



Cornerstone Hydro Electric Concepts Association Inc.

February 13, 2018

To: IESO via e-mail engagement@ieso.ca

Re: Mid-Term Review: 2015-2020 Conservation Framework

On behalf of the Cornerstone Hydro Electric Concepts Association (CHEC) we are pleased to have the opportunity to provide input to the Mid-Term Review and comment on the Navigant Draft Final Report.

A review of the draft slide deck indicates several areas that have been identified by Navigant for consideration. The Mid-Term Review indicates that LDCs are well positioned to achieve the 7 TWh at or below the allotted budget. It is recognized that the second portion of the Framework will hold challenges specific to each LDC achieving their target and most likely in some cases requiring target and budget exchange. CHEC LDCs look forward to working with the IESO over the remainder of the Framework to achieve success for all LDCs.

CHEC's input and observations with regards to the Draft Final Report is as follows:

- 1. Need for Flexibility:** Navigant notes the desire for flexibility from all levels of stakeholders and customers. However, within the draft slide deck the apparent need for accountability is not fully addressed and the impact this has on the ability to offer flexibility. The apparent need to be "the same" rather than equitable across the province causes various stakeholders to be cautious in interpretations thereby reducing flexibility. Navigant has noted that guiding principles may be useful within the framework. The ability to offer more flexibility within programs may be facilitated through a policy of reasonable interpretation and support from ECA partners with regards to interpretations made in the field with the best available information. Currently the CFF feels very compliance oriented rather than principle based. Support for a change towards guiding principles or policies to assist with providing a structure for interpretations is supported. It is believed this will assist in providing further flexibility within the framework.

2. Collaboration: Concern has been expressed with respect to collaboration between various industry partners (LDC to LDC, LDC to gas utilities and perhaps LDCs and IESO). Several joint CDM Plans foster collaboration between LDCs and LDCs continue to informally share information and experiences. While much of this may not be quantifiable it does occur within working committees and informal relationships between LDCs. Further collaboration through the sharing of best practices, opportunities and innovation occurs between LDCs and their suppliers. Hence collaboration or perhaps “networking” is occurring to the benefit of the framework.

Collaboration or more specifically “combined projects” have been more difficult to implement and there is agreement with Navigant’s comments. The need however for this level of collaboration perhaps has been limited due to the provincial programs available, the customer uptake and the targets achieved. As the frameworks continue to develop collaboration on delivery will more than likely increase.

The ability to collaborate or include CDM within the regional planning function is in its early stages. Regional planning is relatively new with stakeholders developing and refining the process. The ability to include CDM, a framework structure which is unclear beyond 2020, does not easily lend itself to the planning process. Over the past several years the integration of CDM within LDC planning has been more evident and over time will be actively incorporated into distribution and regional planning. Support documentation, best practices and guidance on implementation would most likely influence the time line for further integration. The inclusion of in-front-of-the-meter conservation towards an LDC’s CDM targets will assist with LDC discussions of CDM and the inclusion in system planning.

3. Forecasting: CDM Plans are not a form of forecasting. The CDM Plans, to date, have not allowed an LDC to clearly indicate their expected achievement to target. All CDM Plans submitted are to be balanced, addressing all target. This is hardly a forecast tool. One could assume that the achievable potential could be utilized for forecasting. However, this study was completed prior to the change in the landscape with GreenOn, the reduction of the eligibility for the Industrial Accelerator Program (IAP), Affordability Fund Trust, Sector Programs launched by the Ministry and the increase of centrally delivered programs. Hence forecasting is impacted by the various pressures and opportunities that exist for customers other than the CFF. Currently LDC forecasting is mostly focused on identifying customers that are eligible for programs, the uptake to date and best guess of interest. As such the need to develop a simple forecasting tool is required as noted by others.

4. CDM Plan Submissions: Increasing the number of required submission of CDM Plans is not supported. The CDM Plan represents just that, a plan where real-life numbers rarely match the plan. Operational reporting to track progress is important. The IESO currently receives, at minimum, quarterly updates from LDCs, has information from the iCon system on both LDC activity and central services and should be well positioned to prepare a snapshot on a quarterly basis of progress. As such requiring CDM Plans to be filed more frequently will only increase the administrative burden.

Currently CDM Plans primarily contain vetted Provincial Programs with the only variable under the control of the LDC being local costs. Incentives are the results of the proposed projects and the results of customer action based on the available programs. The need to spend significant labour hours updating the CDM Plan does not add value to the process nor the results. As such limited update of the CDM Plan should be the goal of the process.

5. Information System: The IT system, which the IESO was responsible to provide to support the CFF, has not met expectations nor requirements. This shortcoming has resulted in frustration with IESO, LDC and third-party stakeholders. It is understood that the IESO continues to make incremental progress. As such continued improvement is required. However, it should be noted that one of the modules being worked on is the “CDM Plan” which to date appears to be IESO led with limited information to the LDCs as to the expected outcomes and benefits. It is hoped that the system is fully tested and documented prior to release for use. While the current method may be cumbersome it is at least familiar. The focus on the CDM Plan Module is questioned compared to improvements to the Retrofit Application process, which impacts on all customers and LDCs.

6. Cost Effectiveness Tool: The cost effectiveness tool is a complex model with many variables. The model is most likely only fully understood by the IESO and/or their consultants. The inclusion of GHG benefits within the tool will improve the cost effectiveness of some initiatives. When including the GHG benefits this may result in incentives greater than those which would not have been provided if the GHG benefit was not included. As such attribution of the costs to the GHG funds may be required to ensure that the costs track the benefits. As per item 4 above the number of times the Cost Effectiveness needs to be calculated, specifically for Provincial Programs, should be limited. Increasing the 105% variance on budget to perhaps 120% would allow for variations in customer response while limiting the need to re-submit the CDM Plan and to run the Cost Effectiveness Model.

7. Attribution of Benefits: Navigant notes the attribution of benefits to the party or program paying the incentive should be considered. This is most relevant in the IAP where the LDC receives the benefit from a centrally delivered program. It should be remembered that the customer load was included in the Achievable Potential Study and as such represents the opportunity for the LDC. With the IAP eligibility being reduced to 500 kW, the IAP program effectively appropriates that opportunity from the LDC. It is recommended that target achieved by the IAP, from an LDC served customer, continues to be applied towards the LDC target.

8. Provincial Coverage: Provincial coverage has in general met customer requirements. CHEC LDCs generally have provided all provincial programs in their service territory. This has been problematic where the number of eligible customers is limited (or do not exist). With a focus on serving customers in the service territory the LDC is positioned to respond to any customer that expresses an interest in any of the provincial programs. Inclusion of costing within the planning tools, specifically the Cost Effectiveness Tool is challenging in these cases. Hence restricted funds are applied to the program to limit the impact on overall cost effectiveness. The IESO practice of allowing an indication of participation without assigning significant dollars has been effective and is a process which should continue.

9. Target and Budget Exchange: Target and budget exchange is a challenging element of the framework. The approach within our collaboration model has been to observe progress to date, observe which LDCs are ahead on targets and which are behind. Following the mid-term review and further forecasting then the target eligible for exchange can be identified. Observing and holding, at this stage, is designed to ensure that LDCs have sufficient target and budget to meet their customer needs while exchanging only the amount required to meet the target achievement. No LDC wants to come up short on their local needs. It is recommended that guiding principles be developed and that the LDCs manage the target and budget exchange.

Within the context of target exchange any approval by the IESO will require an expedited approval process. A timely and responsive approval process, if IESO approval is required, is critical to maintain momentum and ensure that LDCs can effectively exchange target to and program delivery to customers is not impacted.

10. Changes in Conservation Environment: The advent of other programs within the Province (GreenOn, the reduction of the eligibility for the Industrial Accelerator Program, Affordability Fund, Sector Programs launched by the Ministry and the increase of centrally delivered programs) will all impact on the ability of LDCs to achieve target as planned. The loss of behind the meter initiatives such as the CHP program changes several CDM Plans and will require LDCs to evaluate the impact, which may drive target exchange later in the framework. The overall impact of these additional programs removes significant kWh from target achievement. It is expected that future Achievable Potentials will be significantly impacted by these changes to the conservation environment.

11. LDC Delivering Conservation: Continued involvement of LDCs in the delivery of CDM across the province is encouraged. The ability to represent the local face of conservation, to integrate conservation into LDC customer service and to assist customers with managing their energy costs remains a priority of LDCs. The continued involvement of LDCs within the CDM portfolio and further in the GHG initiatives is recommended and supported. The experience and success to date, demonstrated by the success of the LDC led CDM, clearly identifies the benefits of continued LDC involvement.

12. Future CDM Frameworks: The Navigant report notes parameters and guidelines for future CDM framework beyond 2020. The identification and design of the framework, well in advance to the completion of the current CFF is encouraged and supported. The ability to identify to customers the continued availability of programs will assist with maintaining customer interest and commitment and the continued success of programs for both CFF and future frameworks. Further, early identification will assist in maintaining the infrastructure, systems and resources to seamlessly move into the next framework.

13. Governance: Change in governance/relationship has been noted as one of the opportunities within the Navigant report. CHEC and CHEC LDCs welcome review and change and would like to take a more active role in any future model. Representing seventeen (17) small LDCs provides insight to challenges and opportunities which can be beneficial to the overall goal of conservation within communities across the province.

The work and effort associated with the Mid-Term Review is recognized and supported. The review at this time can assist with continued success as well as assisting to set direction for the remainder of the framework and future frameworks.

We look forward to the final report and working with our partners towards the successful completion of the framework and delivery of future frameworks.

Regards,

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