



February 13, 2018

Nik Schruder  
Director, Conservation Performance & Innovation (Acting)

Independent Electricity System Operator (IESO)  
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Dear Nik,

Hydro One is pleased to share its comments on the draft Midterm Review Report. We are proud of the progress that has been made so far in the Conservation First Framework (CFF) and are confident that Hydro One and the rest of the LDC community will continue to deliver to meet the provincial energy savings goals through 2020.

#### **Achievable Potential**

While Hydro One has achieved strong energy savings results to date, there have been several initiatives outside of the CFF that impact the remaining achievable potential, including:

- The Class A threshold for Global Adjustment (GA) charges has been reduced from 5 MW to now only 500 kW allowing many more Ontario businesses to pay Class A rates. As a result, some businesses may find it more economical to implement demand response measures that are aimed at cutting demand during projected top annual system peak days than implementing energy efficiency projects.
- The Fair Hydro Plan was fully implemented in July 2017 resulting in average bill reduction of about 25% for residential customers. Hydro One was supportive of the Fair Hydro Plan. However, we also recognize that it has resulted in a lower variable cost of power which increases payback periods and lowers the return on investment of energy efficiency measures for customers.
- While Hydro One supports the recently introduced Affordability Fund is likely to reduce results that could have been achieved through CFF programs.
- The Climate Change Action Plan also has the potential to provide energy savings benefits to customers that will not be captured in LDC results towards the 2020 target. We have also seen these initiatives constrain the definition of CDM to preclude behind the meter generation projects.

The impact of these initiatives should be considered in the upcoming provincial Achievable Potential Study which will inform whether any adjustments to the 2020 targets are warranted.

#### **Target Exchange**

The IESO recently proposed changes to the Target Exchange Guideline. While Hydro One is very supportive of the first principle which is focused on ensuring continued program delivery and customer coverage, we have reservations regarding the second principle on ratepayer value. To address concerns of the second principle, LDCs should be permitted to freely exchange up to 15% of their allocated target, beyond which the IESO would review the transaction before approval. Furthermore, the Midterm Review has identified that the Industrial Accelerator Program (IAP) has underperformed to date and recommends making excess IAP funds available to LDCs to deliver CFF programs. Hydro One agrees that this would be a more efficient use of resources, but recommends that LDCs must first demonstrate that they attempted to find a willing LDC partner for a target exchange prior to receiving additional funding from IAP.

#### **Customer Coverage**

To date, Hydro One has been successful in delivering CDM programs across all customer segments. We are on track to meet our allocated target and customers have been satisfied with the available programs. Hydro One believes strongly that LDCs should continue to act as the face of conservation to our customers. With respect to

the customer coverage opportunities discussed in the Navigant Report, Hydro One supports the idea that the IESO would continue to act as a back-stop for program delivery, provided that all other options have been exhausted. The IESO should direct LDCs who are not able to deliver on Conservation First Framework requirements to seek support from other LDCs that are willing and able to deliver on their behalf. Hydro One is prepared to assist other LDCs in this regard.

### **CDM Plans**

The Midterm Review Report also looked at the CDM Plan process and identified an opportunity to enhance it by allowing plans to reflect actual LDC forecasts rather than force-fitting it to their allocated target. The following IESO requirements:

- 1) Unallocated target must be assigned to programs after the Midterm Review; and
- 2) LDCs cannot include budget in their CDM Plan beyond their allocated budget

do not provide the IESO with a clear indication of future target and budget performance. By allowing LDCs to include a savings and budget forecast in their CDM Plan that is based on their best available information and not constrained to their allocated target and budget, the IESO and LDCs can more readily identify potential target exchange partners. With this approach, the onerous requirement for quarterly CDM Plan submissions proposed in the Midterm Report becomes unnecessary.

### **Non-Energy Impacts**

Hydro One supports the opportunity in the Navigant Report to evaluate all non-energy impacts (NEIs) and determine which cost effectiveness evaluations they should be included in. Relative to the alternatives, this opportunity would result in a robust assessment of the true benefits and costs of conservation. It will also enhance the development and evolution of CDM programs and encourage alignment with government policies (e.g. the Climate Change Action Plan).

### **Working Groups**

The LDC community expressed the need for CFF working groups to have a clearly defined governance structure that allows for more program and process improvements to be designed, approved and implemented more efficiently. We support the Conservation First Implementation Committee (CFIC) proposal to create a new Joint Program Operations Committee (JPOC) that would be responsible for creating work plans for various sub-groups and would have the authority to approve recommendations and business cases brought forth by those sub-committees. However, the IESO representatives should not exceed 20% of the JPOC.

### **Program Innovation Fund**

The IESO has recently suggested including a deadline of December 31, 2018 for LDCs to apply to the Program Innovation Fund. CDM has been delivered in Ontario since 2005. Furthermore, the 2017 Long-Term Energy Plan (LTEP) reaffirmed the government's commitment to a long term electricity conservation target of 30 TWh reductions in 2032. This would require conservation programs continuing beyond the current framework. In light of this, restricting Innovation Fund Proposals beyond 2018 would limit the development of innovative initiatives that may enhance future framework savings potential, adversely impact customer engagement, and create a stop-and-go environment.

### **Integration of New Technologies**

Also, as new energy efficiency technologies continue to enter the market, we are in support of a guideline for customers, third-parties or LDCs to submit technologies for inclusion in the definition of CDM or in the IESO's Measures and Assumptions List. Customers, businesses, LDCs and the IESO would all benefit from a defined process that allows for smooth integration of new technologies that have demonstrated reliable energy savings potential into the framework.



**Beyond 2020**

We look forward to working with the IESO, Ministry, LDC colleagues and all other stakeholders to design a new Framework that is more integrated with the Climate Change Action Plan, natural gas program offerings and delivers regional system benefits.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Semler".

Tom Semler  
Director CDM and Conservation Officer  
Hydro One Networks Inc.