
Bending the Price Curve: Conservation

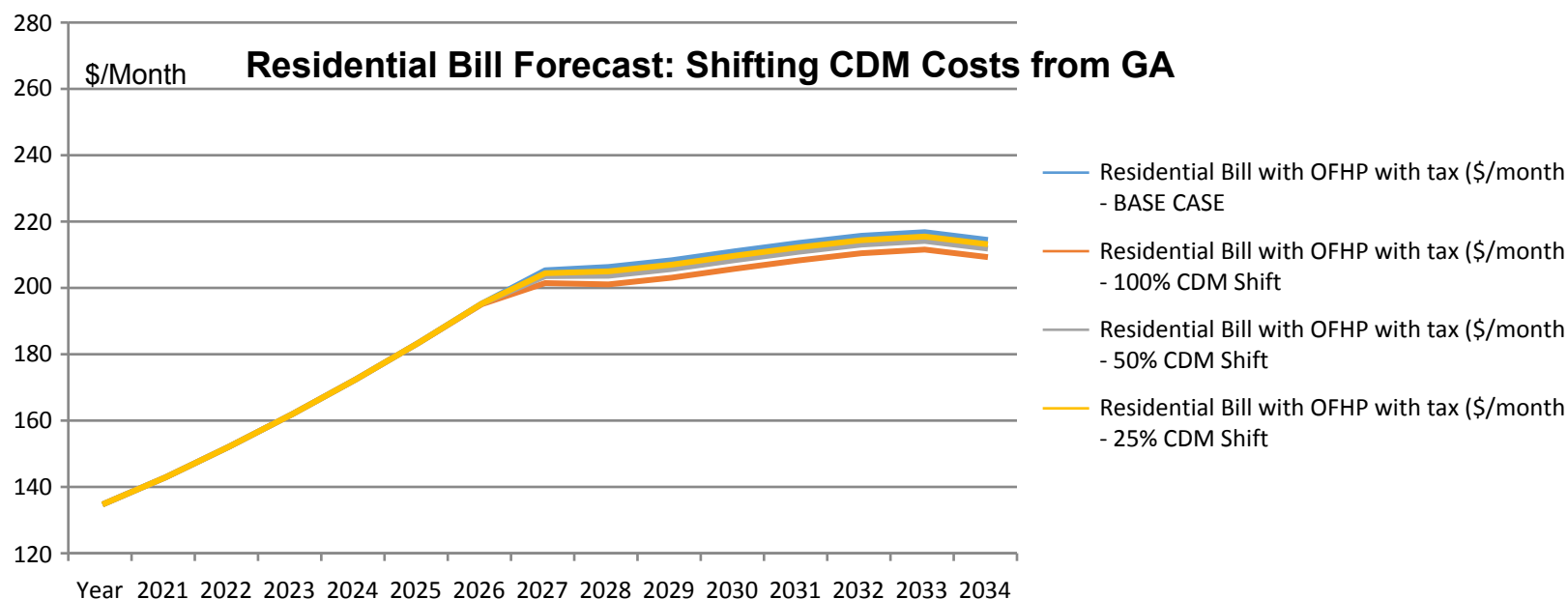
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Context

- Through the Ontario Fair Hydro Plan electricity rates will not increase beyond the rate of inflation for four years, however, beginning 2021 they are forecast to rise.
- Post 2020, ENERGY could take steps to further reduce the cost curve by transferring the cost of electricity conservation and demand management (CDM) programs, either in whole or in part, from rates to the Greenhouse Gas Reduction Account (GGRA).
 - The Conservation First Framework (CFF) and Industrial Accelerator Program (IAP) are in place until December 31, 2020
 - Timing aligns with when electricity bills are forecasted to increase (beginning 2021) and is coincident with the next Cap and Trade compliance period
 - A natural point of change to the governing policy and framework
 - Provides time for transition planning and consultation with industry to minimize disruption and gaps in programming
- The average annual costs over the course of the CDM framework and IAP are ~\$500M
 - These costs equal ~\$2 per month on a customer's bill (pre-OFHP).
 - As a result of the OFHP, conservation costs have been amortized over 15 years which has reduced the monthly bill impact in the near term

Rate Impacts

- Removing conservation costs from the Global Adjustment (GA) could achieve ratepayer cost reductions starting in 2027:
 - While less debt and interest is accrued in early years, the OFHP holds bills low until 2027.
- The analysis is preliminary as:
 - Further work is required to understand the treatment of conservation costs under the OFHP (amortization and interest payments) in order to calculate the impact of removing conservation from GA.
 - The IESO is finalizing the LTEP supply/demand outlook.



Considerations

- Initiatives funded through GGRA must undergo annual approval by the Minister of the Environment and Climate Change, are subject to fluctuations in the revenue amounts collected through Cap and Trade audits, and will compete with other GHG reduction initiatives.
- GA funding could be used as a backstop for CDM programs if GGRA funding was not available in a given year.
- Conservation must be considered in the context of supply/demand planning. Therefore, it is recommended that ENERGY and its agencies maintain oversight of conservation programs even if funded by GGRA.

Initial Scan of Jurisdictions using WCI or RGGI funds for Conservation

Jurisdiction	Cap & Trade; WCI or RGGI	Are utility-delivered electricity EE programs funded through Cap & Trade Revenues
California	WCI	The Greenhouse Gas Reduction Fund provides funding for programs that reduce greenhouse gasses through clean transport, clean energy and natural resources and waste diversion. Programs implemented by State, local and regional agencies, local and regional collaboratives, and nonprofit organizations coordinating with local governments.
Quebec	WCI	Established a Green Fund (Fonds Vert) that uses the Cap and Trade Revenues for programs including fossil fuel efficiency programs, increasing the EE of buildings and electrification.
Massachusetts	RGGI	Since 2008 state has used RGGI funds towards the state electricity and natural gas EE programs, delivered by investor-owned utilities.
Connecticut	RGGI	During 2014, Connecticut directed 69.5% of its RGGI auction proceeds to supplement electricity and natural gas energy efficiency programs.
Vermont	RGGI	RGGI Funds: - Efficiency Vermont's thermal energy and process fuel EE programs. - 50% of the net proceeds from RGGI carbon credit sales are used for provide EE services to residential consumers who have incomes up to and including 80% of the state median income (low-income program).