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| date | August 8, 2016 |
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| copy | Graham Smith |
| from | Joe Bilé, Co-Chair of Business Working Group (on behalf of LDC members) |
| telephone | 416-542-3351 |
| subject | Multi-Distributor Customer Pay for Performance - Program Design Comments |

The Business Working Group (BWG) comprises 13 LDCs and is the key driver in new province-wide CDM program development under the CFF. We believe it is incumbent upon us to share general comments with the IESO in the spirit of collaboration on this proposed Multi-Distribution Customer Pay-for-Performance (MDC-P4P) Program.

Generally speaking the program sounds intriguing and if designed and implemented properly could provide some excellent customer engagement, participation and incremental cost effective energy savings. We also note that one BWG member, Toronto Hydro, is already a proponent of the operational savings incentive concept as they seek IESO approval to bring their own "OPSAver" local program to market.

Our general comments are as follows:

1. Operational savings incentives are an important evolution of CDM that has up to this point been missing as an offering. Conceptually, this is a positive development with great opportunity across some, if not all, sectors. It would be useful to consider bundling facilities as a means of extending eligibility and efficiencies of scale to sites that might otherwise be too small individually.
2. The CFF has LDCs as the general design and delivery agent for CDM programs, which will be fundamentally changed based with this new directive unless LDC's role also expands to include it.

3. There are a number of challenges with the introduction of an IESO centrally delivered program independent of LDCs:
 - a. The LDC community has already developed key account teams that interface with customers to deliver conservation programs and will undoubtedly lead to customer confusion.
 - b. It becomes important to clearly define delivery roles and responsibilities between IESO, its agents and LDCs.
 - c. It creates a two-tier system; customers (even within the same organization) could unknowingly end up dealing with the IESO on one program and the LDCs for others
 - d. A MDC-P4P program with different rules, promoted by a different organization and with minimal interface with the LDCs has the potential to be quite problematic. A more collaborative approach would be to use the existing MDC framework and have the LDCs deliver this program as part of the ongoing conservation efforts.
4. MDC-P4P and Save on Energy (SOE) are mutually exclusive. In other words, MDC-P4P will cannibalize SOE, which will impact LDC CDM strategy, savings forecast, resource planning, as well as complicating CDM Plans thereby requiring ongoing refresh of those plans. Depending on how differences net out, LDCs could be disadvantaged by promoting MDC-P4P. (Note that MDC-P4P and SOE do not need to be mutually exclusive so long as verified project savings under SOE are discounted from MDC-P4P savings)
5. The forecasted scope and scale of the program in terms of number of participants, facilities, as well as MW/MWh would be helpful; since MDC-P4P and SOE are mutually exclusive, this information would help compare benefits with the "opportunity cost" of potentially cannibalized SOE programs.
6. The anticipated role for LDCs for QA/QC and those requirements are unclear. LDC support and resourcing costs should be defined.
7. The IESO, in promoting the MDC-P4P program, will not know the kind of metering/data existing for prospective facilities. This may require unplanned metering

upgrades that are normally ineligible costs under CFF (as LDC regulated infrastructure) and could be unintentionally subject to LDC regulated-process delays.

8. It will be important to coordinate marketing of the program to avoid customer confusion. Furthermore, customer perception of competing offers may feed perceptions of lack of collaboration between utilities and government agencies.
9. This appears to duplicate non-incented savings achievements under the energy manager and audit funding program. As above, savings attributed under these programs (whose source and persistence would be more precisely known) should need to be discounted from MDC-P4P.
10. Under the DR3 program there was limited involvement of the LDCs in program implementation. Our experience was that there was minimal information verified and reported until long after the projects were completed. Greater information sharing would be beneficial.

For your further consideration, the following questions come to mind and may prove helpful as the program continues to evolve:

11. Out of curiosity, what are the challenges of the current MDC experience under SOE programs which motivated the need for a distinct new program? Could these deficiencies perhaps have been addressed under normal program rule change management? (In particular, the recent changes to the Multi-Site Agreement under Retrofit could have addressed outstanding criticisms) On the other hand, are there any lessons that should be considered in future enhancements for other SOE programs?
12. Why does P4P have to be mutually exclusive of existing province-wide, regional or local CDM programs? For example, Toronto Hydro's proposed OPSaver program discounts other CDM program savings contribution while keeping the operational objectives of the program intact.
13. How will IESO share information with LDCs in regards to participants, contract, project details and performance? Will the IESO provide forecast savings as well as quarterly or annual updates by LDC for inclusion in LDC CDM plans?
14. Are there targets for the MDC-P4P program? Is there documentation available that details the business case and results of the original pilot to help LDC understand the

potential benefits? What is the persistence of MDC-P4P savings?

15. How does LDC account for the potential decrease in savings in the existing CDM programs? How will LDCs be informed of project specific details to know exactly which sites are participating? (In this manner, they can be identified as ineligible for the business programs such as Retrofit)
16. Are there any future plans of integrating this program into the CDMIS? This would assist in transparency, accountability and coordination between the LDC and IESO.
17. What will the potential for different incentive levels for on and off-peak savings and affordability look like?
18. Will any IESO costs for MDC-P4P delivery eventually be allocated to Value-Added Services?
19. Does the IESO have or intend to acquire incremental resources to manage this program?

In closing, we applaud the IESO's effort in introducing this major new initiative and appreciate that the program holds the promise of assisting LDCs meet their CDM targets. From a program development perspective, the BWG recognizes the significant effort involved in introducing a new program to market.

We hope that these comments are helpful in refining the original concept and look forward to helping the IESO bring this special vision to market.