

Conservation Framework: Mid-term Review Advisory Group - Agenda

Date: April 27, 2017		Time: 9:00am-4:00pm
Location:	St. Andrew's Club & Convention Centre, 150 King Street West, 27th Fl., Toronto - Room L2	
Meeting Chair(s) and Facilitator:	Katherine Sparkes (IESO)	
Scribe:	Jodi Amy (Navigant Consulting)	

Meeting Objective(s):

- Review key takeaways and action items from prior Advisory Group meeting
- Finalize Mid-Term Review Market Research Plan and Topic 1 Report
- Input on draft Topic 2 Report: Definition of Conservation and Demand Management
- Input on draft Topic 3 Report: Collaboration

Attendees:

Members: Raegan Bond (Alectra Utilities Inc.), Amha Abraha (CBRE Limited), Guru Kalyanraman (CLEAResult Canada Inc.), Chris Barker (CustomerFirst Inc.), Margaret Rodd (Entegrus Powerlines Inc.), Myfanwy Parry (Housing Services Corporation), George Katsuras (Hydro One), Walter Nuvoloni (Lafarge), Mark Schembri (Loblaw), Iuliana Calin (Nest Labs), Michael Marchant (Toronto Hydro-Electric System Limited)

Observers: Colin Anderson (AMPCO), Bala Gnanam (BOMA), Tim Sturgeon (delegate - Burman Energy Consultants), Ben Weir (CanSIA), Jesse Kulendran (Electricity Distributors Association), Erika Lontoc (Enbridge Gas Distribution Inc.), Afreen Khan (Environmental Commissioner of Ontario), Giovanna Gesuale (ENWIN Utilities Limited), Marco Calibani (delegate - Essex Powerlines Corporation), Frances Murray (Just Energy Ontario LP), Yvonne D'Tullio (delegate - Ministry of Energy), Valerie Bennett (Ontario Energy Board), Dan Roberts (Roberts and Company), Tina Nicholson (delegate - Union Gas Limited)

IESO: Katherine Sparkes - Chair (Independent Electricity System Operator), Terry Young (IESO), Carrie Aloussis (Independent Electricity System Operator), Susan Harrison (Independent

Electricity System Operator), Evelyn Lundhild (Independent Electricity System Operator), Erinn Meloche (Independent Electricity System Operator)

Navigant: Jodi Amy (Navigant Consulting), Benjamin Grunfeld (Navigant Consulting), Emay Cowx (C2C Strategies),

Regrets:

Members: Edward Rubinstein (University Health Network)

Observers: Joanne Van Panhuis (Brantford Power Inc.), Michael Lio (buildABILITY), Brandon Weiss (Cornerstone Hydro Electric Concepts Association Inc.), Sarah Colvin (Ecobee), Edward Glasbergen (Energy+ Inc.), Jeff Kish (liteSMART), Katie Zwick (Ministry of Environment and Climate Change), Jack Gibbons (Ontario Clean Air Alliance), Roy Hrab (Ontario Energy Association), Janet Taylor (Oshawa PUC Networks), Ersilia Serafini (Summerhill), Tim Wilson (Thunder Bay Hydro), Steve Zebrowski (Veridian Connections Inc.)

IESO: Alexandra Campbell (Independent Electricity System Operator)

Action Item Identified	Response
Process: track changes for documents	Navigant/IESO to brainstorm a method to communicate revisions to materials and implement with the next set of circulated materials
Market Research: revisit the channel participation in focus groups to consider non-participants	Navigant/IESO to revisit channel participation approach and communicate the plan at the next Advisory Group meeting
Market Research: review the market research plan in the context of the achievable potential study	Navigant/IESO to review market research plan against Achievable Potential study and communicate any adjustments at the next Advisory Group meeting
IESO and Navigant to finalize Topic Report 1 based on Advisory Group feedback	Navigant/IESO to update documents
IESO and Navigant to update Topic Reports 2 and 3 based on Advisory Group feedback	Navigant/IESO to update documents and circulate with a method to view track changes

Key Themes Identified
• Market research should strive to capture multiple perspectives from the channel (e.g., participants and non-participants) • The definition of CDM must be considered within the broader climate policy • The context of fuel switching has changed over time (away from electricity when the system was capacity constrained to more recent policy push towards electrification) and

Key Themes Identified

- will need to be discussed in more detail during the climate change topic
- Lack of measurement and data for collaboration
- It will be valuable to demonstrate achievement of the policy objectives: delivery efficiencies and customer convenience and understand the barriers and opportunities stemming from the industry structure within Ontario

Agenda Item 1: Welcome and introduction

Speaker: Katherine Sparkes (IESO)

Katherine reviewed the agenda and the action items from the March 23, 2017 Advisory Group. Katherine highlighted that most action items would be discussed during the next agenda item and provided a response to the action item regarding environmental attributes:

"IESO is working with LDCs to revise the Energy Conservation Agreement (ECA) that governs the relationship between each LDC and IESO for the CFF to enable customers to retain a portion (in accordance with their contribution to the total project cost) of any EAs that are created by the electricity reductions associated with a project funded through CFF. Schedule F of ECA v3.0 will include provisions requiring participants to document and maintain a record of project costs that may be used to determine the IESO's proportional ownership of EAs. The IESO will be working on an approach to track and report on EAs that will ensure an appropriate level of accountability to the ratepayer, bearing in mind that EAs currently have no value under the cap and trade regime in Ontario. Both the Ministry of Energy and the MOECC will be consulted as the tracking and reporting process is established."

Agenda Item 2: Review updates to the March 23, 2017 Advisory Group meeting materials

Speaker: Jodi Amy (Navigant)

Jodi highlighted the updates to the Market Research Plan and provided further detail on the segmentation for interviews and focus groups. Katherine flagged that individual LDCs – along with CFIC members – would also be involved in the workshop phase of the market research.

Questions/comments:

Question whether the market research would be conducted to obtain statistical significance. Response was no. Discussions regarding further detail into the composition and selection of the participants for the interviews and focus groups. Specific questions include:

- *how will interview participants be selected? Response: likely set quotas based on each segmentation (region, LDC size, or industry) and randomly select within a list.*

- *can we specifically speak to agricultural customers? Response: can add to discussions with associations.*
- *Can additional focus be placed on the different segments of multi-unit residential buildings (e.g., condominiums, rental properties, social housing)? Response: will work to include all segments.*
- *how will institutional customers be engaged? Response: likely through discussions with associations, in addition, interviews with customers will likely include institutional customers.*
- *How manufacturers would be selected? Response: intend to look to Achievable Potential Study and focus on end uses with highest potential.*

Broader discussions surrounding the market research with channel participants (focus groups) and adding in a layer of participants vs. non-participants. For example, Heating, Refrigeration and Air Conditioning Institute (HRAI) may include contractors that are actively engaged in the Heating & Cooling program, however, there are many contractors that are not engaged in the program that could provide additional perspectives into barriers and opportunities. Response to revisit the channel participant focus groups to explicitly consider channel participants both actively involved in the framework and not actively involved in the framework.

Discussions on the alignment of the market research with the Achievable Potential study and where the weighting in resources is focused (e.g. perhaps if 20% of the potential is from a certain segment, 20% of the market research participants should be from that segment). Response: resources for market research are more heavily weighted towards customers. IESO/Navigant to review the market research plan considering the Achievable Potential Study. Suggestion to obtain customer feedback about LDCs.

Question whether the market research list will change based on level of interest from potential interviewees/focus group participants. Response that we may see differing levels of interest in participating and the list may change based on interest level, however, the market research list represents the target.

Discussions surrounding additional segmentation of LDCs into constrained and unconstrained to understand potential barriers and opportunities in constrained areas. Further discussions surrounding capturing a local/regional view through avoided costs. Question surrounding avoided costs following the release of the Long-Term Energy Plan 2017 and whether avoided costs for the four planning scenarios will be developed. Response that Long-Term Energy Plan 2017 will likely have one scenario and once it is released, we will have more information.

Process request to provide the ability for Advisory Group members to view changes between versions.

Jodi highlighted material changes to Topic Report 1: Customer and Market Engagement and Satisfaction reflecting Advisory Group feedback.

- Overarching changes: additional information regarding sample sizes and exact questions to survey participants were added where applicable
- Material/requested changes to existing slides: 11 – 13, 28, 32, 33, 34, 52, 69, 73, 74

- New slides: 47, 48, 55, 57, 60, 67, 68

Jodi highlighted changes to the scorecard and flagged that Topic 3: Collaboration contains an alternate scorecard approach and discussions will continue in the afternoon.

Questions/comments:

Further discussions on the scorecard with suggestions to clearly call out metrics and thresholds, to add the topic name in the main title, to consider the OEB scorecard model, changing colours to the typical red/yellow/green, and adding additional rationale for the colours.

Clarification regarding whether customer eligibility was considered in the Achievable potential study was provided: not explicitly, no. Measure eligibility was considered as part of existing or potential archetype programs, ECMs for natural gas heating was considered, and low income load was estimated by region.

Questions/comments:

Follow-up question regarding how low income was defined within the Achievable Potential study. Response to follow-up at a later date. Question regarding Class A and Class B in the Achievable Potential study and whether the pipeline of projects was considered. Response that the study did not take this approach.

Clarification requested on a program penetration slide added to the version presented. Response to add more clarity around the metrics, how to interpret the chart, and if one customer participates in two programs is the participation counted as two or one.

Clarification requested on the breakdown of Retrofit multi-site participation by sector slide added to the version presented. Response to clarify the social housing sector in the chart and how it relates to the multi-residential sector.

Agenda Item 3: Presentation of Topic Report 2: Definition of Conservation and Demand Management

Speaker: Benjamin Grunfeld (Navigant)

Ben presented the executive summary of Topic Report 2: Definition of Conservation and Demand Management. Feedback was requested from the Advisory Group on each element of the Topic report.

Questions/comments:

Discussions surrounding fuel switching and where it is considered as part of this topic report and more broadly. Advisory Group member provided a contextual perspective on fuel switching over the years. Initially fuel switching was considered as a means to reduce consumption from the electricity grid by shifting to an alternate energy source when the system was capacity constrained. Now, fuel switching is considered more from a greenhouse gas reduction perspective (i.e. switching from natural gas to electricity). Discussions regarding the appropriate way to assess fuel switching and the role of avoided costs and interaction with broader policy objectives. Discussions surrounding increasing electrification and is fuel switching about ensuring that the most efficient options are implemented. Additional discussion surrounding once policy is set what influences the achievement of the policy goals and the scope, scale, and impact of other policies. Additional discussions surrounding interaction of these discussions with cap and trade, green bank, etc.

Response clarifying that fuel switching it is considered in the topic report as a type of solution within different categories (i.e. there may be fuel-switching for energy efficiency, or fuel-switching for behind-the-meter-generation) rather than as its own category. Response that the broader perspective of fuel switching and other technologies and how they interact with policy objectives will be assessed in more detail in the climate change topic report.

Discussions surrounding the categorization, labels, and definitions of the technologies and approaches assessed. Technically, the historic Summer Savings (2010) program was a behaviour program. Where do codes and standards belong within the categories. Question surrounding the meaning of market transformation within this report. Response that the energy efficiency categories within this report were considered as a continuum with resource acquisition focusing on physical changes to technologies, behaviour promoting changes in consumption, whereas market transformation is more about the removal of barriers to enable conservation (an example could include educational programs). Navigant to ensure the definitions used are clear. Broader comment to clarify the difference between technologies/approaches/ categories within the tables and charts.

Discussions surrounding the policy objectives within the slides. Request to add energy affordability to the slides. Question regarding greenhouse gas reductions as a policy objective. Discussions surrounding whether there can be additional detail in the slide by adding, for example, low, medium, and high. Decision to revise table to move Greenhouse Gas reductions and Energy Affordability to the far right and indicate these policy objectives were added after the initial Conservation First Framework and Industrial Accelerator Program Directions were issued.

Discussions regarding specific eligibility of technologies within the current Conservation and Demand Management framework. Specific discussions surrounding solar given the end of the Feed-in-Tariff program and net metering regulation. Comment regarding whether solar would be considered behind-the-meter generation or net metering and that the economics need net metering, simply offsetting consumption is not

sufficient to make the economics work. Clarification of how pilots were treated in the report, for example, solar storage pilot through the conservation fund.

Clarification that solar of a certain size (i.e. eligible for FIT) would be considered eligible under the definition of CDM in the CFF Direction because the Feed-in-Tariff program has ended. However, micro Feed-in-Tariff is still available so smaller scale solar would not qualify under the definition of CDM in the CFF Direction. Individual program rules would need to be modified to reflect the end of the FIT program and eligibility of larger-scale solar under the definition of CDM in the Direction. Solar as net metering or behind-the-meter generation will be discussed as part of this review.

Discussions about storage and whether it is best classified as DSM, generation, load, or something else. It was suggested that storage could be considered ineligible since it may not reduce the draw from the grid on a net basis. However, it was noted that storage can be used for demand shifting and reducing peak energy use (and associated Greenhouse Gas emissions from natural gas generation), thus storage may be considered a DSM load shifting strategy. It was suggested that discussions about technologies to improve power factors which is important for heavy industry and that anything that improves efficiency should be eligible as it would not happen otherwise. IESO noted that the review will look at all potential demand side management options and voltage reduction.

Discussions regarding the jurisdictional scan. Question surrounding who is 4th on the ACEEE scorecard. Question surrounding whether scan from a Demand Side Management perspective is for electric only and discussion about structure of utilities within other jurisdictions (more multi-fuel utilities). Question whether the Long-Term Energy Plan 2017 will specify when demand will become an issue again. Discussion of customers and how the Ontario framework defines customer groups (e.g., low income) and eligible technologies/customers based on these definitions and how this might introduce opportunities and barriers. Further comment that Ontario is unique with the number of utilities which creates opportunities and barriers. Further discussions on how the fair hydro plan impacts avoided costs, etc.

Response that IESO/Navigant can look at other jurisdictions' definitions for low income, how budgets are set aside, and how cost effectiveness metrics are defined. Additional view of the structure of the sector, how it relates to governance and operations, and how that may impact how we consider customers and technologies. Response that fair hydro plan will be considered as part of topic 8: budgets, targets, cost effectiveness.

Agenda Item 4: Presentation of Topic Report 3: Collaboration

Speaker: Benjamin Grunfeld (Navigant)

Ben presented the executive summary of Topic Report 3: Collaboration. Feedback was requested from the Advisory Group on each element of the Topic report. Additional feedback was requested on the alternate presentation of the scorecard.

Questions/comments:

Question regarding why the collaboration fund is not accepting applications. Response that given the number of different application types received to date and the challenge in measuring the impacts of these projects, a review was needed to a) clarify the intent of the fund; b) determine how to ensure that projects can be measured for their ability to achieve the collaboration goals set out in the Conservation First Framework Direction of a) increased delivery efficiencies and b) increased customer satisfaction.

Discussions surrounding the scorecard. Advisory Group member flagged in the course of implementing the framework, IESO and LDCs had together determined that developing CDM Plans based on the 21 regional planning zones (per the Conservation First Framework Direction) may not be viable. Instead, mechanisms were put into the framework (faster plan review and additional incentives) to promote the creation of joint plans. The 21 regional plans as a goal may not be appropriate. Confirmation that there is a metric that references regional planning zones and an additional metric that references IESO zones. Response to make this clear within the scorecard. Discussions surrounding whether metrics should be included if they cannot be quantified and what metrics should be measured moving forward. Discussions that cost efficiency is a good news story and would be a good place to focus efforts and that collaboration to achieve economies of scale is important.

Response that there are metrics that we cannot quantify because the data was not collected (e.g., there was no flag within Joint CDM Plans to specify whether programs will be delivered collaboratively). IESO/Navigant agreed to remove the advantages of scale metric. Navigant reiterated that the collaboration within the report only captures formal collaboration that is tracked by the IESO. There is collaboration that is not funded that should be captured through market research. Market research will also attempt to understand delivery efficiencies and customer convenience to the extent that information is available.

Question surrounding the policy objective of cross-fuel delivery of low income programs. Response that there is one program that features cross-fuel collaboration and is focused towards low income customers.

Question surrounding how to capture customer convenience objective. Response that this information will come from qualitative information gathered through interviews and focus groups during the market research phase.

Discussion on the genesis of LDC funding mechanisms. In 2011-2014, base funding was provided for at least 1 resource regardless of LDC size. The current framework funding is distributed based on the number of customers which can be tough for smaller LDCs (however this approach inherently takes into account the 2011-2014 funding allocation consideration because the Conservation First Framework funding is based on historic delivery costs). Discussions on acquisition costs and levelized costs between individual and joint CDM plans. Suggestion to include the metrics from the prior framework for reference and to see if there is a difference.

Question so to whether the slides and metrics are discounted to reflect customer/LDC access to natural gas. Response that the slides show a percentage of total collaboration activities that include cross-fuel collaboration, but metrics can be adjusted to reflect access.

Discussions on barriers and motivations to foster collaboration and what may help the realization of efficiencies. Response that market research will work to understand this. Discussions that IESO is unique in that there are many LDCs of varying sizes and there may be capacity issues before LDCs can even get to the point of collaboration.

Question surrounding the purpose of the preliminary observations. Response that the observations are intended to evolve through discussions with this group and market research.

Comment that there are areas where gas and electric are aligned through evaluation, but there are still some areas of misalignment.

Question about collaboration through the Conservation Fund. Response that these instances are flagged in the topic report. Comment that additional collaboration within projects is occurring.

Question regarding whether there will be an assessment of the Collaboration Fund budget in addition to the metrics that deliver on the policy objectives.

Agenda Item 5: Closing remarks

Speaker: Katherine Sparkes (IESO)

Katherine thanked the Advisory Group and communicated next steps.

Question confirming status on market research timing. Confirmation that the schedule has shifted approximately 1 month.