



Andrew Pride Consulting
5324 Cachet Crescent
Burlington, ON L7L 7N5
www.andrewprideconsulting.com

August 4, 2016

Independent Electricity System Operator
Suite 1600, 120 Adelaide Street West
Toronto ON

Attention: engagement@ieso.ca

RE: COMMENTS ON IESO PROVINCE-WIDE MULTI-DISTRIBUTOR CUSTOMER PAY FOR PERFORMANCE PROGRAM DESIGN

Thank you for the opportunity to provide comments on the above mentioned program.

The comments provided herein are based on over 25 years' experience in the energy conservation sector including over 10 years of energy performance contracting (pay for performance); over 4 years as Vice President of Conservation at the Ontario Power Authority; and the past 18 months of strategic consulting services to industry service providers and some of Ontario's electric and gas distributors.

To commence my comments, I would like to congratulate the IESO and the Province for continuing the vision of a Customer-Focused approach to conservation. The results to-date have been exceptional and incredibly inexpensive at a cost of around 3¢/kWh of net verified energy savings. We created a vision to augment the customer centric conservation industry to a pay-for-performance mechanism that rewarded verifiable and measured results. This pilot program is the next evolution in conservation for Ontario.

The attached provides answers to your questions on the program design. In summary, the P4P Program is heading in the right direction; the incentives are slightly low and should be increased to at least the PSUI level; the focus should be on portfolios that exceed 10GWh/yr; annual base-year adjustments are normal course of business and critical to program success; and customers should be allowed to participate in other program offers by LDC's, Gas Companies, and other Governments (with appropriate base-year adjustments).

Thank you again for providing this opportunity for stakeholders to provide our comments. I am available to discuss my comments further if desired by phone 905-616-9448 or email andrew@andrewprideconsulting.com.

Sincerely,

ANDREW PRIDE CONSULTING

A handwritten signature in blue ink, appearing to read 'AP'.

Andrew Pride, P.Eng.

Detailed Comments

1. What features of the proposed program do you find appealing?
 - a. Paying for performance provides the appropriate motivation for customers to focus on measured results with complete flexibility to execute innovative measures at their own risk and benefit.
 - b. Customer centric approach to conservation.
 - c. Payments over multiple years.
2. What might dissuade businesses from participating in the program?
 - a. Excluding customers from participating in current Save on Energy programs for the buildings enrolled in the P4P program may be a barrier. Customers should be offered the flexibility to enroll in as many energy incentive programs as they wish, as long as the savings attributed to those programs are reduced from the base-year as a base year adjustment. This would eliminate the double counting of savings and offer flexibility and choice for the customer.
 - b. Four years at 4¢/kWh is light. PSUI currently offers 20¢/kWh (IAP at 23¢), so economically, it would be disadvantageous to pursue the P4P program. I would recommend a minimum of 5¢/kWh over 4-years or extend the 4¢ to a 5-year term.
 - c. The reference to Dec 2020 is unclear. I assume and would recommend that customers can sign up until Dec 2020 (or some reasonable time prior – say Dec 2019), the wording in the stakeholder deck seems to imply the payments end in 2020.
3. Do you foresee any challenges with any of the eligibility criteria?
 - a. Customers should be able to aggregate any of their buildings into the program as long as the appropriate metering was in place. Focus on customer's portfolio's with a minimum aggregated annual energy consumption level (much higher than 2GWh).
 - b. While I understand the desire for a clean base-year, targeting buildings that will not have base-year adjustments is not customer friendly. I would recommend that annual base-year adjustments be permitted irrespective of the adjustment's percentage impact on the base-year. This has been successfully accomplished for decades in the performance contracting industry. Allowing a 10% swing in

the base-year could erode the entire savings achieved by the customer, or permit a customer to discontinue a needed service to gain energy savings.

4. What are your thoughts on the proposed minimum annual building energy consumption of 2,000,000 kWh?
 - a. A minimum annual energy use at the portfolio level would be a better option based on the IESO overhead cost to administer the program cost-effectively. For example, 10GWh/yr would provide a minimum incentive of \$20k/yr (at the suggested 5% level), which should be enough to allow for IESO overhead and customer overhead to complete M&V with base-year adjustments.
5. Should IESO permit customers to aggregate a number of smaller buildings to achieve the 2,000,000 kWh threshold energy use?
 - a. Yes, however, the threshold needs to be increased to afford the IESO administration costs. *See question 4.* And the buildings would need to have appropriate metering.
6. NRCan's ENERGY STAR Portfolio Manager has established itself as a popular energy benchmarking tool that provides greater value as the pool of enrolled buildings grows. Should IESO require enrollment in Portfolio Manager as a condition of program participation? See Appendix B for details.
 - a. Yes, ENERGY STAR Portfolio Manager registration, at IESO cost, should be a requirement. Consistency in reporting is of benefit to the industry, however, IESO will need to ensure this is done at no incremental cost to the customer.
7. Should buildings participating in MDC P4P be eligible for Save on Energy incentives through: –Audit Funding? –Energy Managers? –See www.saveonenergy.ca for more information about these programs
 - a. Being able to participate in other Save on Energy initiatives is very important to customers. Many MDC customers are accustomed to the IESO/LDC programs and should be encouraged to continue to participate. There may also be other future funding sources for project work (e.g. gas programs/climate change programs) that will use the electricity savings as part of their cost justification. These “other funded” programs can be easily deducted in the annual base-year adjustment process based on the funder's allocation of electricity savings attributed to their funding.
 - b. In addition, enabling other Save on Energy programs would enable the LDCs to continue with their strong momentum in promoting the Retrofit, and other, programs. In fact, customers, who believe their savings are actually higher than the LDC will credit, can prove it and be rewarded through the P4P program. The programs can be complementary.