

## Briefing Note

### Update on MOECC-IESO Partnership to Support the Green Ontario Fund

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#### Key Information

- MOECC's May 30, 2017 Treasury Board (TB) submission identified several Green Ontario Fund programs for IESO delivery. IESO communicated that two elements are needed to facilitate the IESO's role as a delivery partner for these programs:
  - an amending direction to the March 31, 2014 Conservation First Framework (CFF) direction ("CFF Direction")
  - a collaborative agreement between IESO and MOECC.

#### Context and Status

##### *Amending Direction*

- With input from IESO and MOECC staff, ENERGY staff have been working to draft an amending Minister's direction to the CFF Direction, originally targeting the week of July 17<sup>th</sup>, 2017 to seek ENERGY Minister's signature to enable MOECC's desire to launch the Green Ontario Fund and website in August.
  - *Status:* While a number of edits proposed by MOECC staff have been incorporated, some of the requested edits have not been accepted by ENERGY in order to maintain the integrity of the IESO's role as a partner delivering programs that demonstrate value for money (see table below). The comments relate to:
    - the listing/scope of programs for IESO delivery;
    - changes which reduce or generalize cost-effectiveness requirements; and
    - lack of precision around cost-sharing between Green Ontario Fund and CFF funds derived from electricity ratepayers.

##### *Collaborative Agreement*

- In addition, in anticipation of the amending direction, MOECC and IESO have been negotiating and drafting the collaborative agreement, including program schedules.
- Before issuance of the amending direction, it is important for ENERGY to review a near-final version of the collaboration agreement (including all schedules) in its entirety, in order to ensure alignment with the amending direction and to achieve appropriate resolution of potential accounting issues related to financial reporting of Greenhouse Gas Reduction Account (GGRA) funds for a consolidated agency.
  - *Status:* MOECC shared the draft agreement with ENERGY on Friday, July 14. MOECC noted that there are still in the intermediate stages with agreement (e.g. version that was shared includes MOECC's first set of comments to the IESO).
- In anticipation of the amending direction and the execution of the collaborative agreement, IESO has issued two RFPs to facilitate the delivery of the Residential Direct Install and Energy Review program: one to procure the in-home visit services (closes August 17, 2017) and one to procure the home energy expert services (IESO is expecting to post this week and the closing date will be ~6 weeks after).

| Section  | MOECC edit/comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | ENERGY response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| Preamble | <p><b>June 26:</b></p> <ol style="list-style-type: none"> <li>1. Corrections to name of entity (Ontario Climate Change Solutions Deployment Corporation not Ontario Climate Change Deployment Solutions Corporation; Green Ontario Fund not to be shortened to GOF).</li> <li>2. Remove “It is desirable to leverage the IESO’s co-ordination role now as the Province establishes the GOF.”</li> <li>3. Add “...it has become clear that continued collaboration will <b>and coordination have the potential to</b> enhance and serve the goals of both the CFF and the Green Ontario Fund...”</li> <li>4. Edits to description of the Green Ontario Fund’s mandate: “The Green Ontario Fund will, as part of its mandate, fund programs <b>to stimulate the development of industry, trades and business undertakings in Ontario</b> that <del>will help homeowners and businesses reduce energy use</del> <b>further deployment of technology that reduces</b> greenhouse gas emissions <b>from buildings and the production of goods.</b></li> <li>5. Edits to description of benefits of IESO involvement: “There is an opportunity to enhance exposure of consumers to electricity CDM programs and <del>to increase</del></li> </ol> | <p><b>July 7:</b></p> <ol style="list-style-type: none"> <li>1. <b>Accepted all corrections.</b></li> <li>2. <b>Accepted edit.</b></li> <li>3. <b>Partially accepted edits.</b> Did not accept addition of “the potential”.</li> <li>4. <b>Accepted all edits</b> to the description of the Green Ontario Fund’s mandate.</li> <li>5. <b>Partially accepted edits.</b> Did not accept MOECC’s proposed edit from “partner with” to “work with”. Rationale: The collaborative nature of the agreement is important from a legal</li> </ol> |

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|       | <p>improve consumer access to measures related to conservation and management of electricity <del>reductions</del> demand by having the IESO partner <del>work</del> with the Green Ontario Fund in designing and delivering certain residential and business Green Ontario Fund programs that contain electricity reduction measures.”</p>                                                                                                                  | <p>authority perspective. IESO’s objects under the <i>Electricity Act, 1998</i> all relate to electricity. An agreement where both parties mutually benefit and are delivery partners, rather than IESO being a delivery agent, lessens the IESO’s direct responsibility for the delivery of non-electricity programs. IESO would still maintain a direct tie to electricity conservation as all programs will involve an electricity reduction component.</p>                   |
|       | <p><b>July 11:</b></p> <p>Request to remove the word “centrally”:<br/>         “In this regard, the IESO will, as a complement to the CFF, enter into one or more agreements with the MOECC or the Green Ontario Fund to centrally support the design and/or delivery of certain Green Ontario Fund programs, as further detailed in this direction.”</p> <p>Rationale: The use of ‘centrally’ could confuse or conflate the role of Green Ontario Fund.</p> | <p><b>July 17:</b></p> <p><b>Accepted edit</b> by removing “centrally” and revised the language to ensure clarity regarding IESO’s role.</p> <p>“In this regard, the IESO will, as a complement to the CFF, enter into one or more agreements with the MOECC or the Green Ontario Fund to centrally support, <b>directly or through contracted third parties</b>, the design and/or delivery of certain Green Ontario Fund programs, as further detailed in this direction.”</p> |
| 3.6 i | <p><b>June 26:</b></p> <p>1. “The IESO shall enter into an agreement <b>one or more agreements</b> with MOECC <b>(on behalf of Green Ontario Fund) or the Green</b></p>                                                                                                                                                                                                                                                                                      | <p><b>July 7:</b></p> <p>1. <b>Accepted edits</b> to enable IESO to enter into more than one agreement and to enter in agreement with MOECC and/or Green Ontario</p>                                                                                                                                                                                                                                                                                                             |

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|  | <p>Ontario Fund as the entities may agree upon,</p> <p>2. whereby the IESO will partner with the MOECC to centrally support the design and delivery of the following <b>specified</b> programs (the “Green Ontario Fund “Programs”):</p> <p>3. <b>with a focus on reducing greenhouse gas emissions associated with energy used by buildings and in the production of goods.”</b></p> <p>4. Request to remove list of programs.</p> <p>Rationale: Should not be subject to specific programs – with a view to potential mid-year changes to programs, or future program partnerships amongst the two agencies.</p> | <p>Fund.</p> <p>2. <b>Partially accepted edits.</b> Revised to “...whereby the IESO will <b>collaborate with MOECC or the Green Ontario Fund</b> to centrally support the design and delivery of Green Ontario Fund Programs”.</p> <ul style="list-style-type: none"> <li>○ Replaced “partner” with “collaborate”. The collaborative nature of the agreement is important from a legal authority perspective.</li> <li>○ Did not remove “centrally” as it’s consistent with the language in the March 31, 2014 Direction.</li> <li>○ Did not accept deletion of “Green Ontario Fund” to clearly differentiate Green Ontario Fund programs from other program references in the March 31, 2014 Direction. Centrally-Delivered Programs are those the IESO procures for and delivers centrally, versus individual LDC procurement processes.</li> </ul> <p>3. <b>Accepted input</b> describing the focus of the Green Ontario Fund programs.</p> <p>4. <b>Did not accept edit.</b> However, revisions were made to update the name of the “Home Energy Concierge Service Program” to “Residential Direct Install and Energy Review” and add two new items to the list: programs targeted to on-reserve Indigenous customers and programs</p> |
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|  | <p>Our main comments reflect the need to keeping the references to programs more general to:</p> <ul style="list-style-type: none"> <li>• provide flexibility for a mid-year determination of potential needs to realign programs if underspending is realized</li> <li>• provide the ability for Green Ontario Fund and IESO to consider partnership opportunities</li> <li>• avoid requirement by Energy to issue a Directive each time a program or program change is contemplated</li> <li>• allows for the Directive to be issued and for IESO to be able to issue RFPs for this year's programs without concern of leaking program details prior to the formal agency/website launch.</li> </ul> | <p>targeted to low-income customers.</p> <p>ENERGY's preference is to maintain the list the programs currently planned for IESO delivery (as noted in the Treasury Board submission). ENERGY recognizes the need for MOECC/Green Ontario Fund to have the ability to offer new programs in-year. ENERGY will work with MOECC to support the government decisions-making process for agency directives, which can be timed with Treasury Board approval of new programs.</p> |
|  | <p><b>July 4:</b></p> <p>At the weekly MOECC-ENERGY MO and IESO meeting, MOECC asked ENERGY to consider including "such as" before listing Green Ontario Fund programs and program areas to allow greater flexibility for MOECC/Green Ontario Fund to offer new programs in-year.</p>                                                                                                                                                                                                                                                                                                                                                                                                                  | <p><b>July 7:</b></p> <p><b>Accepted edit</b> to add "such as" before the program list. IESO also agreed to include the wording "such as"</p>                                                                                                                                                                                                                                                                                                                               |
|  | <p><b>July 11:</b></p> <ol style="list-style-type: none"> <li>1. The IESO shall enter into one or more agreements with MOECC (on behalf of the</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p><b>July 17:</b></p> <p><b>Accepted edit</b> to remove "centrally" and revised the language to ensure clarity regarding IESO's role.</p>                                                                                                                                                                                                                                                                                                                                  |

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|  | <p>Green Ontario Fund) or the Green Ontario Fund, whereby the IESO will collaborate with MOECC or the Green Ontario Fund to centrally support the design and delivery of <b>certain programs to be funded in whole or in part by the “Green Ontario Fund Programs” as the parties may agree upon</b>, with a focus on reducing greenhouse gas emissions associated with energy usage and energy sources from Ontario residences and businesses, <del>such as</del> <b>which may include, for example:</b></p> <ul style="list-style-type: none"> <li>a. Residential Direct Install and Energy Review</li> <li>b. Province-Wide Smart Thermostat Rebate Program <b>Programming</b></li> <li>c. Low Carbon Technology Incentives Program for Homes and Multi-Unit Residential Buildings</li> <li>d. Low Carbon Technology Incentives Program for Small and Medium Sized Commercial Businesses</li> <li>e. Direct Install and Energy Review for Manufacturing Small and Medium Sized Enterprises</li> <li>f. <b>Multi-fuel home and business energy review and advice services</b></li> <li>g. <b>Low-carbon technology incentives</b></li> <li>h. <b>Programs</b> <del>ming for</del> <b>targeted to</b> on-reserve Indigenous customers</li> </ul> | <p>“The IESO shall enter into one or more agreements with the MOECC (on behalf of the Green Ontario Fund) or the Green Ontario Fund, whereby the IESO will collaborate with the MOECC or the Green Ontario Fund to centrally support, <b>directly or through contracted third parties</b>, the design and delivery of Green Ontario Fund Programs with a focus on...”</p> <p><b>Did not accept</b> addition of “funded in whole or part” (see below ENERGY responses to 3.6 v regarding cost sharing for rationale).</p> <p><b>Did not accept</b> further changes to program list.</p> |
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|         | <p><i>i.</i> Programsming for targeted to low-income customers.</p> <p>Rationale: We strongly recommend programming mentions be removed or be generally referred to as examples (the Directive should maintain a long-term view of a potential partnership amongst the two agencies, we do not wish to take away from any communications around launch, and it provides flexibility to adapt a version of the transfer payment agreement for 2017-18 programs in the way that IESO, Green Ontario Fund and MOECC see them being rolled-out).</p> |                                                    |
| 3.6 ii  | <p><b>June 26:</b></p> <p>No edits/comments.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | N/A                                                |
|         | <p><b>July 11:</b></p> <p>No edits/comments.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | N/A                                                |
| 3.6 iii | <p><b>June 26:</b></p> <p>Edit to include Green Ontario Fund: “The IESO shall, in collaboration with the Green Ontario Fund, MOECC and the Ministry of Energy, and in consultation with electricity and natural gas distributors as appropriate, make reasonable efforts to avoid marketplace confusion...”</p>                                                                                                                                                                                                                                  | <p><b>July 7:</b></p> <p><b>Accepted edit.</b></p> |

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| <p><b>3.6 iv</b></p> | <p><b>June 26:</b></p> <p>Request to remove requirement for cost-effectiveness testing and make EM&amp;V optional:</p> <p><del>“The IESO shall, in collaboration with MOECC and the Ministry of Energy, ensure a positive benefit-cost analysis for the Green Ontario Fund Programs by utilizing the Total Resource Cost Test (TRC) and Program Administrative Cost Test (PAC), or by creating a new cost-effectiveness test or tests for multi-fuel greenhouse gas and energy reduction programs.</del></p> <p>The IESO shall perform <b>may include in any agreement(s) that may be entered into pursuant to Paragraph 1, provisions regarding</b> Evaluation, Measurement and Verification of the energy savings associated with the <del>Green Ontario Fund Programs</del>, <b>as directed by the Green Ontario Fund.”</b></p> <p>Rationale: The requirement that Green Ontario Fund programs be subject to the same cost-benefit analysis requirements as existing CDM programs should be removed as our TB submission was clear that this requirement would not apply to Green Ontario Fund programming. Any use of ratepayer funds are automatically required to undergo this analysis through other directives issued by IESO and this does not need to be repeated here.</p> | <p><b>July 7:</b></p> <p><b>Partially accepted edit.</b></p> <p><i>Cost-effectiveness testing</i></p> <p>Rationale: ENERGY acknowledges that the TRC and PAC tests were originally developed to assess cost effectiveness from an energy system perspective and may not be appropriate to evaluate programs focused on GHG emission reductions. Moreover, it will likely be challenging for the currently envisioned Green Ontario Fund programs to pass the TRC and PAC tests.</p> <p>ENERGY removed the requirement for TRC and PAC tests. However, cost-effectiveness tests are important for demonstrating value for money, so instead of removing entirely, ENERGY revised the language to enable flexibility for the IESO to develop tests that consider the appropriate costs and benefits of GHG reduction programs. This could take the form a \$ per CO<sub>2</sub>e emission threshold (as in the CCAP), where programs need to be below a certain threshold to receive approval.</p> <p>“The IESO shall include in any agreement(s) that may be entered into pursuant to subparagraph i, provisions regarding cost-effectiveness thresholds or requirements for Green Ontario Fund programs and performance of Evaluation, Measurement and Verification of the energy savings associated with</p> |
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|  | <p>Not all of Green Ontario Fund programs will require EMV to be undertaken. Given that the Green Ontario Fund and IESO will have a TP agreement for program implementation, and that it is Green Ontario Fund's funding being used, we recommend flexibility in the wording with the addition of 'may' and the addition of 'as directed by the Green Ontario Fund' to accommodate that this will be program-specific. EMV is costly.</p>                                                                                                                                     | <p>Green Ontario Fund Programs.”</p> <p><i>Evaluation, Measurement &amp; Verification (EM&amp;V)</i></p> <p>Rationale: EM&amp;V is important to ensure the programs achieve their intended goals, provide value for Ontarians and identify opportunities for improvement. The cost-benefit results are key outcomes of the EM&amp;V and demonstrate the value of program investments.</p> <p>EM&amp;V of energy and GHG emission savings results are required to ensure the integrity of the results and avoid double counting.</p> <p>Having EM&amp;V in place would also build a common ground for future integration of CFF and Green Ontario Fund programs.</p> |
|  | <p><b>July 11:</b></p> <p>Request to remove requirement for cost-effectiveness testing and EM&amp;V:</p> <p><del>“The IESO shall include in any agreement(s) that may be entered into pursuant to subparagraph i provisions regarding cost-effectiveness thresholds or requirements for Green Ontario Fund programs and performance of Evaluation, Measurement and Verification of the energy savings associated with Green Ontario Fund Programs.”</del></p> <p>Rationale: Rather than stipulating the requirement of electricity-related EM&amp;V on Green Ontario Fund</p> | <p><b>July 17:</b></p> <p><b>Did not accept edit</b> to remove requirements for cost-effectiveness testing and EM&amp;V (see rationale provided earlier).</p> <p>Updated language further for clarity: “The IESO shall include in any agreement(s) that may be entered into pursuant to subparagraph i, provisions regarding <b>required</b> cost-effectiveness thresholds or <b>requirements other required criteria</b> for Green Ontario Fund programs and performance of Evaluation, Measurement and Verification of the energy savings associated with Green Ontario Fund Programs.”</p>                                                                       |

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|  | <p>programs and Green Ontario Fund's use of its funding, the Board/Agency should be (and is interested in being) given the opportunity to determine what evaluation/measurement/ verification it will have on its programming (with also a particular lens on greenhouse gas emissions) and how/where it will be embedded into programming. Removing the statement, provides the flexibility in the interim (until Board/Agency consideration/assessment undertaken) for this to be part of the agreements it enters into on program delivery. Further, this does not preclude IESO from using CFF funds to conduct EM&amp;V.</p> <p>Remove part (iv) of the Directive which refers to Evaluation, Measurement and Verification. Rather than stipulating the requirement of electricity-related evaluation/measurement/ verification on Green Ontario Fund programs, the Green Ontario Fund and its Board of Directors should be given the opportunity to determine program metrics. In addition the focus must be on greenhouse gas emissions reductions.</p> <p><b>July 14:</b></p> <p>MOECC shared replacement language to the previous cost-effectiveness and EM&amp;V language:</p> <p>"The IESO may include in any agreement(s) that may be entered into pursuant to subparagraph i, provisions regarding value for money requirements for Green Ontario Fund programs, and, in collaboration with the Green Ontario Fund, MOECC and the Ministry of Energy, shall develop performance metrics on greenhouse gas and</p> |  |
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|       | <p>energy savings associated with the Green <i>Ontario Fund</i>.</p> <p>Rationale: The rationale for adjusting the statement is to provide flexibility in the interim (until Board/Agency consideration/assessment undertaken) for this to be part of the agreements it enters into on program delivery. Further, our understanding is that providing this increased flexibility in the Directive language would not preclude IESO from using CFF funds to conduct its own EM&amp;V activities on the electrical energy saving components associated with programs that it co-funded with the Green Ontario Fund.</p>                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 3.6 v | <p><b>June 26:</b></p> <p>“IESO shall <b>include in any agreement(s) that may be entered into pursuant to Paragraph 1, provisions related to</b> recovery of all costs related to the design, delivery and administration of <del>Green Ontario Fund</del> programs <b>funded solely by the Green Ontario Fund</b> through the <del>Greenhouse Gas Reduction Account (GGRA), with the exception of the Province-Wide Smart Thermostat Program, where funding of the costs related to electricity reductions will be funded from</del> <b>and, as may be applicable, appropriate cost-sharing provisions related to recovery of costs with respect to any Programs funded by both the Green Ontario Fund</b></p> | <p><b>July 7:</b></p> <p><b>Partially accepted edits.</b> Revised GGRA to Green Ontario Fund as we understand the Green Ontario Fund may be receiving funds from other sources that could be put toward programs. Did not accept edits to make the direction less specific about which programs would share costs between the Green Ontario Fund and the CFF budget.</p> <p>“<b>Subject to approvals processes required by Government related to funding from Green Ontario Fund, the IESO shall include in any agreement(s) that may be entered into pursuant to Paragraph 1, provisions that require</b> the recovery of all costs related to the design, delivery and administration of Green</p> |

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| <p>and the CFF budget.”</p> <p>Rationale: Remove specific mention of the ‘Province-Wide Smart Thermostat Rebate Program’ from part (v) of the Directive as IESO is considering other/additional opportunities for cost-sharing on programming. This would also allow the Directive to extend beyond 2017-18. We also recommend refinements to the text to further clarify the potential for cost-sharing arrangements amongst Green Ontario Fund and IESO.</p> <p>Note that consideration is given to collaboration on more than one program – in addition, the Directive is intended to have longevity and should not mention specific programs.</p>                                           | <p>Ontario Fund Programs through the Greenhouse Gas Reduction Account (GGRA) from the Green Ontario Fund, with the exception of the Province-Wide Smart Thermostat Rebate Program, where funding of the costs related to electricity reductions will be funded from the CFF budget.”</p> <p>Rationale: ENERGY maintained the language that clarifies that all Green Ontario Fund programs are to be funded by the Green Ontario Fund, with the exception of the province-wide smart thermostat rebate program. ENERGY is comfortable with this exception because IESO has developed and submitted to ENERGY a smart thermostat program implementation proposal.</p> <p>ENERGY has not received from IESO any details on other potential cost-sharing arrangements, including:</p> |
| <p><b>July 11:</b></p> <p>“Subject to approvals processes required by Government related to funding from Green Ontario Fund, the IESO shall include in any agreement(s) that may be entered into pursuant to Paragraph 1, provisions that require the recovery of all costs related to the design, delivery and administration of <del>Green Ontario Fund P</del>programs funded solely by from the Green Ontario Fund, with the exception of the Province-Wide Smart Thermostat Rebate Program, where funding of the costs related to electricity reductions will be funded from the CFF budget and as may be applicable, appropriate cost-sharing provisions related to recovery of costs</p> | <ul style="list-style-type: none"> <li>• attribution of electricity and other energy savings</li> <li>• how electricity ratepayer impacts would be avoided</li> <li>• impacts to the CFF, including the role of LDCs under the CFF, as established through the March 2014 direction and the Energy Conservation Agreement between IESO and LDCs.</li> </ul> <p>ENERGY is open to considering at a future date cost sharing and integration of CFF and Green Ontario Fund programs, however, ENERGY would need to understand the above details.</p>                                                                                                                                                                                                                                |

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|         | <p>with respect to any programs funded by both the Green Ontario Fund and the CFF budget.”</p> <p>Rationale: Note that consideration is given to collaboration on more than one program – in addition, the Directive is intended to have longevity and should not mention specific programs.</p> |  |
| 3.6 vi  | <p><b>June 26:</b></p> <p>No edits/comments.</p>                                                                                                                                                                                                                                                 |  |
|         | <p><b>July 7:</b></p> <p>No edits/comments.</p>                                                                                                                                                                                                                                                  |  |
| 3.6 vii | <p><b>June 26:</b></p> <p>No edits/comments.</p>                                                                                                                                                                                                                                                 |  |
|         | <p><b>July 7:</b></p> <p>No edits/comments.</p>                                                                                                                                                                                                                                                  |  |

Date prepared: July 17, 2017