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Mr. Terry Young
Vice-President, Policy, Engagement and Innovation
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Sent via email to engagement@ieso.ca

January 26, 2018

Dear Mr. Young;

Re: Draft Mid-term Report Comments

Toronto Hydro-Electric System Limited ("Toronto Hydro") is pleased to provide comments on the Draft Mid-term Report issued January 8, 2018. To date, the Conservation First Framework ("CFF") has been a great success in meeting the Province of Ontario's conservation goals, while providing customers multiple tools to manage their electricity costs. The improved delivery of conservation programs in this framework reflects both the flexibility and vision of the CFF, but also the continued maturity of the IESO/LDC delivery model.

Despite the many successes of this framework, Toronto Hydro believes there are a few minor issues that need to be addressed in the short-term to improve delivery and set the stage for the continued success of the framework beyond 2020. These comments with respect to the framework are noted below.

- 1) Savings and acquisition cost targets are being met, which supports the viability of conservation as a low cost substitute for additional generation capacity. This is not just in our delivery territory, but there are impressive results in all regions of the province. For example, data supplied by the IESO shows that only three LDCs will not achieve at least 40% of their projected savings by mid-term. This is a step change in performance over the previous framework and illustrates the commitment of LDCs to delivering CDM.
- 2) Customers have a wide range of programs to help meet their specific needs. This is met through a variety of different provincial and local programs. The local programs, of which we have launched five, are an avenue that was not possible under the previous framework. By offering local programs, it has allowed Toronto Hydro to support customers in managing their electricity costs in targeted ways that the provincial programs do not address. These programs are also important as they may be used by other LDCs to support their customer base and further increase the cost-efficiency of delivery.
- 3) The CFF has fostered collaboration between LDCs and the natural gas company's. This is seen formally in the large number of joint plans, but also in the joint delivery of programs across multiple jurisdictions, joint procurements, and regional multi-LDC events and

marketing. LDCs have reacted to the budget constraints and have worked to make the delivery of programs as cost effective as possible.

- 4) Customer access to provincial programs is available in all jurisdictions and results are consistent throughout all regions. Although there may be challenges in some jurisdictions, in aggregate the CFF is performing.

In terms of improving CFF delivery in the second half, below is a list of areas that could be improved:

- 1) Processes/Structure

The nimbleness to react to market changes is one that is hindered by inefficient processes and structures that do not support quick decision-making. To address this the IESO and LDCs are working on process and structural improvements in the near term that should be in place early in 2018.

- 2) Forecasting and Tracking

The mid-term review was conducted with little detailed information or insight into the past or future expected performance. The lack of performance tracking and forecasting has been a significant shortfall in the management of the CFF. This issue is being addressed by the IESO, with LDC support, to determine a better means of tracking and forecasting performance for the remainder of the CFF.

- 3) Customer Interface – ICON System

The customer interface or ICON system for the Save on Energy program is outdated, and often creates barriers for customers which has acted as a deterrent to entice customers to participate. It has also limited the ability to update program rules. Consequently, this has impacted industry productivity with a large number of outages and inefficient processes. Although there is a plan to replace the system, the failure to initially upgrade the platform has had an impact of the productivity of LDCs and customer experience..

With respect to the Mid Term Report (MTR), Toronto Hydro has reviewed the findings prepared by Navigant, and we have outlined our comments in the following format:

- 1) Current State Findings
- 2) Opportunity Modules - Opportunities/Alternates
- 3) Beyond 2020
- 4) Comments/Issues on Report Content

1. Current State Findings (page 11 – Executive Summary)

The report has five current state findings:

- a. Framework is performing

Toronto Hydro agrees that the CFF is performing well and is expected to achieve the 7 TWh target under budget, while offering customers both provincial and tailored local programs to manage their electricity costs. From a customer perspective, the freedom availed by the CFF has allowed for the design and delivery of targeted local programs

to address specific needs of our customers and deeper penetration of savings. It is also a testament to the performance of the framework that conservation is at a lower acquisition cost than previous frameworks and that provincial programs are available to all customers in Ontario.

b. Minor adjustments necessary to enable shifts in allocated budgets and targets

Although this discussion is largely pre-empted by the IESO issuing new target exchange guidelines, the report quite clearly indicates that there are only minor adjustments needed and that there is adequate budget to accomplish the target. The sub-bullet to the conclusion states that more oversight is needed; however, we do not think that this was supported by feedback from the advisory group meetings. This was a reaction to the suggestion by the IESO that if target exchange were not controlled by the IESO, LDCs would trade away all of their targets and not offer programs. Toronto Hydro recommends that the wording be amended, or removed to reflect this suggestion.

c. Barriers to continuous program/framework improvement

Toronto Hydro supports the suggestion that the framework requires to be more nimble to market changes. Currently the Conservation First Implementation Committee (CFIC) and the IESO are working to address the structural and process issues that need to be changed to accommodate a faster more responsive framework. Our point of view is outlined in more detail in the Opportunities feedback section

d. IESO and LDCs' relationship adds costs and limits effectiveness of framework

Toronto Hydro requests further clarification to this statement as it appears to be directly contradictory to initial statements where performance and acquisition costs are seen as much better than in previous frameworks. At the least, it indicates that an LDC delivery model is a cheaper and more effective delivery method than the more centralized delivery model that preceded the CFF.

e. Landscape has shifted from when the framework was implemented

The changing policy direction of conservation has been a constant theme throughout the CFF. We note that the Ministry of Energy should continue to work and communicate with the LDC community to deliver options that are effective in achieving the goals of the CFF and encourage customers in their conservation efforts. It would also be helpful to leverage existing CFF delivery framework to deliver GreenOn programs. This combination will reduce the cost of delivery and provide customers an integrated "all energy" offering.

2. Opportunity Modules – Opportunity/Alternates

a. Forecasting (Executive Summary – page 17, pgs. 65-70)

Toronto Hydro agrees with the proposal presented in the report for an enhanced forecasting process. There is an opportunity to build an improved forecasting module in the CDM-IS Conservation Administration System project, which would provide information needed by CFIC, IESO, and LDCs to mitigate risks with the delivery of CFF province-wide programs.

The forecasting module should however not be confused with CDM Plans and should be kept as a separate mechanism for reporting and analytical purposes, and as a decision-making support tool.

To illustrate the need for improved provincial forecasting, Toronto Hydro notes that there has been limited reporting with evidentiary data presented to CFIC and the LDC community on the number of LDCs that have insufficient budget, the level of budget shortfall, or the need for additional budget required to meet target. Forecasts need to be updated continuously since market data and results change monthly and confidence levels on forecasts increase with time.

b. Targets and Budgets (Executive Summary – page 18, pgs. 71-77)

Toronto Hydro endorses the main opportunity outlined in the report noting that there are discussions underway between the IESO and LDCs to clarify the rules around target exchanges. With minor enhancements, we believe the existing process, as contained in the Energy Conservation Agreement (ECA), should be kept in place. In addition, Toronto Hydro recommends a central pool be created using the unallocated IAP budget. This funding can be used in cases where a target exchange cannot be executed among the LDCs.

Toronto Hydro is concerned with the proposal to change the incentive mechanism as it represents a wide departure from the ECA. Furthermore, as a way to avoid duplicating a role already being played throughout the LDC community, we recommend the IESO reconsider their suggestion to be a target exchange broker.

c. Program Responsiveness and Flexibility (Executive Summary – page 19, pgs. 78-96)

As noted, the IESO and CFIC LDCs are involved in detailed discussion on how to improve the effectiveness of the structure and processes that govern the operation and enhancement of programs under the CFF.

In Toronto Hydro's opinion, the first Opportunity noted is a good strategy for the next framework. The redesign of processes and related templates and tools need to be completed in conjunction with the new system being developed to replace ICON. Given that the new system will only be available for 2 years or less to support this framework, this longer-term redesign of the programs, which are by and large programs from the previous framework, should commence immediately with the focus on striking a balance between customer experience, program effectiveness, and program cost efficiency. The alternate Opportunity noted is currently being developed by CFIC and the IESO.

The second Opportunity noted is essentially part of the post-2020 program re-design, so an alternate, which produces a functional information system for the second half of the CFF, should be a priority. It is the expectation that the replacement will have sufficient flexibility to accommodate new programs and processes.

With respect to the desire to increase stakeholder feedback in the process, we have no opinion on whether it is an IESO-managed or LDC-managed process provided that it is formalized and run in a format that provides meaningful unbiased data. As the front-line of program delivery, LDCs are informally stakeholdering every day, having customer opinions documented will help the LDCs, and IESO improve delivery of programs. It is also important to note that stakeholdering needs to balance the needs

of program effectiveness (i.e. process and EMV) versus the ease of access and incentive levels. It is also important that the stakeholdering process be a closed loop, so customers have rationale for why recommendations cannot be adopted.

The final Opportunity that addresses the addition of new technologies is a reasonable statement, and Toronto Hydro agrees that there should be an annual refresh on eligible technologies. This has been an LDC desire for a number of years, and will be addressed by the process and structure update that is being undertaken collaboratively with the IESO and LDCs.

d. Customer Coverage (Executive Summary – page 20, pgs. 97-107)

Toronto Hydro supports the main Opportunity outlined in the report regarding a need for adequate customer coverage by segment that is explicitly defined and added as a requirement for LDCs. We also agree that a list of acceptable exceptions must be defined and included.

Toronto Hydro also supports the suggestion that the IESO be the last program delivery option for the LDC, after all other options have been exhausted. The suggested alternatives are not acceptable for the following reasons:

- Market and achievable potential have been impacted by other programs in the LDC markets and effect participation and program opportunities (e.g. GreenOn).
- IESO cannot represent the unique demographics and characteristics of local LDC territories to determine “adequate coverage” with a universal province-wide formula.
- The “all or nothing” alternate Opportunity described on pg. 105 is too restrictive. An LDC may want to deliver a program they feel they have expertise in, and have another LDC deliver a program they have less experience in. This limits opportunities for LDCs who want to participate but are not resourced to deliver all programs.
- The alternate Opportunity #3 on pg. 106 may cause confusion and disruption in the framework. Furthermore, there is no evidence that customers want fewer programs, while the ability to opt out of a program through the exception process in the proposed main Opportunity is already available.

e. Non-Energy Impacts (NEI) - (Executive Summary – page 21, pgs. 108-113)

Toronto Hydro supports the proposed Opportunity, which would result in an evaluation of suitability for each NEI category, and their appropriate placements at either the measure, program, or portfolio level.

Toronto Hydro has concerns with the alternative Opportunity #1 and #2 opportunities. Alternative Opportunity 1 suggests replacing an in-depth analysis with a universal application of all NEI categories to all savings. This would save time and effort; however, it would expose the CFF to criticism regarding the quantitative evaluation of the value of conservation. It is more appropriate to ensure adders are reasonably accurate and justifiable in order to secure the support of all stakeholders.

The Alternate Opportunity 2 reduces the acknowledged value of conservation without sufficient justification. The DNV-GL review mentioned in the report confirms the inherent NEI benefits and the suitability of the existing 15% adder. There is no rationale for removing this support for improving the cost-effectiveness of conservation programs.

f. Integration and Collaboration (Executive Summary – page 22, pgs. 114-126)

Toronto Hydro supports the notion that the IESO and OEB must work on integration and collaboration guidelines to address attribution, funding, and evaluation. However, our experience in working on collaborative delivery of DSM/CFF programs has shown that there needs to be a detailed examination of the barriers to collaboration and a concerted change in the governance of the two disparate systems to allow for a meaningful collaboration of the programs.

Of more pressing and urgent attention is collaboration for CFF, DSM and GreenOn programs. The current GreenOn program delivery is creating program overlap and customer confusion. It is of considerable importance that this be addressed and integrated with CFF. Toronto Hydro along with many other leading LDCs feel strongly that GreenOn would benefit by leveraging the CFF and the well-established LDC/CFF delivery channels. We support the evolution of CFF to an “all energy” focus - adding GreenOn programs, quickly, with deeper results and at a lower overall cost.

Toronto Hydro, as noted earlier, believes that the collaboration amongst LDCs has been one of the successes of the CFF and efforts should be made to communicate this qualitatively.

3. Beyond 2020 (Executive Summary 29-34, pgs.151-157)

a. Potential Key Principles

The need to address what follows the CFF is of critical importance given that the time to launch and transition between frameworks is considerable. This is complicated by the conflicting delivery models of different government agencies. Toronto Hydro is generally in agreement with the noted principles and options, but would like to emphasize that any future framework should be “evolutionary” and build on the strengths of the existing CFF delivery model. It is also important that these changes be in place in time to prevent market upsets and discontinuities that cause participation disruption.

With respect to the key principles noted, we have the following comments:

i) Prioritize Customer Continuity

As noted, there was strong support for continuity of programs and market consistency, with any changes to customers provided well in advance. Previous transitions have always caused customer angst and confusion, and therefore it is important to all parties that the impact of transition be minimized to avoid the implicit difficulties of a new framework.

ii) Review Roles and Responsibilities

The CFF was clear in roles and responsibilities, but lacked defined processes and service commitments between the LDCs and IESO. Toronto Hydro would support that roles and responsibilities be a key principal and should be expanded to include defined processes and service levels.

iii) Transparency in costs

It is unclear that this is a driving principal for a new framework. The narrative hints that this is in support of cost efficiency and Toronto Hydro suggests that cost efficiency is a driving principal.

iv) Savings Attribution

Savings attribution will be a key enabling component of developing a new framework and is a barrier to integrated delivery so will be a key component of any new framework.

v) Enhance Customer Experience

Toronto Hydro agrees that Customer Experience is a guiding principal as it is fundamental to ensuring the success of programs.

vi) Policy Objectives

Toronto Hydro supports policy as being a key principal of any new framework. To ensure policy drivers are embedded within the delivery of the conservation programs, Toronto Hydro recommends that a committee be formed which includes the MOE, MOECC, IESO, the gas utilities and the LDCs. This committee would oversee the implementation of policy objectives by developing a framework that prioritizes a customer-centric, cost-effective, and integrated “all energy” design and delivery model for energy conservation and climate change mitigation programs across Ontario.

b. Options for Future Frameworks

Toronto Hydro supports the proposed options for the future framework. We believe that the integration of existing and competing delivery models under a single coordinated “all energy” framework will provide maximize value and a clearer set of choices to the customer. We also recognize an important need to align conservation efforts to broader policy objectives – including system need, local and regional planning, and climate change mitigation – through the development of appropriate targets to serve these purposes. Of course, to realize these framework improvements, it is critical that collaboration and innovation begin at the policy level. to align objectives and avoid competing investments, and to ensure the most efficient and sustainable conservation and climate change outcomes are achieved.

4. Questions/Comments on Content

Attached are detailed questions/comments on specific content of the report.

If you have any questions please contact me at (416) 542 3143 or ctyrrell@torontohydro.com.

Regards,

A handwritten signature in black ink, appearing to be 'CT' followed by a flourish.

Chris Tyrrell
EVP, Business Innovation and
Chief Conservation Officer

cc: Michael Marchant, Toronto Hydro



Sections 1-3: Introduction

Report Issues: Executive Summary				
Item	Page	Topic Area	Statement	Comment/Recommendation
1	13	Lessons learned performance incentive mechanisms	<p>There are some indications that LDC performance incentive design is misaligned with the spirit of the framework:</p> <ul style="list-style-type: none"> - LDCs who wish... - Savings for programs... - LDC incentives are not paid for... - Performance incentives for joint plans... 	<p>The performance incentive mechanism is part of the ECA and was designed to encourage collaboration and target exchange and so the statement on misalignment is not correct. Incentives were to accommodate:</p> <ol style="list-style-type: none"> 1) LDCs under performing versus an artificially set target 2) LDCs with large projects <p>Recommendation: This entire section should be re-worded. <i>The IESO is concerned that they have not allocated enough budget for potential incentive payouts.</i></p>
Report Issues: Background & Objectives				
Item	Page	Topic Area	Statement	Comment/Recommendation
1	40	Climate Change Action Plan (CCAP)	<p>“There is an increased focus on climate change policy in the province led by the Ministry of Environment and Climate Change. Programs will become available in the future that will target the same customers as both electric energy efficiency programs (CDM) and natural gas energy efficiency programs (DSM). These programs have the potential to confuse customers or compete for capital. Large final emitters will likely prioritize projects that assist in compliance with the cap and trade program rather than participate in energy efficiency programs.”</p>	<p>From the Ministerial Directive to the IESO, August 4, 2017:</p> <p><i>The IESO shall, in collaboration with the Green Ontario Fund, the MOECC and the Ministry of Energy, and in consultation with electricity and natural gas distributors as appropriate, make reasonable efforts to avoid marketplace confusion in relation to its work in designing, delivering, administering or in assisting with the design, delivery and administration of the Green Ontario Fund Programs, and to ensure the prudent use of funds by avoiding duplication with Provincewide Distributor CDM Programs”</i></p>

				<p>Recommendation:</p> <p>Identify in the report that it is the responsibility of IESO and the Green Ontario Fund to make efforts to avoid market place confusion and duplication of existing programming.</p>
2	42	2017 Long Term Energy Plan (LTEP)	"The LTEP communicated the government's direction on the eligibility of certain technologies in the framework: gas-fired combined heat and power will no longer be eligible after summer 2018..."	<p>Recommendation:</p> <p>Note that the 2015 Achievable Potential Study which confirmed the suitability of LDC targets included gas-fired CHP potential that will no longer be considered eligible after July 1st.</p>

Report Issues: Approach & Methodology

Item	Page	Topic Area	Statement	Comment/Recommendation
1	45	Mid-Term Review: Overview Of Stakeholder Engagement	<ul style="list-style-type: none"> • Webinars held at different junctures - draft materials were posted and presented for comment • Broader engagement that is open to all interested parties with an opportunity to provide feedback 	<p>How were the webinars or broader engagements announced to ensure larger representative audiences?</p> <p>Recommendation:</p> <p>Clarify the extent to which stakeholders were engaged and represented.</p>

Section 4: Framework Opportunities

Report Issues: Forecasting Opportunity Module				
Item	Page	Topic Area	Statement	Comment/Recommendation
1	65	Feedback	Customers expressed the importance of visibility into the 2nd half of the framework to ensure consistent funding,	<p>Toronto Hydro is skeptical that "typical" customers are concerned with visibility into CFF forecasting. Does this represent an accurate voice for the majority of CDM participants?</p> <p>Recommendation:</p>

			sufficient budget, and informed decision making.	Consider revision or providing more perspective on this commentary.
Report Issues: Targets and Budgets Opportunity Module				
Item	Page	Topic Area	Statement	Comment/Recommendation
1	71	Target and Budgets Opportunity Module	LDCs support and LDC-led ..., but expressed that it may be insufficient to address all budget needs.	Toronto Hydro does not recall this being discussed a conclusion of the discussions at the mid-term AG or LDC focus groups. Recommendation: If this is not substantiated it should be removed. The comment was more likely in the context of the IESO's lack of information on the projected performance of the CFF. This sentence should more correctly reflect that without an IESO forecast of expected CFF performance there is insufficient data to quantify the extent to which specific LDCs may not have sufficient budget.
2	71	Target and Budgets Opportunity Module	LDCs are concerned that the budgetary issues raised by the IESO are not fully quantified.	To the point above and referred to in the separate section on forecasting, this has been one of the challenges of evaluating mid-term performance.
3	71	Target and Budgets Opportunity Module	Customers would like to see IESO oversight of the target exchange.	This statement was in the context of the IESO positing that LDCs are going to trade away budget and target so they can stop offering programs. This is the opposite of any information provided by the LDCs where the primary concern is to have sufficient budget to offer programs to their customers. Recommendation: Clarify the context.
4	58	Current State Finding by Topic – Budgets, Targets and Cost Effectiveness	Repeat of items 1 to 3	
5	60	Ministerial Direction to the	LDC performance incentives will likely exceed	No calculation or evidence of this has been provided.

		IESO Included ... of the CFF	initial expectations due to higher performance ...	<p>Recommendation:</p> <p>It should be included in the report and the numbers referenced. Given there is no forecast for the performance of the CFF it would be interesting to see how this statement is substantiated.</p>
6	60	Ministerial Direction to the IESO Included ... of the CFF	LDC's who wish to reduce their target ... (even if they are underperforming)	<p>Recommendation:</p> <p>The bracketed statement should be removed. There is no measure of whether an LDC is not performing other than those provided in the ECA. LDCs are achieving savings using predominantly provincial programs offered in their territories. The performance of LDCs is measured against an artificial allocation of target.</p>
7	60	Ministerial Direction to the IESO Included ... of the CFF	Savings from programs not paid ... delivered programs)	<p>Recommendation:</p> <p>The percentages involved should be noted as the amount of savings delivered being delivered for LDCs, and not being paid for out of LDC budgets, are negligible.</p>
8	60	Ministerial Direction to the IESO Included ... of the CFF	LDC performance incentives are not ... collaboration or meeting regional needs; and,	<p>This statement is incorrect. There is a higher incentive for LDCs engaged in Joint Plans, which is a form of collaboration.</p> <p>Recommendation: Correct.</p>
9	60	Ministerial Direction to the IESO Included ... of the CFF	Performance incentive payments ... or better customer experience.	<p>Toronto Hydro delivers for another LDC and is but one example of LDCs collaborating to deliver with other LDCs. Although not easily quantifiable, it is quite certain that using our existing infrastructure and vendors to deliver programs has enhanced customer experience and lowered delivery costs for the smaller LDC.</p> <p>Recommendation:</p> <p>The sentence should be more along the lines of, "The incentive provisions of the ECA for joint plans has encouraged XX LDCs to enter into joint plans. There has been no analysis to quantify the impacts of these collaborations, but anecdotally the number of formal and informal collaborations has been a success of the CFF. In future frameworks thought should be given as to how to measure the value of these collaborations."</p>

Report Issues: Program Responsiveness & Flexibility Opportunity Module

Item	Page	Topic Area	Statement	Comment/Recommendation
1	89	CFF Findings – Stakeholder Perspectives and Program Design	Process – There is no formal and regular process for customers and channel partners to provide feedback to working groups and inform program design	<p>LDCs interact with customers on a daily basis and informal and anecdotal information should not be discounted.</p> <p>It's the WGs understanding that a formal IESO stakeholding process exists and it's the IESO's responsibility to cascade to CDM formally.</p> <p>As the MSWG has noted, a distinction needs to be made between market research to inform program design, and stakeholding of proposed changes.</p> <p>Recommendation:</p> <p>Provide additional information and context to characterize existing conditions more accurately.</p>

Report Issues: Customer Coverage Opportunity Module

Item	Page	Topic Area	Statement	Comment/Recommendation
1	98, 102	Current State Findings - Budgets, targets, cost-effectiveness	<ul style="list-style-type: none"> • Non-delivering LDCs that could deliver certain programs (e.g., customers are within their territory and program has reasonable provincial uptake) represent a small percentage of the target and most of the LDCs that have opted out of province-wide programs have justifications for doing so (e.g., small number of eligible customers and no interest) • The vast majority of customers across the 	<p>Based on the statement it is not clear where the gap in access is. If the vast majority have access, what is “adequate coverage” referring to?</p> <p>Recommendation:</p> <p>Quantify the terminology “vast majority and adequate coverage”. Why does coverage switch to “full” on pg. 102?</p>

			<p>province have access to all province-wide programs</p> <p>There are options available for LDCs to ensure full customer coverage of province-wide programs throughout the framework.</p>	
2	102	Alternate Opportunity #1	<ul style="list-style-type: none"> • IESO is currently responsible for acting as a back-stop for LDCs that opt out of delivering province-wide programs, which is to be funded from central services budget. • The central services budget is under strain due to program additions by government Direction (e.g., whole home, home assistance program, energy performance program) and higher than forecasted LDC performance incentives 	<p>There was a lack of consultation and engagement with LDCs to find a collaborative solution to program additions by government direction (eg HAP) which would have mitigated the impact on the central services budget and allowed for program continuity. As mentioned on pg. 97 under feedback: Customers strongly supported consistent and continuous program availability (both within and beyond this framework)</p> <p>Recommendation: Note the important context described above.</p>

Report Issues: Non-Energy Impacts Opportunity Module

Item	Page	Topic Area	Statement	Comment/Recommendation
1	109	Non-Energy Impact Adders (%)	<p>Non-energy impacts</p> <ul style="list-style-type: none"> • A comprehensive review of non-energy impacts (NEIs) found that the 15 percent adder is reasonable • An additional 15 percent adder is reasonable to capture GHG benefits through an avoided cost 	<p>This box is confusing:</p> <ul style="list-style-type: none"> • Does the current 15% adder not account for an estimate of GHG benefits? • Is this box suggesting that it would be reasonable to maintain the 15% NEI adder and then add another 15% to capture GHG benefits? • “There are customer considerations (non-energy impacts) that are not captured in existing tools”: does this imply that there are still more NEIs not captured in the existing adders? (i.e. in the “existing tools”) <p>Recommendation: Clarify the notes to ensure readers understand what it currently included and what the comprehensive review found regarding NEI</p>

			<p>mechanism (expected to be available in 2018)</p> <ul style="list-style-type: none"> • There are customer considerations (non-energy impacts) that are not captured in existing tools • NEIs can be integrated at the measure level for some NEIs and at the portfolio/program level for others 	
2	111	Opportunity	<p>Opportunity: IESO to review the categories of NEIs with the cost-effectiveness guidelines in mind to determine where the components of NEIs can best be integrated. The goal will be to ensure that the inclusion of the components of NEIs truly make sense from a societal perspective or whether the NEI is more appropriate to include in a participant cost test for program design purposes (i.e., should society be paying for increased comfort in a private home).</p>	<p>Programs aren't currently evaluated based on the Participant Cost Test, but rather the TRC and PAC. Does this instead refer to the possibility of incorporating into the Incremental Life Cycle Costs for the purpose of impacting TRC at the measure level?</p> <p>Recommendation: Please clarify how including NEIs only for the purposes of participant cost analysis would change the evaluation of programs.</p>
3	112	Channel Partner Impacts	<p>Impacts of Alternative Opportunity 1 and 2 are described as "Minimal" to Channel Partners</p>	<p>If changes to NEIs cause the cost-effectiveness of programs to increase or decrease "significantly", this changes the level of incentives being offered and other investments being made to support conservation projects. It is unlikely that these changes would have a minimal impact on Channel Partners, regardless of the perspective.</p> <p>Recommendation: Propose rewording to suggest that the impact on Channel Partners would be qualitatively higher than "minimal".</p>

Sections 5: Beyond the Current Framework

Report Issues: Beyond the Current Framework

Item	Page	Topic Area	Statement	Comment/Recommendation
1	153	Transparency in costs and drive towards reduction in the overall spending envelope	Policy guidance to add a focus on reducing overall budgets in addition to cost efficiency/cost effectiveness within the budget envelope	<p>Toronto Hydro believes that the cost-efficiency incentive (CEI) is serving this very purpose. Is there evidence which suggests otherwise? Are there examples of LDCs who are mismanaging or maximizing their budget without consideration for their CEI potential?</p> <p>Recommendations:</p> <p>Provide evidence that guidance is required to reduce overall budgets, and explain why the cost-efficiency incentive isn't sufficient.</p>