

Draft Plan for Mid-Term Review: 2015-2020 Conservation Framework Presentation to IESO SAC

August 17, 2016

Ontario's Conservation Goals



Almost all electricity demand growth to 2032 to be met by energy efficiency & improved codes and standards



Conservation First Framework & Industrial Accelerator Program

8.7 TWh in 2020

2013 Long Term Energy Plan

30 TWh in 2032

2015-2020 Conservation Framework

Conservation First Framework (CFF)

- 7 TWh of energy savings by end of 2020 delivered to distribution-connected customers by local distribution companies (LDCs)
- \$2.6 billion over 6 years, administered by IESO
 - \$1.8 billion for LDC Delivery Costs
 - \$0.4 billion for Central Services Costs
 - \$0.4 billion from 2011-2014 Legacy framework (funded 2015 transition year)
- Evolving IESO-LDC relationships
- LDC conservation and demand management (CDM) six year plans support consideration of CDM in local/regional planning

Industrial Accelerator Program (IAP)

- \$500 million 6-year budget; 1.7 TWh reduction target; delivered by IESO to transmission-connected customers



Overview – mid-term review will be informed by input from interested parties, analysis of lessons learned and an assessment of value realized through CFF and IAP

- Per Conservation First Framework (CFF) and Industrial Accelerator Program (IAP) directions, review must be completed by June 1, 2018
- IESO planning to initiate review Fall 2016 and complete by Winter 2018
- IESO will conduct a combined mid-term review of CFF and IAP given the interest and involvement of many parties in both programs
- Review will focus on conservation targets/budgets, lessons learned on LDC funding models, customer needs, conservation integration with regional planning, CFF alignment with Climate Change Action Plan (CCAP) initiatives and post-2020 approaches to energy efficiency
- Comprehensive engagement strategy to ensure all LDCs, customers, channel partners, consumer groups, associations, other interested parties have meaningful opportunities to provide feedback on framework success and challenges
- Review outcomes to include plan and solutions to address identified issues

Objectives of Mid-term Review

- **Solicit input on opportunities and challenges of framework and identify solutions for 2018-2020 period**
- **Fulfill requirements of Direction and Energy Conservation Agreements (ECA) between IESO and LDCs (see appendix A)**
 - Assess ability to achieve CFF and IAP targets (8.7 TWh) cost-effectively with existing budget, targets and programs
 - Determine if adjustments to targets/budgets are needed; identify potential options for addressing needs and implement accordingly
- **Inform approach to energy efficiency for 2018-2020 and beyond**
 - Potential affect of CCAP on CFF targets, budgets and programs
 - Need plan for preparing market for transition and potential projects that could start post mid-term but would not be completed by 2020
 - Identify options/alternatives for cost-effective, reliable demand side management (DSM) solutions that address local/regional needs
 - Options to reduce reliance on incentives, provide best value to ratepayers where incentives are required and support Ontario's climate change objectives

CFF Mid-Term review is required by Minister's Direction

- **March 31, 2014 Direction for CFF:**

“IESO, in consultation with the Ministry of Energy and Distributors, shall no later than June 1, 2018 have completed a formal mid-term review of:

- i. the 7 TWh target and the overall budget for achieving that target
- ii. allocation of budgets and Distributor CDM Targets
- iii. lessons learned on cost recovery and performance incentive mechanisms, and
- iv. CDM contribution to regional planning

- **October 23, 2014 Direction for CFF:**

“...benefits calculated for the Total Resource Cost Test include a 15 per cent adder to account for the non-energy benefits... value attributed to non-energy benefits shall be subject to review at the formal mid-term review”

- **March 26, 2014 Direction requires OEB to carry out mid-term review of gas DSM framework to align with mid-term review of CFF**

CFF Mid-Term review is required by Energy Conservation Agreement (ECA)

- **Initiate a mid-term review no later than June 1st, 2017 of:**
 - 7TWh target
 - Allocation of budgets and individual LDC targets
 - Lessons learned on cost recovery and performance based incentives
 - CDM contribution to regional planning
- **As part of the mid-term review, IESO will examine:**
 - Eligible expenses compared to CDM plan budgets
 - Progress toward LDC targets based on verified and reported electricity savings from 2015-2017
 - The Achievable Potential Study
- **Where the CDM plan identifies a target gap, the LDC will re-submit the CDM plan to indicate how the target can be achieved**
- **See appendix C for Mid-Term Review Guidelines that accompany ECA**

IAP Mid-Term review is required by Minister's Direction

July 25, 2014 Direction for IAP:

“IESO, in consultation with the Ministry of Energy, shall no later than June 1, 2018, have completed a mid-term review of the IAP in regards to:

- i. The 1.7 TWh target and the overall budget for achieving the target;
- ii. Lessons learned with respect to financing mechanisms; and
- iii. IAP performance

Anticipated outcomes of Mid-term review

- Allocated LDC targets/budgets that are achievable
- Plan for addressing any LDC target gaps
- Plan/solutions to address outstanding needs identified by customers
 - E.g. multi-site customers; low-income customers
- Plan for establishing a target exchange mechanism should one be needed
 - Options presented/assessed for structure of target exchange: LDC only, open market, others
- Tools to ensure Conservation delivers system value when/where needed
 - Programs to address peak demand/local planning needs
- Conservation framework that supports Ontario's climate change objectives
- Government direction (if needed) to achieve the above
- Options for delivering energy efficiency beyond 2020

CFF: Key issues to be examined

Framework Element	Key Issues
Budget/ target allocation	<ul style="list-style-type: none"> a. Whether adjustments are needed at provincial level or between/amongst LDCs and options for adjustments/reallocations <ul style="list-style-type: none"> i. Establish mechanism to support LDC target adjustments b. Options to address remaining target gap e.g. trading/auction amongst LDCs; open competition to market
Cost-effective resource acquisition	<ul style="list-style-type: none"> a. Lessons learned on cost recovery and performance incentive mechanisms b. Uptake/obstacles to adoption of pay-for-performance funding approach c. Impact of gas/electric distributor collaboration on delivery costs d. Program ability to reduce incentive reliance/create sustained energy efficient practices e. Review of non-energy benefits adder f. Impact of new avoided costs g. Alignment of cost-effectiveness inputs between electric and gas utility programs h. Cost-effectiveness by sector (including an analysis of acquisition costs vs. cost effectiveness)

CFF: Key issues to be examined

Framework Element	Key Issues
Collaboration amongst LDCs, gas utilities and other opportunities	<ul style="list-style-type: none"> a. Challenge of coordination between multiple utilities b. Programs/budgets may not align or enable collaboration across province c. Savings attribution/cost sharing d. Brand awareness/customer relationship e. Explore collaboration opportunities with other government funded initiatives
Governance and LDC Collaboration	<ul style="list-style-type: none"> a. Review of LDC governance structures to ensure roles and responsibilities still align after mid-term review b. LDC Collaboration – investigate relationships and whether there is a need to enhance collaboration efforts
Integration with regional planning	<ul style="list-style-type: none"> a. Opportunities for local deferral of investments in transmission and distribution b. Impact of energy-only targets on CDM integration with regional planning (and whether demand targets should be established)

CFF: Key issues to be examined

Framework Element	Key Issues
Customer/ Market engagement/ satisfaction	<ul style="list-style-type: none"> a. Customers with facilities in multiple LDC service areas b. Integration of CDM/DSM into business practices/lifestyle (less reliance on incentives) c. Customer impact of multiple/different program offerings across the province; success of implementation of local programs to address local opportunities or needs d. Coverage & budget/target allocation among customer segments e. Save on Energy brand value and market research f. Customer satisfaction with programs
Alignment with Climate Change Action Plan objectives	<ul style="list-style-type: none"> a. Opportunities for alignment with the Climate Change Action Plan (CCAP) b. Potential effect of CCAP on CFF budgets, targets, programs c. Impact of cap and trade on CFF programs (including combined heat and power behind the meter generation) d. Moving to energy efficiency/DSM (right energy for right use at right time/cost) e. Integrated planning (distributed generation, energy efficiency, storage, fuel-switching)
Central services	<ul style="list-style-type: none"> a. Review central services/processes and opportunities for improvement b. Potential new tools to support LDC program development (e.g. P4P) c. Potential support for CDM plan redevelopment if targets/budgets are adjusted

IAP: Key issues to be examined

Framework Element	Key Issues
Budget/target	<ul style="list-style-type: none"> a. Whether adjustment to target and budget needed b. Options for adjustments
Customer/Market engagement/satisfaction	<ul style="list-style-type: none"> a. Both active and non-participants considered b. Integration of CDM/DSM into business practices (less reliance on incentives) c. Efficacy of the current program approach
Cost-effective resource acquisition	<ul style="list-style-type: none"> a. Impact of gas/electric collaboration on cost-effectiveness b. Success of account manager model c. Explore integration with generation procurement
Integration with regional planning	<ul style="list-style-type: none"> a. Opportunities for local avoided infrastructure costs
Alignment with Climate Change Action Plan objectives	<ul style="list-style-type: none"> a. Moving to energy efficiency/DSM (right energy for right use at right time/cost) b. Potential effects of CCAP on IAP budget, target, rules/delivery c. Integrated planning d. Cap and trade impacts on environmental attributes
Non-energy Benefits	<ul style="list-style-type: none"> a. Economic development impacts (job creation /retention) b. Environmental attributes

Inputs for assessment of framework elements

- Input provided by interested parties through open engagement
- Achievable Potential Study
- System planning projects per LTEP
- Lessons learned from EMV
- Analysis of LDC eligible expenses vs. budgets
- Analysis of verified and reported 2015 - 2017 results
- Review of resource acquisition approaches in other jurisdictions
- Assessment of non-energy benefits of energy efficiency
- CCAP implementation plans, funding and targets
- See appendix D for additional details

Engagement

- Comprehensive, open engagement to ensure all LDCs, customers, channel partners, other interested parties have meaningful opportunities to provide feedback on framework success and challenges
- Multi-stakeholder advisory group will be formed as part of the engagement and targeted to include:
 - Four LDCs (where possible representing different size utilities, regions)
 - Two distribution-connected customers
 - Two transmission-connected customers
 - Two service providers, delivery agents or manufacturers
 - IESO (Chair)
 - Observers: gas utilities, industry/customer associations, Ministry of Energy, Environmental Commissioner's Office, Ontario Energy Board

Engagement (continued)

- Multi-stakeholder advisory group will be selected through an open invitation process:
 - IESO will post draft terms of reference for the advisory group to IESO website so that potential participants understand commitment
 - Interested parties will be invited to put their names forward for participation along with a short summary of their relevant background
 - IESO will select members to fill the identified spots looking for diverse and experienced representation within the groups identified above (e.g. small and large LDCs, different customer segments)
 - Depending on interest, IESO may contact stakeholders directly to inquire about their interest in participating

High-level Work Plan for Mid-Term Review

Date	Major Milestone
Aug. 2016	<ul style="list-style-type: none"> • Draft plan posted for input from all interested parties
Sept./Oct. 2016	<ul style="list-style-type: none"> • Comments on draft engagement plan due • Webinar and feedback on scope of key topics for mid-term review • Invitation and selection of advisory group
Q4 2016	<ul style="list-style-type: none"> • First meeting of advisory group
Q4 2016/ Q1 2017	<ul style="list-style-type: none"> • Procurement of consultant to support Mid-Term Review
Q2 2017	<ul style="list-style-type: none"> • Mid-term review reporting plan posted for comment
Q4 2017	<ul style="list-style-type: none"> • Draft mid-term review report posted for comment
Q1 2018	<ul style="list-style-type: none"> • Final report posted

Questions

- Have all the key issues been captured that should be considered in the mid-term review?
- Comments on the engagement plan as outlined?

APPENDICES

Appendix A. Mid-Term review requirements per Energy Conservation Agreement between LDCs and IESO

Energy Conservation Agreement requirements:

- Timing and Scope
 - IESO to initiate mid-term review by June 1, 2017; review will include:
 - Elements set out in Direction (7TWh; budgets/targets; lessons on funding mechanisms; CDM contribution to regional planning)
 - Eligible expenses to date compared to CDM Plan budgets
 - LDC's progress to CDM Plan Target per verified and reported savings for 2015 to 2017
 - Achievable potential study
 - LDCs that included target gap in CDM Plan will resubmit plan to indicate how full target will be achieved
- Outcome of review
 - IESO may develop mid-term review rules with mechanism to adjust targets and budgets
 - Mid-term review rules must be consistent with any direction received from the Minister of Energy with respect to Mid-term review and will:
 - Permit IESO to change aggregate 7TWh target to extent permitted/required by direction/law/regulation
 - Not increase the Achieving Target Incentive threshold (savings level LDC is required to achieve to get an incentive)
 - Where an LDC's CDM Plan target is adjusted, a corresponding budget adjustment will be made
 - **LDC will have 90 days to submit a revised CDM Plan with any required updates**
 - Where LDC resubmits plan to address target gap IESO will assess if a additional funding can be provided, a portion of target reallocated to another LDC or other steps to close gap

Appendix B. Potential Outcomes of CFF Mid-Term Review According to ECA

- The IESO may develop Mid-Term Review rules that may include mechanisms for adjusting the CDM Plan Target and Budgets. The Mid-Term rules will be consistent with any direction received by the Ministry of Energy, and subject to a new Direction, will:
 - Permit the IESO to change the 7TWh target only to the extent permitted or required by the Ministry of Energy in a new Direction
 - Not provide an increase in the ATI (“Achieving Target Incentive”) threshold
 - Where a target adjustment is made, a corresponding adjustment will be made to associated budgets
- In the event that budget and/or target adjustments are made, LDCs will have 90 days to revise and resubmit CDM plans
- Where an LDC submits a plan to address a target gap, the IESO will assess whether additional funding can be provided, a portion of the target can be re-allocated to another LDC or other steps can be taken to close the gap

Appendix C. Mid-term review guidelines that accompany LDC/IESO ECA

Review to be started by June 1, 2017; to take into account:

- Achievable Potential Study
- System planning projections per revised Long Term Energy Plan
- Lessons learned from enhanced regional EMV
- Customers and channel partners input on program design, delivery and impediments to program achievements
- Lessons learned from application of cost recovery and performance incentive mechanisms
- Examination of other factors facilitating or impeding conservation success

Budget and Target review

- Review of 7TWh target, budget and allocation method used to establish LDC targets and budgets
- Target Exchange Guideline reviewed for opportunities to support target achievement; e.g. auction b/w LDCs
- Target gaps identified by LDCs
- Value attributed to non-energy benefits (15% per Oct. 23, 2014 Direction) to be reviewed

Electricity and gas distributor collaboration review

- Mechanisms designed to encourage collaboration reviewed to determine success in developing regional CDM Plans to meet regional CDM targets
- To result in recommendations to enhance customer satisfaction, cost-effectiveness and savings

CDM contribution to regional planning review

- Assess how CDM programs address needs identified through Integrated Regional Resource Planning (IRRP), distribution system plans and community energy plans
- Assess integration with regional planning; consideration of CDM as first resource for local needs
- Assess implementation of plans to reflect needs identified in regional plan

Appendix D. Inputs for mid-term review

Mid-Term Review Input	Conservation First Framework Element						Beyond 2020
	Budget/ target allocation (incl. target gaps)	Cost- effective resource acquisition	Collaboration amongst LDCs and b/w LDCs and gas utilities	Integration w/ regional planning	Customer/ market engagement/ satisfaction	Integration with GHG reduction activities	
Input from stakeholders and communities	X	X	X	X	X	X	X
Achievable Potential Study	X	X		X			X
System planning projections per LTEP	X	X		X		X	X
Lessons learned from EMV		X					
Analysis of LDC eligible expenses vs. budgets	X	X		X			
Analysis of verified and reported results for 2015-2017	X	X		X			
Review of resource acquisition approaches from other jurisdictions		X	X		X	X	X
Assessment of non-energy benefits of energy efficiency		X		X	X	X	X