be better positioned with experience and competence*)
- **Challenge on the power of LDCs** (*ability to approve/not approve projects, tension between different departments within the LDC*)
- **Onerous processes** (*requires high degree of up-front certainty*)

## How businesses are changing

- **Data driving decision making** (*drives a need for transparency and communication*)
- **On demand analytics**
- **Transformational trends** (*transportation as a service, IoT, sharing economy and circular economy*)
- **Technology trends** (*EVs, fuel switching, decarbonization, battery storage, smart buildings, smart cities*)
- **Growing divide as technology accelerates** (*geographic regions differ with respect to access to capital*)



# CUSTOMERS HIGHLIGHTED OPPORTUNITIES TO IMPROVE THE FRAMEWORK AND LEVERAGE THE TRENDS THEY ARE OBSERVING





# OEB WORKSHOP

# DISCUSSIONS FOCUSED ON THREE AREAS: CLIMATE CHANGE, COLLABORATION, AND REGIONAL PLANNING

## Climate Change

- **Fuel switching is a challenging issue** because gas to electricity fuel-switching does not meet DSM cost-effectiveness thresholds
- Would be helpful to **understand what is being optimized** and consideration of a hierarchy of requirements
- **Objectives need to be clear** at the various levels of governments
- Achievable potential study leverages similar data as a **marginal abatement cost curve when climate is the focus**

## Collaboration

- There are **differences between natural gas and electricity** conservation programs related to **program funding, delivery, and evaluation**
- A **collaboration charter/guidelines** would be helpful to work through issues and determine how best to deal issues in advance rather than as issues arise
- There is a **trade-off between flexibility for the customer and rigour of the evaluation**
- Collaboration at the program level is difficult without **customer involvement in the process** (since customers can derive benefits from programs being offered collaboratively)
- Natural gas utilities have been asked **to increase collaboration** in the DSM Decision **and report their progress** on certain reports and studies in the DSM Mid-term Review
- **Interaction between gas DSM and cap & trade** is being investigated through the gas DSM midterm review

## Regional Planning

- **Incremental CDM** is best **addressed through the regional planning process** where a mix of solutions (CDM, DG, poles and wires) are considered to address a need
- Moving **incremental CDM** through the regional planning & regulatory processes needs to be **reviewed and tested to understand the real barriers**
- **Optionality in procedures** with a focus on outcomes was viewed positively by LDCs