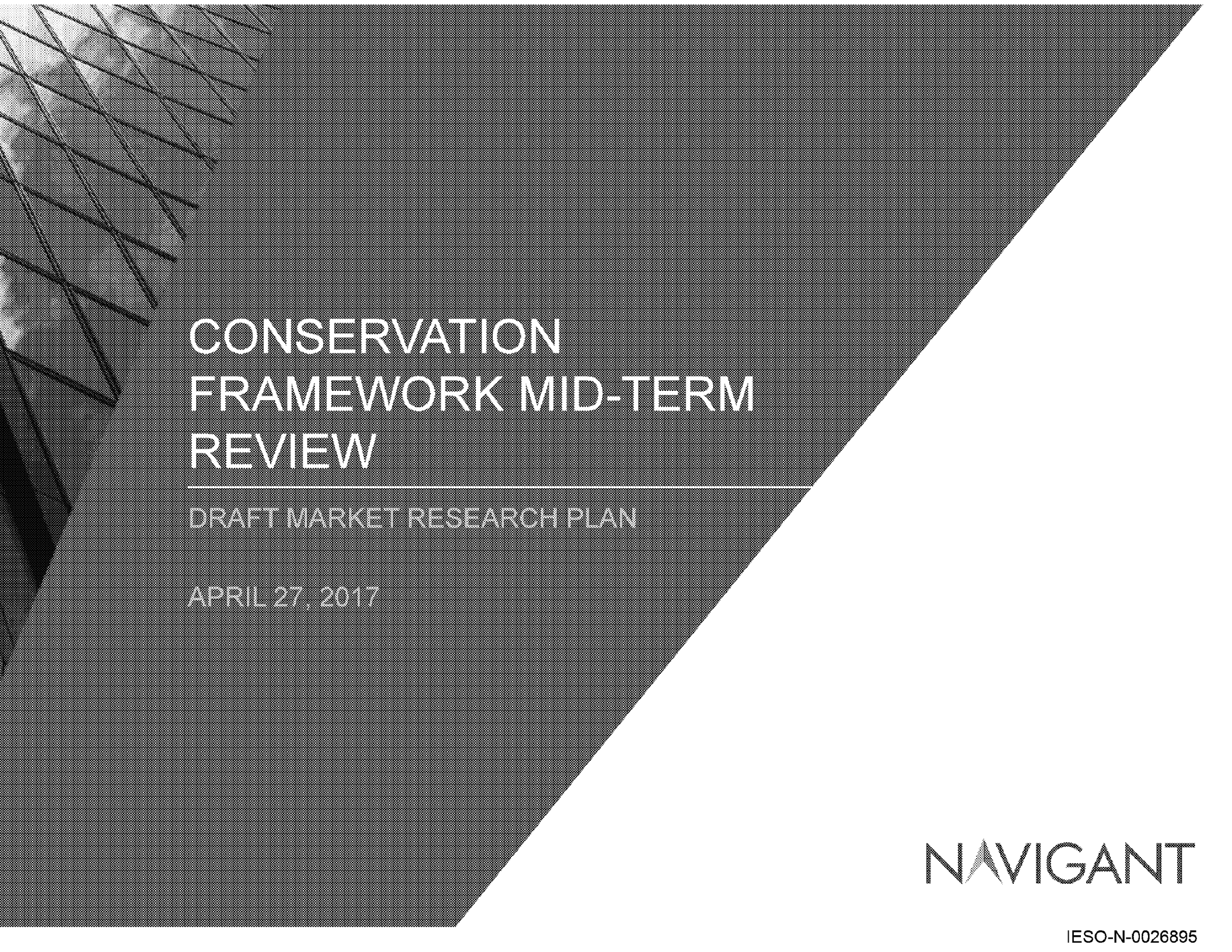




# CONSERVATION FRAMEWORK MID-TERM REVIEW

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DRAFT MARKET RESEARCH PLAN

APRIL 27, 2017

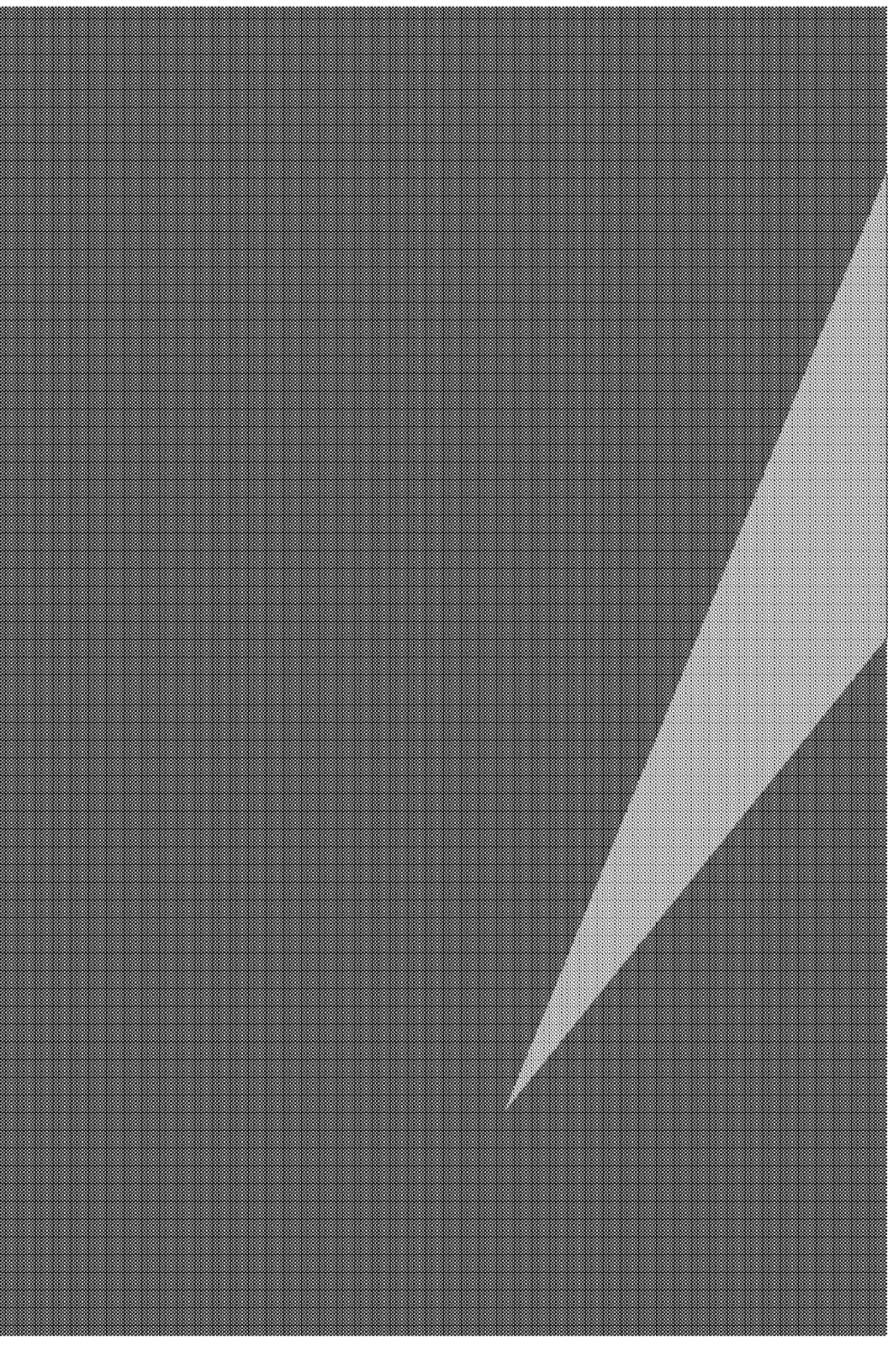
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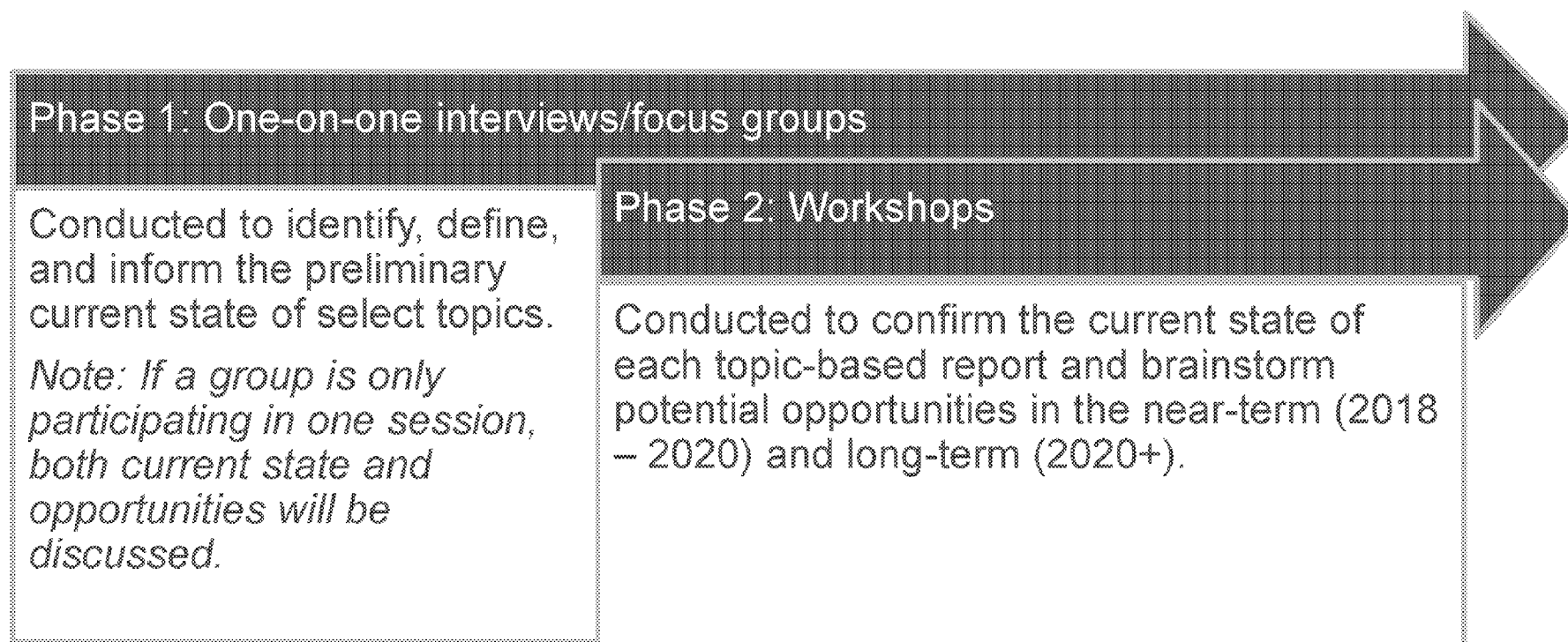
# SECTION 1: MARKET RESEARCH PLAN

- I. Overview
- II. Key Activities
- III. Segmentation



## RESEARCH METHODS

The graphic below illustrates research methods that will be used in concert with secondary data and analysis to inform the conservation framework mid-term review:



## SECTION 2: MARKET RESEARCH PLAN

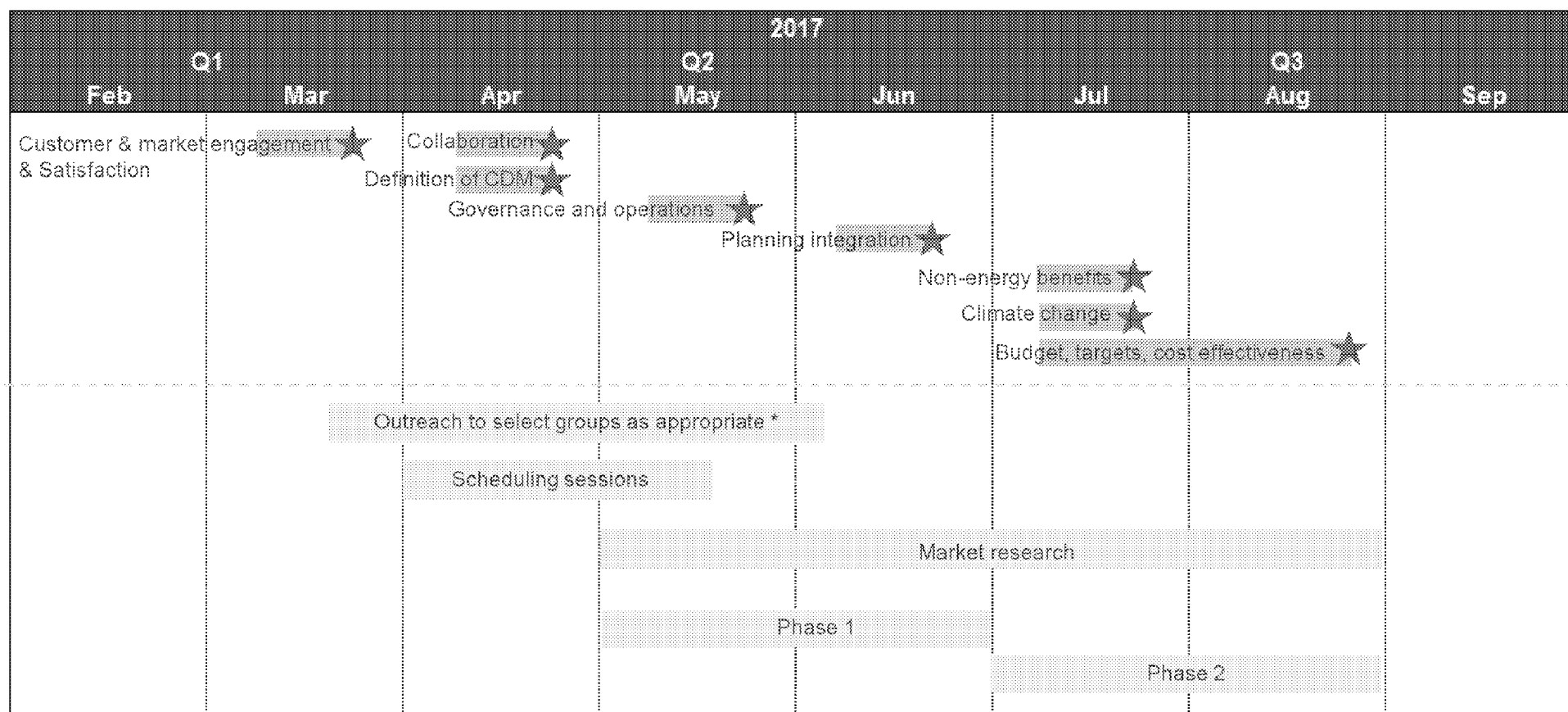
## I. OVERVIEW

## PLAN TIMING

The graphic below illustrates the market research activities and phases that are planned to obtain information to support the achievement of the Conservation Framework Mid-term Review objectives. The topic based reports are shown for reference.

★ Topic-based reports

Market research activities



\* If confirmation of public information is required, if additional information is permissible to use, contact information for phase 1 or 2 market research, etc.

## SECTION 2: MARKET RESEARCH PLAN

## I. OVERVIEW

## RESEARCH BY GROUP AND TOPIC

The graphic below maps the market research phases by topic and group. Additional detail will be provided on subsequent slides. It is important to highlight that the Advisory Group will also be providing input through the stakeholder engagement process.

| Group                                       |                       | Customer & Market Engagement                    | Definition of CDM | Collaboration | Governance + Operations | Planning Integration | NEBs | Climate Change | Budgets, targets, CE |
|---------------------------------------------|-----------------------|-------------------------------------------------|-------------------|---------------|-------------------------|----------------------|------|----------------|----------------------|
| Industrial Accelerator Program customers    |                       |                                                 |                   |               |                         |                      |      |                |                      |
| Large customers                             |                       |                                                 |                   |               |                         |                      |      |                |                      |
| Small business customers and associations   |                       |                                                 |                   |               |                         |                      |      |                |                      |
| Other associations                          |                       |                                                 |                   |               |                         |                      |      |                |                      |
| Channel Participants                        | Applicant reps        | PHASE 1: ONE-ON-ONE INTERVIEWS/<br>FOCUS GROUPS |                   |               |                         |                      |      |                |                      |
|                                             | Consultants           |                                                 |                   |               |                         |                      |      |                |                      |
|                                             | Contractors (non-res) |                                                 |                   |               |                         |                      |      |                |                      |
|                                             | Distribution          |                                                 |                   |               |                         |                      |      |                |                      |
|                                             | Manufacturers         |                                                 |                   |               |                         |                      |      |                |                      |
|                                             | Retail                |                                                 |                   |               |                         |                      |      |                |                      |
|                                             | Contractors (res)     |                                                 |                   |               |                         |                      |      |                |                      |
| HRAI                                        |                       |                                                 |                   |               |                         |                      |      |                |                      |
| Individual LDCs                             |                       |                                                 |                   |               |                         |                      |      |                |                      |
| Gas utilities                               |                       |                                                 |                   |               |                         |                      |      |                |                      |
| Ontario Energy Board                        |                       |                                                 |                   |               |                         |                      |      |                |                      |
| Conservation First Implementation Committee |                       | PHASE 2: WORKSHOPS                              |                   |               |                         |                      |      |                |                      |
| IESO-Planning and Conservation staff        |                       |                                                 |                   |               |                         |                      |      |                |                      |
| Customers                                   |                       |                                                 |                   |               |                         |                      |      |                |                      |

## SECTION 2: MARKET RESEARCH PLAN

## II. KEY ACTIVITIES

## PHASE 1: ONE-ON-ONE INTERVIEWS AND FOCUS GROUPS

| Group                                     | Method                                                                                                                                         |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Industrial Accelerator Program customers* |                                                                                                                                                |
| Large customers*                          | <ul style="list-style-type: none"> <li>One-on-one interviews</li> </ul>                                                                        |
| Small business customers                  | <ul style="list-style-type: none"> <li>focus groups</li> </ul>                                                                                 |
| Small business associations               | <ul style="list-style-type: none"> <li>One-on-one interviews</li> </ul>                                                                        |
| Other Associations                        | <ul style="list-style-type: none"> <li>One-on-one interviews</li> </ul>                                                                        |
| Applicant reps                            |                                                                                                                                                |
| Contractors (non-res)                     | <ul style="list-style-type: none"> <li>focus group, non-residential focus</li> </ul>                                                           |
| Consultants                               | <ul style="list-style-type: none"> <li>One-on-one interviews to gain in-depth market insights</li> </ul>                                       |
| Channel Participants                      |                                                                                                                                                |
| Distribution                              |                                                                                                                                                |
| Manufacturers                             | <ul style="list-style-type: none"> <li>focus group, upstream focus</li> </ul>                                                                  |
| Retail                                    |                                                                                                                                                |
| Contractors (res)                         | <ul style="list-style-type: none"> <li>focus group, residential focus</li> </ul>                                                               |
| HRAI                                      |                                                                                                                                                |
| Individual LDCs                           | <ul style="list-style-type: none"> <li>One-on-one interviews focusing on LDCs with unique experience (e.g., P4P, regional planning)</li> </ul> |

**Target:**

Groups with direct contact with the Conservation First Framework or Industrial Accelerator Program programs and groups with unique perspectives and experience.

**Objectives:**

One-on-one interviews and focus groups will be conducted to identify, define, and inform the preliminary current state of select topics.

*Note: If a group is only participating in one session, both current state and opportunities will be discussed.*

**Guided by:**

Issues for each of the topics mapped to the groups which are identified in the project plan (and reiterated in the appendix).

## SECTION 2: MARKET RESEARCH PLAN

## II. KEY ACTIVITIES

## PHASE 2: WORKSHOPS/WEBINARS/SURVEYS

| Group                                       | Method                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Gas utilities                               | <ul style="list-style-type: none"> <li>Workshops will be focused on collaboration and climate change.</li> </ul>                                                                                                                                                                                                   |
| Ontario Energy Board                        | <ul style="list-style-type: none"> <li>Workshop with OEB staff surrounding the topics mapped to OEB.</li> <li>Focus on understanding the opportunities and limitations to modify structural elements of the natural gas framework to enable collaboration (e.g., attribution, changes to DSM plans, CE)</li> </ul> |
| Conservation First Implementation Committee | <ul style="list-style-type: none"> <li>Workshops grouped by topic as appropriate, occurs after all LDC interviews have concluded.</li> </ul>                                                                                                                                                                       |
| IESO – Conservation and Planning staff      | <ul style="list-style-type: none"> <li>Workshop(s) with IESO-Conservation Staff on topics that influence the methodologies and objectives of both teams.</li> <li>Workshops(s) to map current processes, discuss research findings and brainstorm and scope opportunities.</li> </ul>                              |
| Customers                                   | <ul style="list-style-type: none"> <li>Workshop to brainstorm review current opportunities identified throughout the market research phases.</li> </ul>                                                                                                                                                            |

**Target:**

Groups that are involved with the mechanics of the framework and can provide diverse perspectives.

**Objectives:**

Workshops, webinars, and surveys (if necessary) will be conducted to confirm the current state of each topic-based report.

Workshops will be conducted to brainstorm potential opportunities in the short-term (quick wins), medium-term (2018 – 2020), and long-term (2020+).

**Guided by:**

Issues for each of the topics mapped to the groups which are identified in the project plan (and reiterated in the appendix).

## SECTION 2: MARKET RESEARCH PLAN

## II. SEGMENTATION

## APPROACH

- Contacts for interviews and focus groups will be selected to target on of the following:
  - **Region:** Using IESO zones mapped to individual LDCs
  - **LDC Size:** Using the number of customers
  - **Industry:** Using program penetration by industry (North American Industry Classification System code)
- A summary of segmentation by group is listed below and subsequent slides will provide a more detailed explanation of each segment

| Group                                        | Region | LDC Size | Industry |
|----------------------------------------------|--------|----------|----------|
| Industrial Accelerator Program customers     |        |          | ✓*       |
| Medium/Large customers (GS > 50 kW)          | ✓      | ✓        | ✓        |
| Small business customers (GS < 50 kW)        | ✓      | ✓        | ✓        |
| Small business association                   | N/A    | N/A      | N/A      |
| Other Associations                           | N/A    | N/A      | N/A      |
| Applicant reps & Non-residential contractors | ✓      |          |          |
| Consultants                                  | N/A    | N/A      | N/A      |
| Manufacturers & distributors                 | N/A    | N/A      | N/A      |
| Retail, residential contractors, and HRAI    | ✓      |          |          |
| Individual LDCs                              | ✓      | ✓        |          |

## SECTION 2: MARKET RESEARCH PLAN

## II. SEGMENTATION

## DETAILED SEGMENTATION

| Group                                    | Method                | #           | Criteria                                                                                                                                                 |
|------------------------------------------|-----------------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Industrial Accelerator Program customers | Interviews            | 7           | Participants (segmented by sector)                                                                                                                       |
|                                          |                       | 4           | non-participants (segmented by sector)                                                                                                                   |
| Medium/Large customers                   | Interviews            | 10          | participants: industry, regional, and LDC size representation                                                                                            |
|                                          |                       | 4           | non-participants: industry, regional, and LDC size representation                                                                                        |
|                                          |                       | 5           | multi-site participants: industry representation                                                                                                         |
|                                          |                       | 2           | multi-site non-participants: industry representation                                                                                                     |
| Small/medium business customers          | Focus group           | 1           | participants: industry, regional, and LDC size representation                                                                                            |
|                                          |                       | 1           | non-participants: industry, regional, and LDC size representation                                                                                        |
| Associations                             | Interviews            | 4- 6        | Targeting sectors/customer groups such as: Ontario Federation of Small Businesses, healthcare sector, education, low income, indigenous, consumers, etc. |
| Channel Participants                     | Applicant reps        | Focus group | 1 Business focus: region and channel participant (4 regions * 2 channels * 2 contacts)                                                                   |
|                                          | Contractors (non-res) |             |                                                                                                                                                          |
|                                          | Consultants           | Interviews  | 5 ClearResult, Burman, engineering consulting contacts                                                                                                   |
|                                          | Distributors          | Focus group | 1 Upstream focus                                                                                                                                         |
|                                          | Manufacturers         |             |                                                                                                                                                          |
|                                          | Retail                | Focus group | 1 Residential focus: regional representation                                                                                                             |
|                                          | Contractors (res)     | Focus group | 1 Residential focus: region and channel participant (4 regions * 3 channels)                                                                             |
|                                          | HRAI                  |             |                                                                                                                                                          |
| Individual LDCs                          | Interviews            | 15          | region, experience with aspects of the Framework                                                                                                         |

## SECTION 2: MARKET RESEARCH PLAN

### II. SEGMENTATION

# BY REGION

- Region: LDCs are split by IESO Zonal Map and grouped
  - Group 1 (North): Northwest/Northeast
  - Group 2 (East): Essa/East/Ottawa
  - Group 3 (South): West/Bruce/Southwest/Niagara
  - Group 4 (GTHA): Toronto



Source: IESO.ca



## SECTION 2: MARKET RESEARCH PLAN

### II. SEGMENTATION

#### BY LDC SIZE

- Size: LDCs are split between Small, Medium, and Large based on number of customers

| Sizes            |                             |
|------------------|-----------------------------|
| Small Utilities  | Under 12,500 customers      |
| Medium Utilities | 12,500 to 100,000 customers |
| Large Utilities  | More than 100,000 customers |

Source: *Renewing Ontario's Electricity Distribution Sector: Putting the Consumer First*

| Size Segmentation |    |
|-------------------|----|
| Size              | #  |
| Small             | 26 |
| Medium            | 36 |
| Large             | 6  |

Source: 2015 OEB Yearbook adjusted for Alectra

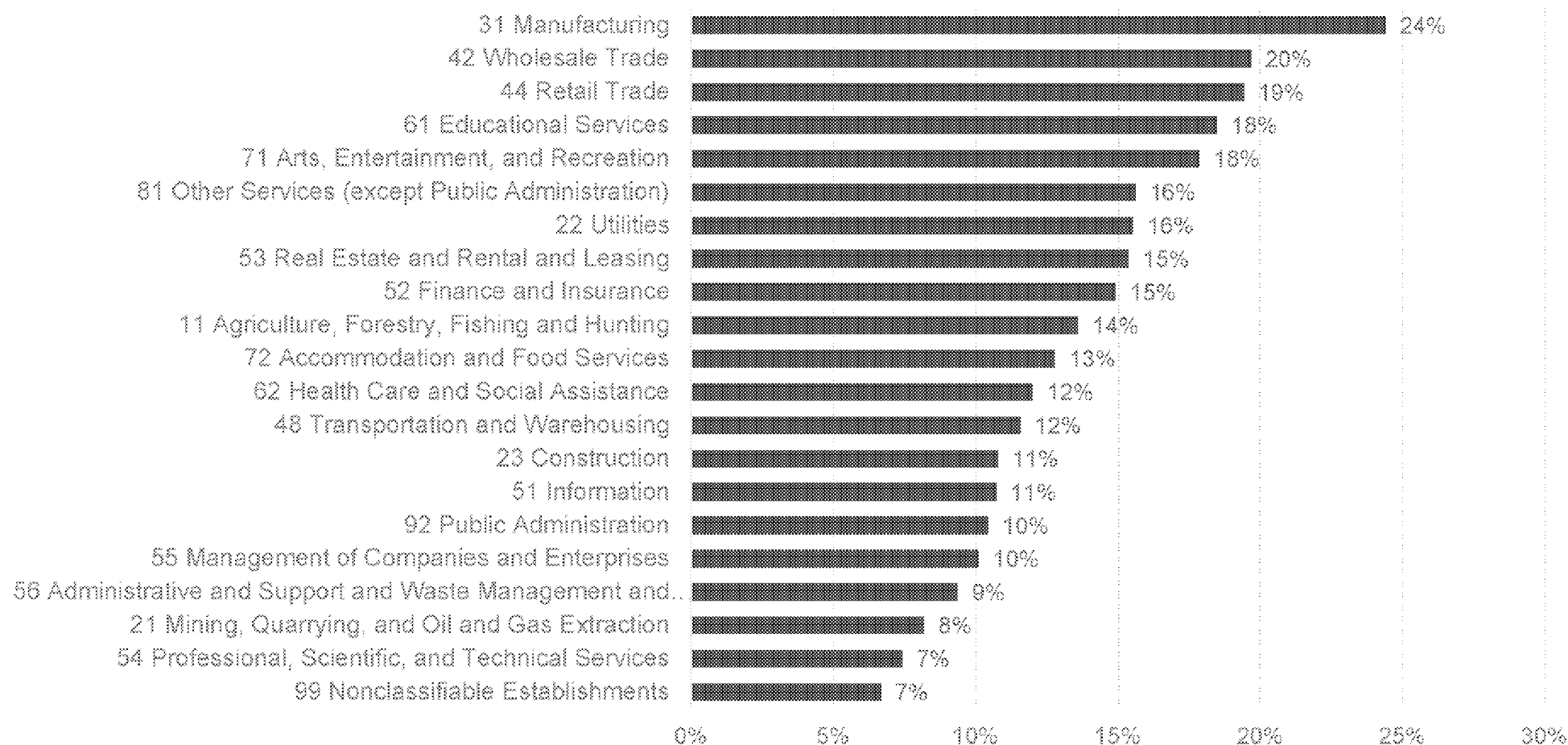
## SECTION 2: MARKET RESEARCH PLAN

### II. SEGMENTATION

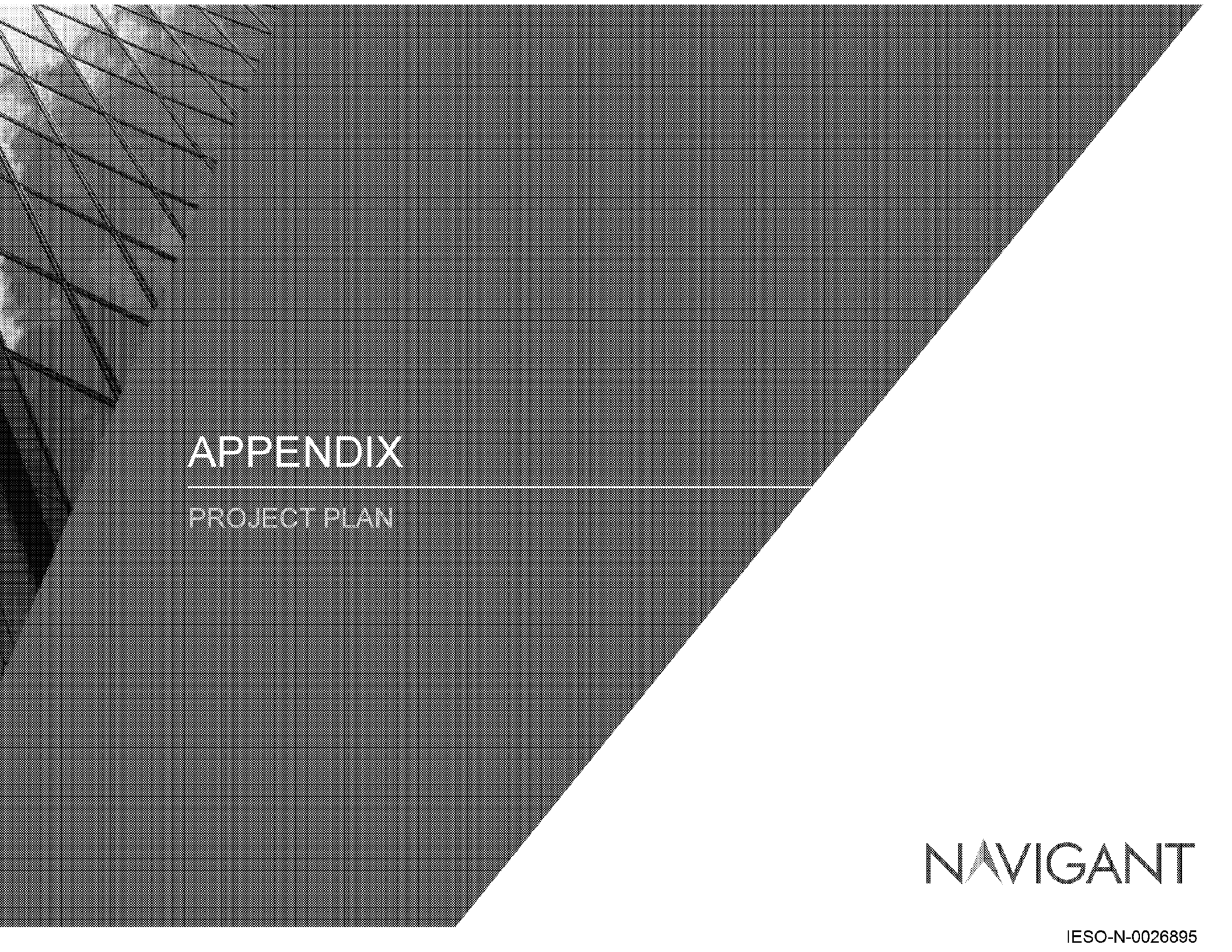
### BY INDUSTRY

- Industry: non-participant surveys will focus on industries with lower participation rates, exact industries and businesses will be selected to obtain representation for size and region.

% of Total Number of Businesses Participating in Small Business Lighting, Retrofit, or Process & Systems



Source: IESO Segmentation Analysis



# APPENDIX

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## PROJECT PLAN

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The issues identified by the IESO were grouped into eight major topics that will guide the Framework Review through four key activities outlined below:



[illegible]

# TOPIC 1: CUSTOMER & MARKET ENGAGEMENT AND SATISFACTION

## Key Questions

Are programs meeting the needs of the customer? Is the framework itself creating challenges for the customer or channel participants who could support CDM/Demand Side Management (DSM)? Are there any customer or sector specific gaps in the framework? How can the customer experience be improved? How do customers view the Save on Energy brand? How can customers' perception of the Save on Energy brand be improved?

## Focus Areas

### Conservation First Framework:

- Brand/program awareness and customer relationships
- Challenges of coordination across multiple utilities
- Customers with facilities across multiple territories
- Variation in program offering across the province
- Customer satisfaction with programs
- Channel participation in/support for programs
- Efficacy of current approach & barriers to entry

### Industrial Accelerator Program:

- Active and non-participants, efficacy of current approach
- CDM/DSM integration into business practices
- Awareness and understanding of programs
- Channel participation in/support for programs

## Methodology

- Review and analysis of existing research, surveys, and feedback gathered by IESO and LDCs
- One-on-one interviews with a sample of LDCs and Industrial Accelerator Program customers
- Segmentation of customers (e.g., by sector, by size, participants/non-participants)
- Interviews with channel participants (vendors, manufacturers, service providers)
- Review systems and tools that support customer outreach

## Inputs

- IESO: contact list
- IESO: market research, brand research, survey results, Evaluation, Measurement & Verification reports
- LDCs: surveys, summary findings, summary of direct feedback from customers (if available)
- Navigant: customer engagement research

## TOPIC 2: DEFINITION OF CDM

## Key Questions

How has the definition of CDM changed over time in Ontario? Is the current definition appropriate to achieve the policy objectives of the framework and to align with Ontario's broader GHG reduction goals? How does the definition of CDM in Ontario align with the definition of CDM/DSM in other jurisdictions?

## Focus Areas

Conservation First Framework:

- Defining CDM

Industrial Accelerator Program:

- Defining CDM

## Methodology

- Review of existing and evolution of the definition of CDM in Ontario
- Jurisdictional review of definitions of CDM

## Inputs

- Public: ministry directives and policy documents (e.g., Long Term Energy Plan)
- Navigant: research and key contacts

## TOPIC 3: COLLABORATION

## Key Questions

Have the expected outcomes of delivery efficiencies and customer convenience been achieved through collaborative efforts undertaken to date? What other outcomes has collaboration generated? Should additional collaboration be enabled? If so, how? If not, why not? What are the barriers to collaboration and what are some options to tackle these barriers? If collaboration should be encouraged, are there structural changes that can be addressed in the current or future frameworks (2020+)?

## Focus Areas

## Conservation First Framework:

- Types of collaboration activities that have occurred
- Outcomes of collaboration activities
- LDC collaboration
- Cross fuel collaboration and costs
- Cross fuel cost effectiveness inputs
- Attribution and cost sharing
- Collaboration opportunities with government funded initiatives

## Industrial Accelerator Program:

- Cross fuel collaboration and costs

## Methodology

- One-on-one interviews with natural gas utilities and LDCs, existing collaborative groups (e.g., Greater Toronto Hamilton Area, Kitchener-Waterloo Cambridge Guelph, working groups)
- Review of natural gas and electricity policies and guidelines to identify structural barriers
- Interviews with Ontario Energy Board (OEB), IESO staff

## Inputs

- IESO: contact list
- IESO: list of existing collaborative engagements (e.g., approved collaboration funding projects)
- IESO: Energy Conservation Agreement, guidelines
- OEB: Natural Gas DSM Framework
- Collaboration Fund activities



## TOPIC 4: GOVERNANCE AND OPERATIONS

### Key Questions

Are the structures, internal processes, and accountabilities in place effective and efficient? What can be done to improve these structures? Are there additional tools and/or changes that can better support framework objectives? What could future frameworks look like? What are some key considerations thinking beyond 2020?

### Focus Areas

#### Conservation First Framework:

- Framework governance structures (roles and responsibilities)
- Review central services/IESO processes and opportunities for improvement
- New tools to support program development

#### Industrial Accelerator Program:

- Assess Account Manager model
- Assess application and supporting processes

### Methodology

- Review of IESO central services and supporting documentation, processes, agreements, etc.
- Review of Energy Conservation Agreement, central services spending to date, committed funding (agreement terms)
- One-on-one interviews with working group reps, LDCs, IESO
- Interviews with channel partners (association, vendors, service providers)
- Perform benchmark comparisons

### Inputs

- IESO: contact list
- IESO: process documentation, agreements or key facts of agreements for central services
- IESO: central services spending, budgets
- LDCs and IESO: existing framework structures, key contacts
- Navigant: research and key contacts
- Benchmark: resource acquisition costs, cost effectiveness, administrative vs. incentive cost splits, customer satisfaction scores

## TOPIC 5: PLANNING INTEGRATION

## Key Questions

How do the programs and framework fit into the broader energy and climate picture (today and in the short, medium, and long-term)? What can be done with respect to the approach, performance metrics (targets) measurement and governance to improve the value of energy efficiency to broader energy and climate policy and planning? What are the opportunities for further integration of CDM in regional plans?

## Focus Areas

## Conservation First Framework:

- Local deferral opportunities through targeted EE
- Impact of energy only targets
- Integrated planning (climate change)

## Industrial Accelerator Program:

- Avoiding costs of local infrastructure improvements
- Economic growth
- Integrated planning (climate change)

## Methodology

- Review of existing methodologies and processes used to integrate CDM into system
- Review of metrics associated with system need and CDM (e.g., peak demand definitions)
- Jurisdictional review of methodologies and processes used to integrate non-wires alternatives, such as CDM into system planning and how local investments are funded.
- Incentives associated with behind-the-meter generation will be reviewed

## Inputs

- IESO: contact list
- IESO: regional planning documentation and reports
- Navigant: research and key contacts

## TOPIC 6: NON-ENERGY BENEFITS

## Key Questions

What other benefits are observed from the programs beyond electricity savings? How can these benefits be appropriately captured and communicated? Are there any changes that need to be made to better capture these benefits? Based on a review of the IESO's planned non-energy benefits study.

## Focus Areas

## Conservation First Framework:

- Review of IESO's planned non-energy benefits study and options for incorporating findings into Conservation First Framework holistically (near-term and long-term)
- Environmental attributes

## Industrial Accelerator Program:

- Economic development impacts (job creation/retention)
- Environmental attributes

## Methodology

- One-on-one interviews with Industrial Accelerator Program customers and IESO account managers
- Analytical review of IESO methodology, documentation, etc. supporting the non-energy benefits adder
- Review of IESO non-energy benefits study.

## Inputs

- IESO/OEB non-energy benefits study
- IESO: Industrial Accelerator Program customer contact information
- IESO: Procedural documentations and sample calculations
- Navigant: research and key contacts
- Toronto City Council – Resilient City Reports

## TOPIC 7: CLIMATE CHANGE OBJECTIVES

## Key Questions

What does more aggressive climate policy mean to the framework, the future of CDM design and delivery, and customers?  
How can customers take advantage of the opportunities within this new policy?

## Focus Areas

## Conservation First Framework:

- Aligning with Climate Change Action Plan (CCAP), greenhouse gas (GHG) reduction target to complement energy targets
- Effect of CCAP on Conservation First Framework budgets, targets, programs
- Impact of Cap & Trade on Conservation First Framework programs
- Energy Efficiency/DSM (right use, right time, right cost)
- Impact on environmental attributes

## Industrial Accelerator Program:

- Impact on environmental attributes
- EE/DSM (right use, right time, right cost)
- Aligning with CCAP, GHG target to complement energy targets

## Methodology

- One-on-one interviews with IESO, LDC, and customer contacts.
- Review of Ontario's anticipated electricity system emissions
- Jurisdictional review of methodologies used in climate policies, end uses and industries targeted
- Review of electric vehicle incentives

## Inputs

- IESO: Contact list
- IESO: industry breakdown of participants/non-participants
- IESO: existing market studies/research
- IESO: forecast of Ontario emissions (defer analysis until Long Term Energy Plan released)
- Navigant: research and key contacts

## TOPIC 8: BUDGETS, TARGETS, COST EFFECTIVENESS

## Key Questions

Are targets and budgets appropriate to achieve framework objectives? What infrastructure must be in place to enable appropriate targets and budgets to capture the opportunities and reduce the barriers? Are the metrics that measure success appropriate? What are some possible metrics for the second half of the framework and beyond 2020?

## Focus Areas

## Conservation First Framework:

- Provincial adjustments
- LDC adjustments
- Mechanism to support re-allocation
- Options to enable target exchange
- Funding mechanism review
- Pay for Performance (P4P) obstacles
- Impact of potential changes to avoided costs
- Cost-effectiveness by sector
- Budget/target allocation across segments
- Defining CDM

## Industrial Accelerator Program:

- Provincial adjustments, options for adjustment

## Methodology

- Review budgets, targets, CDM plans, allocation methodologies, spending, and actual results
- Review Energy Conservation Agreement and guidance documents
- Review achievable potential studies against results and CDM plans
- Interviews with individual LDCs
- Jurisdictional review of targets, budgeting, and supporting infrastructure
- Interviews with channel participants (service providers, vendors, etc.)

## Inputs

- IESO: consolidated LDC CDM plan, performance, spending information
- IESO: achievable potential supporting data
- IESO: Industrial Accelerator Program performance and spending, forecasts, methodologies
- IESO: Evaluation Measurement & Verification results, cost effectiveness, lessons learned, supporting data
- IESO: Participation and cost reports
- IESO: Central Services activities and budget summary
- Navigant: research and key contacts
- 2017 Long Term Energy Plan (defer analysis until released)