

Ministry of Energy

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MC-2017-1301

AUG 04 2017

Mr. Peter Gregg
President and Chief Executive Officer
Independent Electricity System Operator
1600–120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Gregg:

A handwritten signature in black ink, appearing to read 'Peter Gregg'.

RE: 2015-2020 Conservation First Framework and Partnering with Green Ontario Fund; Delivery of Conservation and Demand Management Programs Targeted to the Low-Income Customer Segment

I write in my capacity as Minister of Energy to exercise the statutory power of ministerial direction I have in respect of the Independent Electricity System Operator (IESO) under the *Electricity Act, 1998* in regard to conducting activities in relation to the Conservation First Framework (CFF), and in particular, in support of programs to be implemented by the Ontario Climate Change Solutions Deployment Corporation (Green Ontario Fund).

Partnering with Green Ontario Fund

Since 2005, the IESO has developed considerable expertise and resources in the design and delivery of conservation and energy efficiency programs.

On March 31, 2014, my predecessor directed the Ontario Power Authority (now the IESO) to establish a new six-year CFF that would enable the achievement of cost-effective conservation across the province, and help Ontario remain on track to achieve the Province's long-term electricity savings target of 30 terawatt-hours in 2032 (the "CFF Direction"). Among other items, the CFF Direction requires the IESO to provide enhanced co-ordination efforts where these will afford significant administrative cost and/or delivery efficiencies for Conservation and Demand Management (CDM) programs.

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On June 10, 2016, the CFF Direction was amended to direct the IESO to design, fund and deliver two Centrally-Delivered Programs: a provincewide, pay-for-performance program for Multi-Distributor Consumers ("Multi-Distributor Program") and a provincewide whole home CDM pilot program ("Whole Home Pilot Program"). The intention was that the IESO delivery of these programs would result in cost efficiencies and a streamlined customer experience.

Further to my correspondence to the President and CEO of the IESO, dated February 13, 2017, the Ministry of Energy and the IESO have continued to work with the Ministry of the Environment and Climate Change (MOECC) to support the establishment of the Green Ontario Fund, and to ensure that this new entity complements and builds on the success of the Province's existing suite of CDM programs. Through the collaborative work undertaken to date by the IESO, the MOECC and the Ministry of Energy, it has become clear that continued collaboration and co-ordination will enhance and serve the goals of both the CFF and the Green Ontario Fund, achieving even greater efficiencies and ensuring a customer-focused approach.

The Green Ontario Fund will, as part of its mandate, fund programs to stimulate the development of industry, trades and business undertakings in Ontario that further deployment of technology that reduces greenhouse gas emissions from buildings and the production of goods. Continued collaboration and co-ordination will enhance exposure of consumers to electricity CDM programs and improve consumer access to measures related to conservation and management of electricity demand by having the IESO partner with the Green Ontario Fund in the design and delivery of certain Green Ontario Fund programs. 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 support, directly or through contracted third parties, the design and/or delivery of certain Green Ontario Fund programs, as further detailed in this direction.

Delivery of Programs Targeted to the Low-Income Customer Segment under the CFF

A guiding principle of the 2015-2020 CFF is that CDM programs for low-income residential customers will be improved.

In order to improve the availability of CDM programs to customers, including programs targeted to the low-income customer segment, on December 16, 2016, the CFF Direction was amended by adding a new sub-section 3.6 to, among other things, require the IESO to request distributors to resubmit their CDM plans indicating how they would make available each Provincewide Distributor CDM program in their licensed service area, beginning in 2017.

While all LDCs elected to offer Provincewide Distributor CDM programs targeted to the low-income customer segment, there remains an opportunity to further improve the availability of and access to CDM programs targeted to the low-income customer segment through IESO delivery.

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Direction

Therefore, pursuant to my authority under section 25.32 of the *Electricity Act, 1998*, I hereby make the following amendments to the direction dated March 31, 2014, entitled "2015-2020 Conservation First Framework," as amended by adding:

- 3.7 i. 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 support, directly or through contracted third parties, the design and delivery of Green Ontario Fund Programs with a focus on reducing greenhouse gas emissions associated with energy usage and energy sources from Ontario residences and businesses, such as:
 - a. Residential Direct Install and Energy Review
 - b. Provincewide Smart Thermostat Rebate Program
 - c. Low Carbon Technology Incentives Program for Homes and Multi-Unit Residential Buildings
 - d. Low Carbon Technology Incentives Program for Small and Medium-Sized Commercial Businesses
 - e. Direct Install and Energy Review for Manufacturing Small and Medium-Sized Enterprises
 - f. Programs targeted to on-reserve Indigenous customers
 - g. Programs targeted to low-income customers
- ii. To support the delivery of the Green Ontario Fund Programs and maximize efficiencies, the IESO shall as necessary procure and contract with service vendors and leverage existing service vendors, and may enter into other arrangements with other third parties as appropriate.
- iii. The IESO shall, in collaboration with the Green Ontario Fund, the MOECC and the Ministry of Energy, and in consultation with electricity and natural gas distributors as appropriate, make reasonable efforts to avoid marketplace confusion in relation to its work in designing, delivering, administering or in assisting with the design, delivery and administration of the Green Ontario Fund Programs, and to ensure the prudent use of funds by avoiding duplication with Provincewide Distributor CDM Programs.
- iv. The IESO shall include in any agreement(s) that may be entered into pursuant to subparagraph i provisions regarding required cost-effectiveness thresholds or other required criteria for Green Ontario Fund Programs, and required Evaluation, Measurement and Verification of the energy savings associated with Green Ontario Fund Programs.

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- v. Subject to approvals processes required by Government related to funding from the Green Ontario Fund, the IESO shall include in any agreement(s) that may be entered into pursuant to Paragraph i, provisions that require the recovery of all costs related to the design, delivery and administration of Green Ontario Fund Programs from the Green Ontario Fund, with the exception of the Provincewide Smart Thermostat Rebate Program, where funding of the costs related to electricity reductions will be funded from the CFF budget.
 - vi. The IESO shall maintain a detailed accounting of costs, results and greenhouse gas emissions reductions related to the design, delivery and administration of Green Ontario Fund Programs, including staff resourcing costs.
 - vii. The IESO shall keep the Ministry of Energy informed of overall progress and key developments related to the design, delivery and administration of Green Ontario Fund Programs, including by submitting reports and information quarterly, or as may be otherwise required from time to time.
- 3.8 i. Despite Section 1.3 of the CFF Direction, the IESO shall centrally design, fund and deliver across all Distributors' licensed service areas a Provincewide CDM Program(s) targeted to the low-income customer segment ("Provincewide Low-Income CDM Program(s)"), beginning January 1, 2018, within the budget established under Section 1.4 of the CFF Direction.
- ii. Reductions in electricity consumption achieved through the IESO-delivered Provincewide Low-Income CDM Program(s) shall not count towards a Distributor's CDM Target.
- 3.9 Despite Section 3.8, the IESO may continue to allow a Distributor to deliver, funded through their allocated CDM budget, a CDM program(s) targeted to the low-income customer segment in its service area if the Distributor demonstrates, in the determination of the IESO, a commitment to serving this sector.

Consequential Amendments

The Direction is further amended by amending sections 3.1 and 3.5 as follows:

- Amending section 3.1 by deleting "ii. Low-income"
- Deleting 3.5 xii. and replacing it with:
 - *3.5 xii: The IESO shall, or shall require Distributors, where applicable, to co-ordinate and integrate CDM programs targeted to the low-income customer segment under the CFF with Gas Distributor low-income conservation programs.*

General

This direction supplements and amends previous directions to the extent that a previous direction is inconsistent with the provisions of this direction. All other terms of any previous direction remain in full force and effect.

This direction takes effect on the date it is issued.

Sincerely,

A handwritten signature in black ink, appearing to be 'G. Thibeault', with a long horizontal flourish extending to the right.

Glenn Thibeault
Minister