



BOMA TORONTO

Feedback on

Province-Wide Multi-Distributor Customer Pay-for-Performance Program (MDC-P4P)

PRESENTED TO

**Independent Electricity System Operator
(IESO)**

AUGUST 2016

August 18, 2016

Stakeholder Engagement
Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON
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Stakeholder Engagement,

RE: Province-Wide Multi-Distributor Customer Pay-for-Performance Program (MDC-P4P)

The Building Owners and Managers Association of the Greater Toronto Area (BOMA Toronto) would like to thank the Independent Electricity System Operator (IESO) for this opportunity to comment on the proposed Province-Wide Multi-Distributor Customer Pay-for-Performance Program (MDC-P4P).

BOMA Toronto is a not for profit industry association established in 1917, representing over 80% of all commercial and industrial real estate companies across Ontario (with the exception of the Capital region that is represented by BOMA Ottawa). BOMA Toronto's membership includes leading building owners, property and facility managers, developers, corporate facility managers, leasing professionals, as well as service providers that cater to the Commercial Real Estate (CRE) Industry.

BOMA Toronto's mission is to develop, promote and advance best management practices in the CRE Industry through advocacy, education and networking.

As a major stakeholder in Ontario's Commercial Real Estate Industry and as the voice of building owners and managers, we are supportive of IESO offering an alternate program to benefit our members who own/manage buildings in different Local Distribution Company (LDC) service areas across Ontario. We believe that a pay-for-performance program would not only simplify participation in the CDM program and help capture savings from operational improvements, but would also

drive innovation and persistence of savings from the installed energy conservation measures (ECM) and management best practices. However, in order to maximize benefits to our members and to minimize the impact on the marketplace from the introduction of yet another CDM initiative, the MDC-P4P needs to be integrated with the broader provincial conservation efforts, and not be offered as an independent program.

We applaud the IESO for considering our prior feedback and taking the initiative to make conservation easier for our members. With an aggressive provincial conservation target ahead, BOMA Toronto, with its expertise and experience in managing and delivering successful CDM programs in the past, is committed to work with Ontario utilities, IESO, and the Ministry of Energy, to help enhance the CDM program offerings so that it brings more value to our membership and to the industry at large.

Thank you in advance for considering our feedback. We would be happy to discuss our comments with you further, or respond to any questions you may have with respect to MDC-P4P or BOMA's role within the broader Conservation First Framework (CFF).

Regards,



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BOMA Toronto

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GENERAL COMMENTS

1. Opportunities

- a. Providing financial incentives for operational savings is a natural evolution of Conservation and Demand Management (CDM) programs and a step towards making conservation practical and more accessible. This approach to conservation has not been fully explored until now, with such proposed programs as OPsaver® from Toronto Hydro and the IESO's MDC-P4P. The BOMA BEST® National Green Building Report reveals that there is no correlation between energy use intensity and the number of energy efficient features within buildings. This leads to the conclusion that retrofit-based Energy Conservation Measures (ECM) alone cannot deliver optimized energy savings in buildings. There needs to be mechanisms to address and motivate a behavioural component, and performance based programs account for this.

- b. If implemented properly, MDC-P4P would make it easier for landlords who own/manage buildings across Ontario to participate in the provincial CDM program by providing a single point of contact and simplified application, verification, and settlement process.

- c. This P4P program would bring a higher degree of efficiency and practicality to make buildings more energy efficient and receive financial incentives. It would eliminate the hassle of having to verify savings from individual ECM. Such programs would also help capture savings through improvements to operations and

maintenance (savings that would otherwise be missed under the conventional retrofit programs).

- d. A whole-building based P4P program would also drive innovation and persistence of savings from the installed ECMs and management best practices. The persistence factor is often overlooked, but is a critical factor to maximize ROI both for the province and for participants.

2. Potential Challenges

- a. The new MDC-P4P, as it is presented, seems to create a second stream that is completely different from the current saveONenergy (SOE) program. The CFF identifies LDCs as the main delivery agent of CDM programs and it has been communicated to the market place as such for the past number of years. Unless the role of LDCs is expanded to include the new MDC-P4P, it may further complicate the market place that is already confused about many elements of the current SOE program.
- b. Many large LDCs across Ontario already have established relationships with large landlords (the ones that are most likely to be qualified as Multi-Distributor Customers - MDC) through their respective Key Account Managers, and have relied on the conservation potential within the MDC base for budgeting, forecasting, resource planning, marketing, promotion, delivery, costs related to KAMs, savings, etc. By IESO offering a program that is mutually exclusive of the current SOE program, it could inadvertently

undermine LDCs' efforts to provide a seamless CDM offerings to their commercial customers (our members).

- c. Furthermore, a new program with different rules and incentives, managed and promoted by a different organization, with no involvement from the LDCs would be confusing, and could potentially slow down momentum and impede effective administration of the current SOE program. Ultimately, this could contribute to participant fatigue or could lead to the market losing confidence in the program. A more practical and cost efficient approach would be to have the LDCs deliver this program as part of their ongoing suite of SOE initiatives with the IESO as the single point of contact, managing a centralized clearing house (working in collaboration with regional KAMs) for MDC application. This would be similar to former Head Office model-type process but with better structure and control.

3. Processes

- a. Application, verification, and settlement processes should be simple, efficient, and effective, with adequate back office support to facilitate submission and follow-ups.
- b. A complaint that is normally levied against the current SOE program (from many landlords and energy services providers who assist or act on behalf of landlords) is that some LDCs do not respond to inquiries on a timely manner, and in some cases don't respond at all despite repeated attempts. This must change, and it is hoped that a centralized program for MDC would make it easier for landlords and

service providers to follow up on the status of their applications, payments, and other inquiries related to their projects.

- c. The Participant Agreement should be simple and its length kept to minimum as complex agreements (akin to PSUI and DES agreements) could deter participation.
- d. Because it is P4P, the onus is on participants to prove the savings using the verified and approved baselines. As such, with adequate Measurement and Verification (M&V) procedures in place, participants should not be burdened with having to supply additional documents such as copies of purchase orders, bills of lading, invoices, time sheets, maintenance reports, log books, etc.
- e. There should be a simple and effective means to resolve disputes that may arise with respect to eligibility, interpretation of program rules, M&V, settlement, etc.
- f. A seamless way to share application, project, and verification details with LDCs is recommended.
- g. Marketing and communication of MDC-P4P should be coordinated with LDCs so as to minimize misunderstandings in the market and provide a single front for conservation.

4. Participation

- a. Three months to implement ECMs before the commencement of the P4P period is not sufficient. Participants would require more time to

coordinate logistics and get projects off the ground, and therefore it is recommended that they be given at least six months.

- b. The proposed minimum annual building energy consumption of 2,000,000 kWh is reasonable, however IESO should permit customers to aggregate a number of smaller buildings to achieve this threshold energy use.
- c. IESO should require enrollment in NRCan- Energy Star Portfolio Manager (ESPM) as a condition of program participation. Many of the MDC are already using ESPM for their benchmarking so this requirement should not become a burden. Furthermore, such requirement would also benefit the province's Energy and Water Reporting and Benchmarking (EWRB) regulation, under Bill 135.
- d. Buildings participating in MDC-P4P should still be eligible for incentives under Audit Funding and Energy Managers initiatives. This further reinforces why MDC-P4P should be offered as an option under the broader SOE program.

5. Incentives

- a. The incentive should be sufficient enough to encourage more investment in ECMs and motivate participants to be innovative and continuously improve performance and achieve a higher degree of persistence.
- b. Even though participants have the option to opt out of the program after two years, the IESO should offer to continue the incentive (for

at least additional three years) so as to convince the participant to stay in the program. This would improve the persistence factor and maximize ROI.

- c. The proposed \$0.04/kWh is very modest, but it should be slightly increased to make it more attractive and encourage rapid adoption of the program.
- d. Alternate incentive model – **A**: Provide a higher \$/kWh for the first year and reduced amount for subsequent years (subject to TRC considerations). This would encourage more investment in the first year and motivate participants maintain or improve performance. For example \$0.08/kWh for year 1 and perhaps \$0.03/kWh thereafter.
- e. Alternate incentive model – **B**: Provide a modest \$/kWh for the first two years and higher incentive from third year onwards using an increasing incentive scale up to five years (subject to TRC considerations). This would not only encourage participants to maintain savings and explore ways to improve performance year after year, but would also lessen the chance of participants opting out after the second year. For example \$0.04/kWh for year 1 & 2 and perhaps \$0.06, \$0.07, \$0.08/kWh for years 3-5.

CONCLUSION

MDC-P4P is a good initiative that would simplify participation in CDM program and help capture savings from operational improvements as well as drive innovation and persistence of savings from the installed ECMs and management best practices. We applaud the IESO for considering our prior feedback and taking this initiative to make conservation easier for our members through this new program. However, there are some operational and market challenges that need to be addressed and resolved before the launch.

It should be noted that as much as the CRE industry welcomes more options and diverse programs for customers to participate, it cannot be done so at the peril of confusing the market place and slowing down progress. So we encourage the IESO to work collaboratively with the LDCs and explore ways to integrate MDC-P4P program under the broader SOE offerings. This approach, we believe, would not only minimize confusion and enhance program offerings, but would also be cost-effective.

With an aggressive provincial conservation target ahead, BOMA Toronto is committed to work with Ontario utilities, IESO, and the Ministry of Energy to help enhance the CDM program offerings so that it brings more value to our membership and to the industry at large.
