

Mid-Term Review: 2015-2020 Conservation Framework

Mid-term Review Public Webinar (part 5):
findings and opportunities

January 30, 2018

Today's Agenda

- Conservation Mid-term Review overview and plan
- Review of final mid-term review findings and opportunities
- Key questions for stakeholder feedback and comments:
 - In the short-term, are there additional opportunities that you feel are not captured and should be? If so, why?
 - Are the views of stakeholders adequately represented? If not, how could they be better represented?
 - Stakeholders expressed an interest in providing increased input into the framework post 2020. What does successful stakeholder engagement look like as the post 2020 framework is being developed?
 - Key principles and approaches were presented for the post 2020 framework. Are there other principles or approaches that should be considered? If so, why?
- Next steps (including how to submit written feedback and comments)

Section 1: Mid-term Review Overview & Plan

- I. Mid-term Review Overview and Outcomes
- II. Project Plan

Overview: Conservation Framework Mid-term Review

- The IESO is nearing completion of the mid-term review of Conservation First Framework (CFF) and Industrial Accelerator Program (IAP), which included a formal engagement process with the established Mid-Term Review Advisory Group in January 2017
 - Multiple opportunities for all interested parties to provide input to review
 - IESO expected to complete review in Q1 2018
 - Advisory Group membership included LDCs, customers, service providers and manufacturers
- The scope of the mid-term review included an in-depth analysis of seven elements:
 - 1) Customer and market engagement; 2) definition of CDM; 3) collaboration; 4) governance and operations; 5) planning integration; 6) climate change; 7) budgets, targets and cost-effectiveness (including non-energy benefits)
- IESO review will assess CFF and IAP implementation against any stated policy goals of the Minister of Energy and Long Term Energy Plan
- As an outcome of the review, IESO will provide recommendations to the Minister of Energy to address identified challenges or opportunities

Anticipated outcomes of Mid-term review

- Allocated LDC targets/budgets that are achievable and reasonable
- Plan/solutions to address outstanding needs identified by customers
 - E.g. multi-site customers; low-income customers
- Plan for establishing a target exchange mechanism, should one be needed
 - Options presented/assessed for structure of target exchange: LDC only, open market, others
- Tools to ensure Conservation delivers system value when/where needed
 - Programs to address peak demand/local planning needs
- Conservation programs to support Ontario's climate change objectives
- Options for delivering energy efficiency beyond 2020
- Government direction (if needed) to achieve the above

MID-TERM REVIEW STUDY PLAN

Issues were identified by the IESO and grouped into seven major topics that will guide the Framework Review through four key activities outlined below. The non-energy benefits topic will be explored as part of the final report pending inputs external to this study.



Section 2: Summary of Final Report

- I. CFF - Current State Summary (2015-2017)
- II. CFF - Short-term Opportunities (2018-2020)
- III. IAP - Current State Summary (2015-2017)
- IV. IAP - Short-term Opportunities (2018-2020)
- V. Long-term Opportunities (2020+)

NAVIGANT IDENTIFIED FIVE KEY CURRENT STATE FINDINGS RELATED TO THE CONSERVATION FIRST FRAMEWORK (CFF)



Framework is performing

- On track to achieve the 7 TWh target below budget
- Lower acquisition costs and greater cost effectiveness than prior frameworks
- Province-wide programs are available to all customers in all areas of the province



Minor adjustments necessary to enable shifts in allocated budgets and targets

- LDC performance and needs vary across the LDC community
- IESO and customers would both like to see more oversight on target exchange
- Choice was seen as positive by most stakeholders



Barriers to continuous program/framework improvement

- Structures and processes that exist to continuously improve programs are slow or ineffective
- Strong cost management within the cost envelope, little consideration to manage overall costs
- Lack of detailed visibility into framework performance



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

- Further discussions required to identify the most efficient way to transfer information between IESO and LDCs (administrative burden)
- Discussions on responsibilities (e.g., most effective entity for program design, delivery, etc.)



Landscape has shifted from when the framework was implemented

- Climate change policy was implemented within the current framework with relatively few adjustments made to reflect its impact
- Customers are interested in an integrated approach to energy management (electricity, gas, water, climate)

HIGH-LEVEL SUMMARY OF IESO AND CUSTOMER VIEWS COLLECTED ON THE CONSERVATION FIRST FRAMEWORK (CFF)

Customer View

- Customers would like to see increased flexibility in programming (moving away from measure-level incentives towards whole building approaches), simplification of application processes, consideration of participant administrative costs, increased opportunities to provide feedback, and more appropriate allocation of risk to alleviate onerous program requirements.
- Customers would like to see IESO oversight of the target exchange. Emphasis on equitable access to programs.
- Customers reinforced the importance of non-energy impacts and how they impact program participation (sometimes as important as incentives).
- Customers expressed the importance of visibility into the 2nd half of the framework to ensure consistent funding, sufficient budget, and informed decision making.
- Customers strongly supported consistent and continuous program availability (both within and beyond this framework).
- Customers are interested in an integrated, whole building energy management approach. Customers highlighted differences in experience participating in electricity and gas programs. Customers highlighted inconsistency in programs across LDC territories.

IESO View

- IESO expressed concern that program design process lacks customer feedback and effective stakeholdering.
- IESO has added criteria and principles to the target exchange review. IESO indicated that central services budget is strained due in part to new requirements in centrally funded programs and LDC performance incentives.
- IESO does not have the required visibility to fully understand the anticipated performance of the framework and where adjustments may be required.

HIGH-LEVEL SUMMARY OF LDC AND THIRD PARTY VIEWS COLLECTED ON THE CONSERVATION FIRST FRAMEWORK (CFF)

LDC View

- LDCs expressed their interest and unique position to provide an integrated approach to customers. LDCs cautioned that a metric-based approach to collaboration could be an administrative burden.
- LDCs expressed the desire to continue to offer CDM programs to customers believing their role could be increased (e.g., support GreenON programs, centrally delivered programs, etc.). LDCs expressed the need to better understand the reasons for LDCs opting out of province-wide programs.
- LDCs support an LDC-led target exchange, but expressed that it may be insufficient to address all budget needs.
- LDCs are concerned that the budgetary issues identified by IESO are not fully quantified.
- LDCs expressed frustration with the current CDM Plan process and requirements and noted that it was primarily an administrative exercise with little value.
- LDCs expressed frustration with the lack of consistency and transparency in processes that support working groups (e.g., business case formats and approvals, decision making, etc.). LDCs and IESO find resourcing working group efforts challenging.
- LDCs cautioned a balance between level of effort in determining / maintaining NEIs and time to implementation, but were supportive.




Third Party & Other Stakeholder View

- Third parties expressed frustration with differing experiences across LDCs.
- Third parties commented that coverage and programs should be consistent across the province and that continuity is important for their customers.
- Stakeholders supported the continued inclusion of non-energy impacts (NEI) in cost-benefit analyses.

SIX OPPORTUNITY MODULES WERE DEVELOPED TO CATEGORIZE POTENTIAL CFF FRAMEWORK CHANGES (1 OF 2)

	MODULE	OPPORTUNITIES	ALTERNATIVES
	Forecasting	<ul style="list-style-type: none"> CDM Plan processes include realistic LDC expectations rather than “force fit” plans that are designed to meet budgets and targets. 	<ul style="list-style-type: none"> CDM Plans redesigned by IESO with LDC feedback. LDC forecasting data is transferred using an alternative mechanism (i.e. not CDM Plan).
	Targets and budgets	<ul style="list-style-type: none"> No change to overall budgets and targets. Target exchange is led by LDCs and subject to criteria set by IESO. A central pool is created that can be used where the exchange is not appropriate. 	<ul style="list-style-type: none"> Target exchange criteria are embedded within CDM Plan review process. LDC performance incentives are modified to encourage desired policy objectives. IESO acts as a broker for target exchange.
	Program responsiveness and flexibility	<ul style="list-style-type: none"> LDCs and IESO review and develop tools and processes supporting program changes. Working groups are re-designed to be more focused. Program level review to re-consider risk allocation. IESO-led formal stakeholder engagement on new/enhanced programs. Definition of CDM based on criteria rather than direction. 	<ul style="list-style-type: none"> Working group structure is maintained, focus on governance. Changes are limited to replacement of iCON with CDM-IS. Stakeholder engagement undertaken by Working Groups. Representative stakeholders coordinate stakeholder sessions. Definition of CDM refreshed annually.

SIX OPPORTUNITY MODULES WERE DEVELOPED TO CATEGORIZE POTENTIAL CFF FRAMEWORK CHANGES (2 OF 2)

	MODULE	OPPORTUNITIES	ALTERNATIVES
	Customer Coverage	<ul style="list-style-type: none"> Adequate customer coverage is defined and is a requirement for LDCs (opt-out no longer available). IESO and LDCs work together to determine how best to maintain coverage. 	<ul style="list-style-type: none"> Adequate coverage defined by the IESO. IESO continues to be a back-stop to maintain customer coverage. LDCs can offer all province-wide programs or their service territory is auctioned off to other LDC/delivery agents Province-wide programs are reviewed and simplified to facilitate the ability of LDCs to offer all programs.
	Non-energy Impacts (NEIs)	<ul style="list-style-type: none"> IESO to review NEI categories to ensure a societal perspective. GHGs are integrated into cost-effectiveness calculations, where appropriate. 	<ul style="list-style-type: none"> Include all NEIs within Total Resource Cost test. Include only GHG benefits within Total Resource Cost test.
	Integration and collaboration	<ul style="list-style-type: none"> IESO and OEB to develop guidelines to communicate framework aspects that impact collaboration. Value of collaboration is qualitatively communicated. Integration between planning and CDM continues through regional planning process. 	<ul style="list-style-type: none"> Stronger requirements to collaboration with a cross-fuel collaboration requirement. Collaboration metrics are quantified and tracked. Incentives are developed to incent desired collaboration outcomes. Development and use of regional avoided costs or other metrics to increase potential integration between planning and CDM.

NAVIGANT IDENTIFIED FIVE KEY CURRENT STATE FINDINGS RELATED TO THE INDUSTRIAL ACCELERATOR PROGRAM (IAP)



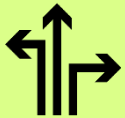
IAP Framework is under performing

- Annual forecasts are not being met by in-service projects, when including pipeline and committed projects, progress is closer to forecast
- Uncertainty in final target achievement due to nature of projects and static customer base
- Strong cost management with high cost effectiveness, however, little consideration to overall cost reduction



Account management structure is effective

- Account management structure received positive feedback from customers



IAP Framework does not contain sufficient flexibility

- Customers expressed that the programs lack flexibility and focus is more on process rather than outcomes
- Customers expressed frustration on processes that support the program
- Customers are unclear how and whether their feedback is being integrated into programs



IAP and CFF are held to different standards

- Similar challenges with flexibility, customer-centric processes and contracts, visibility into performance exist within both frameworks
- The level of reporting and oversight varies between the two frameworks due to delivery mechanism



Landscape has shifted from when the framework was implemented

- Climate change policy was implemented within the current framework with no adjustments made to reflect its impact
- Customers are interested in an integrated approach to energy management (electricity, gas, water, climate)

HIGH-LEVEL SUMMARY OF CUSTOMER VIEWS COLLECTED ON THE INDUSTRIAL ACCELERATOR PROGRAM (IAP)

Customer View

- Customers are happy with the account management structure, but desire more flexibility in projects and a more streamlined administrative process.
- Customers expressed concern about customer coverage of IAP if budget and target is transferred to CFF.
- Customers support an integrated approach to energy management.
- Customers expressed that they felt their feedback was not integrated into program design and that changes in program design were not data-driven.

IESO View

- IESO has been investigating improvements to programs that focus on process improvements rather than major program changes.
- IESO focuses more broadly on a levelized unit energy cost (\$/MWh) of the program rather than a cost-effectiveness threshold or acquisition cost.
- Account managers have observed customer's perceived trade-off between investments in energy efficiency projects and participation in the Industrial Conservation Initiative.
- Account managers commented that customers are interested in what the next phase of the climate change policy will look like (e.g., allowances, etc.)

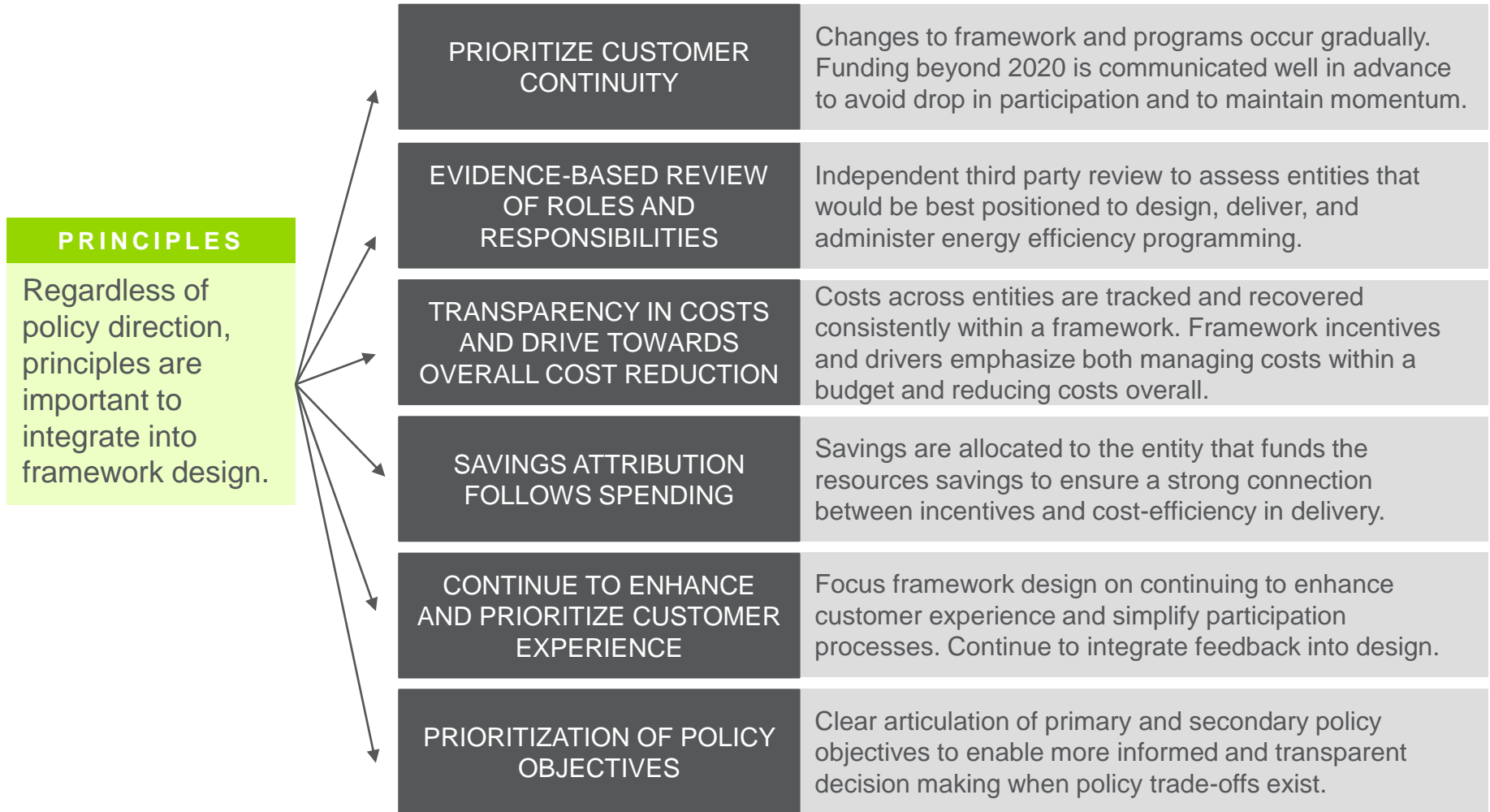
TWO OPPORTUNITY MODULES WERE DEVELOPED TO CATEGORIZE POTENTIAL IAP FRAMEWORK CHANGES



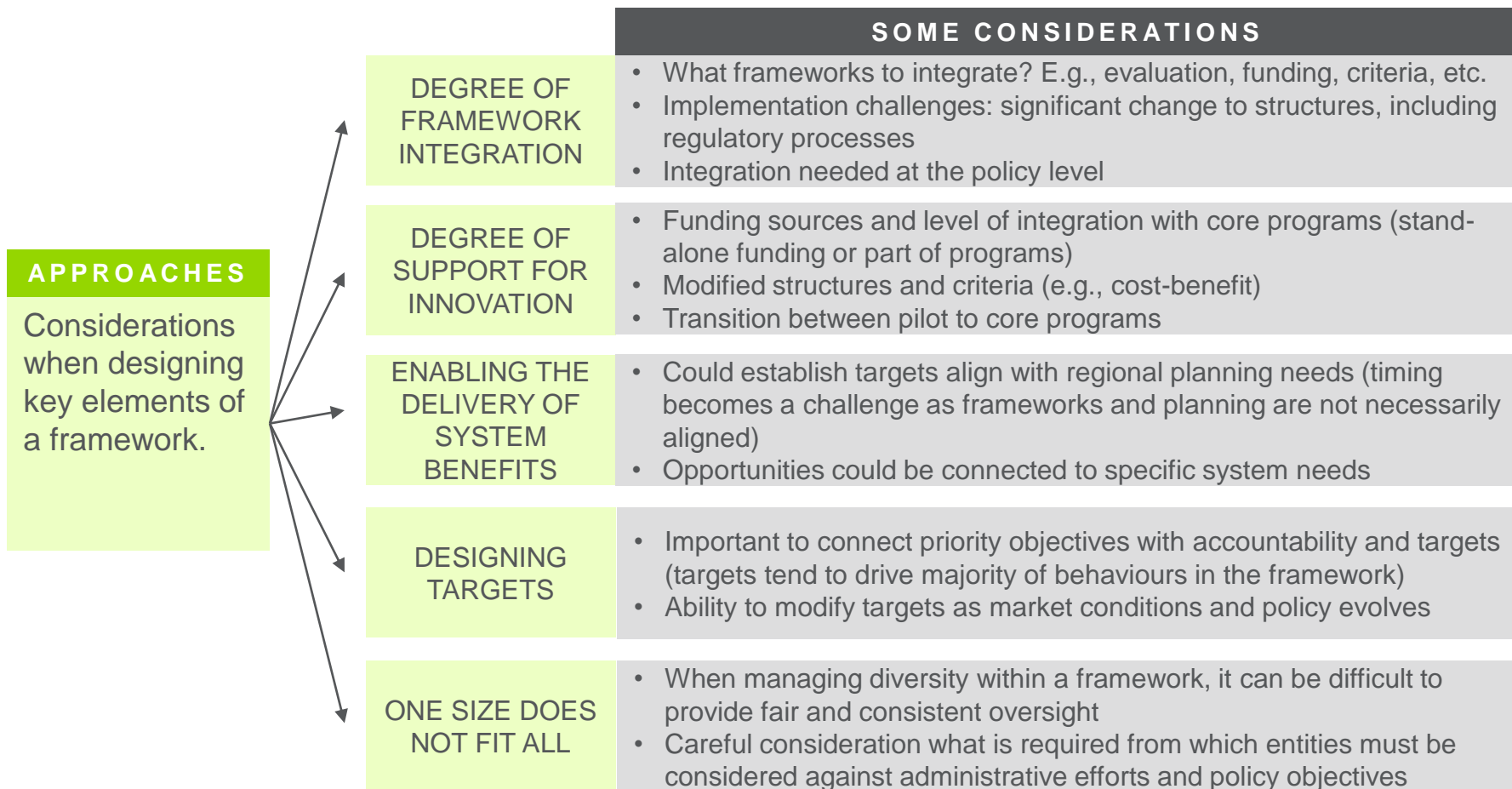
MODULE	OPPORTUNITIES	ALTERNATIVES
<p>Targets and budgets</p>	<ul style="list-style-type: none"> • IAP forecasts are adjusted to reflect expectations for the balance of the framework. • Excess target and budget are transferred to CFF. • IESO to monitor to ensure customer coverage of IAP after the transfer. 	<ul style="list-style-type: none"> • Target and budget is maintained, but the achievement timeline is extended. • Savings from distribution-connected customers that are funded through IAP are counted towards IAP targets (not towards LDC targets).
<p>Program responsiveness, integration, and flexibility</p>	<ul style="list-style-type: none"> • IESO to review IAP with customers to understand how flexibility can be added. • IAP tools and processes are streamlined to align with customer feedback. • IESO to initiate a process to formally track and respond to customer feedback. • IESO to work collaboratively with other funding partners to pilot integrated programs for IAP customers. 	<ul style="list-style-type: none"> • IESO to explore the addition of new programs and financing to increase participation. • Formal stakeholder engagement process is established.



THERE ARE SIX PRINCIPLES NAVIGANT HAS IDENTIFIED AS IMPORTANT TO CONSIDER FOR THE POST 2020 FRAMEWORK



THERE ARE FIVE APPROACHES NAVIGANT HAS IDENTIFIED AS IMPORTANT TO CONSIDER WHEN DESIGNING THE POST 2020 FRAMEWORK



Section 3: Key Questions and Next Steps for Engagement Participants

Key Questions for Engagement Participants

IESO invites your written input on the key questions outlined on subsequent slides and any other aspect, specifically related to:

- In the short-term, are there additional opportunities that you feel are not captured and should be? If so, why?
- Are the views of stakeholders adequately represented? If not, how could they be better represented?
- Stakeholders expressed an interest in providing increased input into the framework post 2020. What does successful stakeholder engagement look like as the post 2020 framework is being developed?
- Key principles and approaches were presented for the post 2020 framework. Are there other principles or approaches that should be considered? If so, why?

Next Steps

- Please send written comments to engagement@ieso.ca by February 13, 2018
 - IESO will post responses to comments in March 2018
- Access full versions of study plan and all current state summaries completed to-date on the Mid-term Advisory Group website and remain engaged via:

<http://www.ieso.ca/sector-participants/engagement-initiatives/engagements/conservation-framework-mid-term-review>

- The mid-term review formally concludes March 31