

---

# Electricity Conservation Framework

Transition 2018  
Top Issue Briefing Deck  
Working Draft

May 2018

# Purpose

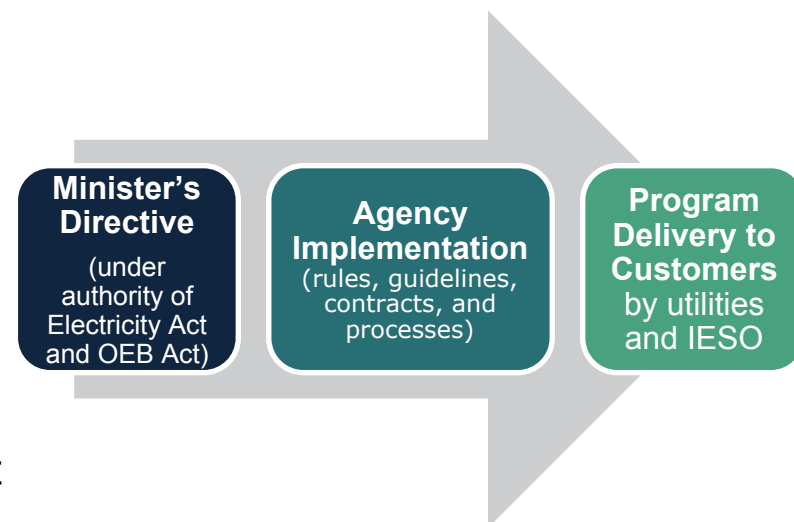
- To provide information on the role of electricity conservation frameworks, the current framework, and considerations for planning a conservation framework in the post-2020 period.

*Please refer to the Conservation Foundation deck for further background information on the current framework.*

# Role of an Electricity Conservation Framework

- Frameworks provide the funding, rules and guidelines that govern the delivery of energy efficiency and conservation programs\* by delivery agents, including the IESO and electricity distributors.
  - Programs provide opportunities for all types of customers (residential, commercial, industrial) to manage their electricity costs.
  - Program savings defer or offset more expensive electricity infrastructure investments. Savings also offset the use of emitting resources, reducing GHG emissions and air pollutants.
  - Currently, programs must pass ratepayer cost-effectiveness tests (exceptions for low-income, Indigenous and educational programs), where benefits (avoided system costs) outweigh delivery costs.

## Process for Implementing Frameworks



\* See Appendix for a list of programs that were developed and offered under the 2015-2020 electricity conservation framework.

# Role of an Electricity Conservation Framework Cont'd

- Programs are estimated to achieve 52% (the other half will be achieved through codes and standards) of the province's 30 TWh electricity savings target in 2032, which is expected to offset almost all growth in electricity demand.
- There are a variety of governance approaches that have and can be undertaken. A framework may be implemented and overseen by the ministry, the IESO or the OEB, with program delivery by the ministry, IESO, utilities or third parties.
- Conservation frameworks are implemented on multi-year cycles to provide stability for program delivery agents, uninterrupted programming, and lower delivery costs.

# Current Electricity Conservation Framework

- The 2015-2020 electricity conservation framework was established through a directive to the OEB (dated March 26, 2014) and a direction to the IESO (dated March 31, 2014).
- The current electricity framework extends to December 31, 2020.
- The current electricity framework serves distribution-connected customers, and builds on the previous conservation framework that was in place from 2011-2014.
  - The OEB established a condition of license for local distribution companies (LDCs) to make conservation programs available to all customer segments within their service area.
  - The IESO governs the delivery of programs and provides funding, rules and guidelines to LDCs. The IESO also delivers certain programs.

## Key Framework Information

|                                   |                                                                                                                                    |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| <b>Duration</b>                   | 6 years (2015-2020)                                                                                                                |
| <b>Target</b>                     | 8.7 TWh                                                                                                                            |
| <b>Budget</b>                     | \$3 billion                                                                                                                        |
| <b>Cost</b>                       | ~3 cents/ kWh<br>(average of 2015 and 2016 program costs)*                                                                         |
| <b>Results<br/>(to Q4 2017)**</b> | <ul style="list-style-type: none"> <li>• CFF: 3.78 TWh</li> <li>• IAP: 0.287 TWh<br/>(together, 47% of combined target)</li> </ul> |

\*\*Source: IESO (March 2018) "Q4 Results: CFF and IAP"

\* The average cost of electricity for a residential customer in Ontario is ~15.5 cents/kWh (based on a Toronto Hydro customer using 750 kWh/month, without tax or OREC).

# Current Electricity Conservation Framework Cont'd

- A July 2014 direction continued funding for the Industrial Accelerator Program (IAP). The IAP serves transmission-connected customers and their distribution sites.
- An investment of \$3 billion through the Global Adjustment is expected to achieve 8.7 TWh of savings in 2020 through the current conservation framework and IAP.
  - This will assist the province in achieving its long-term conservation target of 30 TWh in 2032.
- 68 LDCs are covered under the current framework, with about 40 unique program types in their 2015-2020 program plans.

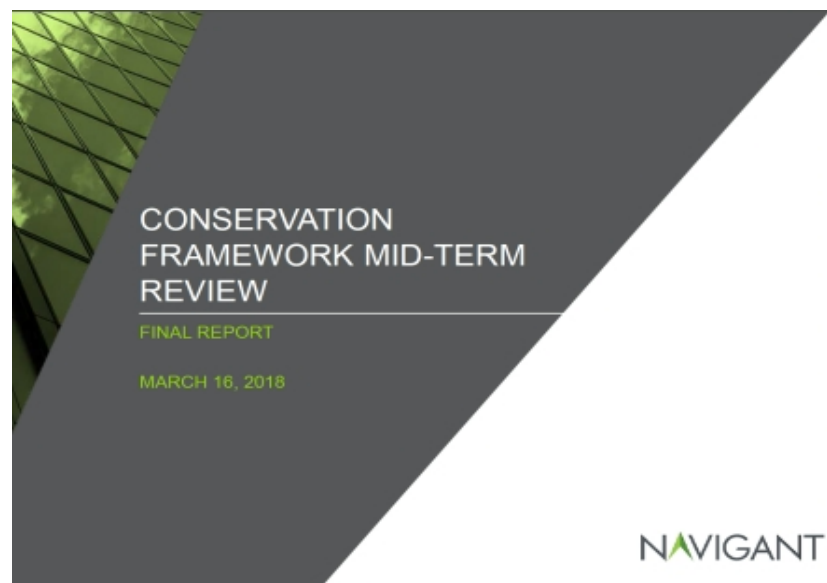
# IESO Mid-Term Review of the Current Electricity Conservation Framework

- Under the previous government, the IESO was required by Minister's Direction to complete a Mid-Term Review of the 2015-2020 conservation framework and Industrial Accelerator Program by June 1, 2018, to inform changes for the balance of the framework and beyond.
- The review was a formal process which lasted from November 2016 to March 2018, and included a comprehensive engagement with LDCs, customers, program delivery partners, consumer groups and associations. It reviewed:
  - The 8.7 TWh target and the overall budget for achieving that target.
  - Allocation of LDC budgets and conservation targets.
  - Lessons learned on cost recovery and performance incentive mechanisms for LDCs.
  - Role of conservation in regional planning.
- The IESO completed an Achievable Potential Study in 2016, which confirmed that the current 8.7 TWh target is achievable with the existing budget.

# IESO Mid-Term Review of the Current Electricity Conservation Framework Cont'd

## Status

- The final report for the Conservation Framework Mid-Term Review engagement was posted in March (produced by *Navigant Consulting*).
- The IESO provided a final report to the ministry by June 1, 2018 that included recommendations on changes to for the balance of the framework and considerations for conservation post 2020.

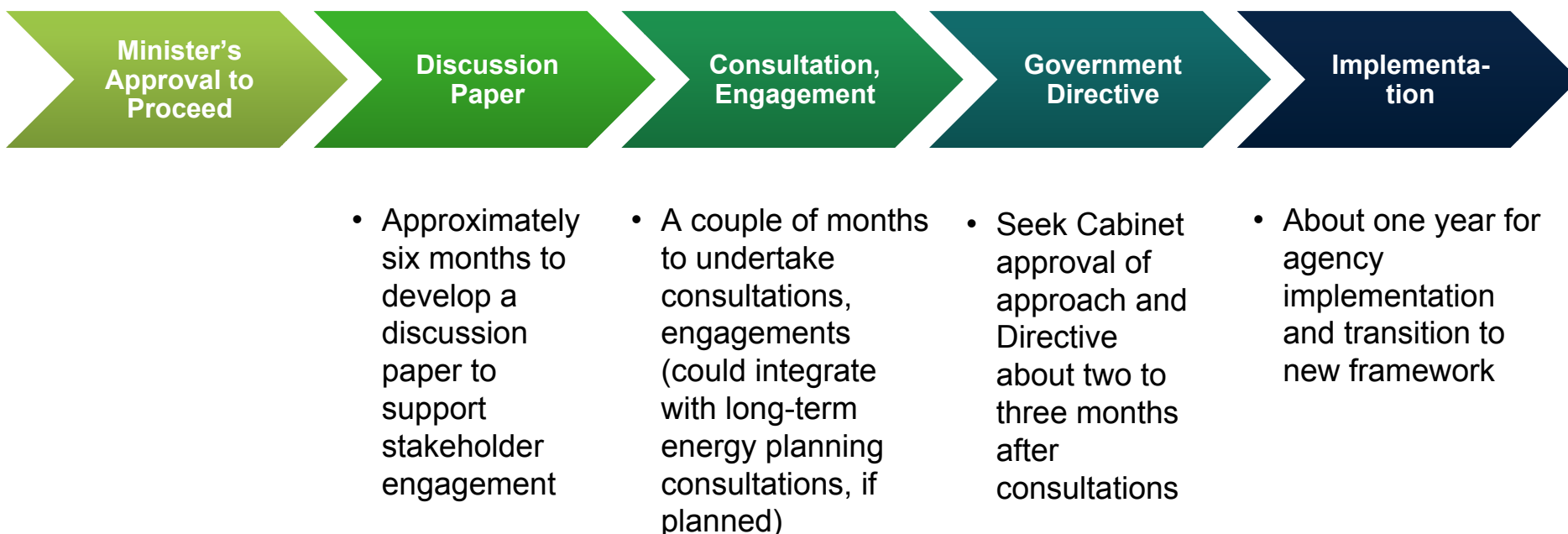


# IESO Mid-Term Review – Considerations

- Significant savings to 2035 were identified through the 2016 Achievable Potential Study (31 TWh of electricity savings in 2035).
- Implementing some of the IESO's recommendations may require a new or amending Minister's Directive to the IESO, which requires Cabinet approval.
  - For example, certain recommendations to address continuity and equal access to programs until the end of 2020 would require a minister's direction. Some LDCs are expected to exceed their allocated conservation targets or exhaust their allocated budgets before the framework is complete.
- If recommendations are to be accepted, they will need to be implemented in time to be effective in the remaining portion of the Framework (2019-2020).

# Post-2020 Electricity Conservation Framework – Considerations

- The current electricity conservation framework will end on December 31, 2020.
- It can take up to three years in total to develop and launch a new framework, including Ministry, agency and utility activities.
- If there is a desire to proceed with the development of a new electricity conservation framework (or consider other options, including a multi-fuel framework) for the post-2020 period, activities to implement a new framework could involve:



# Post-2020 Electricity Conservation Framework - Considerations

- The government may consider options for a new conservation framework, including:
  - Governance and delivery model:
    - Oversight by the IESO; program design and delivery by IESO, LDCs, and third parties
    - Oversight by the ministry; centralized program design and delivery by the IESO
    - Oversight by the OEB; local program design and delivery by LDCs
  - Source of funding:
    - Electricity rates (Global Adjustment and/or distribution rates), and/or
    - Tax base (or cap and trade proceeds)
- How programs are designed, what customer segments they target, and the degree of consistency or availability across the province will depend on the framework governance, funding, rules and guidelines.
- Other design considerations (from Mid-Term Review Engagement Report by Navigant Consulting):
 

|                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Enabling the delivery of system benefits – alignment with local, regional and or/provincial planning needs</li> <li>• Support for innovation – framework could directly support and advance energy efficiency innovation (e.g., stand alone fund or integrated with programs)</li> </ul> | <ul style="list-style-type: none"> <li>• Degree of integration if there is more than one energy efficiency framework (e.g., electricity, natural gas, cap and trade funded)</li> <li>• Targets – ability to modify targets as market conditions and policy evolves</li> <li>• Degree of uniformity – consistency of oversight and of program delivery across the province</li> </ul> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
- In May 2018, the IESO and OEB initiated an integrated electricity and natural gas Achievable Potential study for the 2019-2038 period. This study can inform post-2020 conservation framework planning.

# Appendix

List of 2015-2020 conservation framework programs

## 2015-2020 electricity conservation (Save on Energy) programs

| For Home                                                                                                                                                                                                                                                                        | For Business                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Energy Efficiency for your Whole Home</li> <li>• Heating and Cooling Incentive</li> <li>• Smart Thermostat Rebate</li> <li>• Deal Days</li> <li>• New Home Construction Consumer Program</li> <li>• Home Assistance Program</li> </ul> | <ul style="list-style-type: none"> <li>• Small Business Refrigeration Incentive</li> <li>• Small Business Lighting</li> <li>• Retrofit Program</li> <li>• Audit Funding</li> <li>• Existing Building Commissioning Program</li> <li>• Program for Multi-site Customers</li> <li>• Energy Managers</li> <li>• High Performance New Construction</li> <li>• Process and Systems</li> <li>• Demand Response</li> <li>• Energy Management Training and Support</li> <li>• New Home Construction Business Initiative</li> <li>• Monitoring and Targeting Systems</li> </ul> |