

IESO Business Updates & Discussion

EDA Conservation Council

January 11, 2018



Agenda

- IESO Business Updates
 - LDC Collaboration Fund
 - LDC Innovation Fund Guideline Update
 - Target Exchange
 - Conservation Fund Update
 - Whole Home Program
 - Mid Term Review Update
- Conservation Council Discussion Items

LDC COLLABORATION FUND



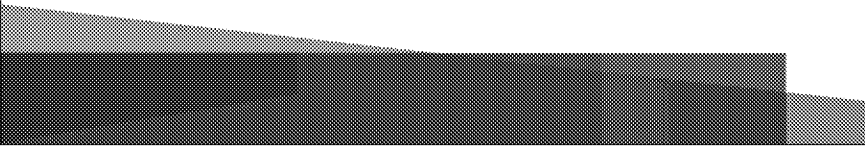
Rationale for LDC Collaboration Fund Update

- Since 2015, the LDC Collaboration Fund supported over 33 projects with a total spending/committed of \$4.8M
- LDC Collaboration Fund was closed in January 2017 in order to review the purpose, objectives and eligibility criteria in order to better support the IESO and the LDCs in achieving their common goals.
 - Continued to fund approved province-wide working group activities.
- Collaboration Fund to re-open in **February 2018**
 - Proposed changes and enhancements based on lessons learned from first half of the Framework

Key Changes to LDC Collaboration Fund

- Funding for LDC collaboration activities will be offered in three application windows per year
 - Application windows: February, June, and October (2018 and 2019)
 - Total funding for each application window is \$600,000.
- Eligible projects that are approved may receive up to 80% of the total costs, subject to a maximum of \$300,000 per project
- Funding for Working Group activities is based on approved work plan budgets
 - Applications for funding of Working Group activities will remain eligible to be submitted outside of the application windows.
- Funding not intended to duplicate LDCs' CDM Plan budgets nor the LDC Innovation Fund

LDC INNOVATION FUND UPDATE



Rationale for LDC Innovation Fund Update

- Since 2015, LDC Innovation Fund supported 24 pilot projects with \$16M committed/spent
- Enhancements to the LDC Innovation Fund are required as we progress into the second half of the Framework
 - Based on feedback and lessons learned from current funded pilots
 - In preparation for a future Framework (post 2020)



Key Updates to LDC Innovation Fund

- IESO proposing that all new 20180 approved pilots must have:
 - *a shorter cycle*: 12 months maximum, evaluation to follow immediately
 - *a clear objective and defined testing parameters*: focus on experimental design, testing one variable or technology with a clear plan for measurement
 - *a focus on innovation*: concepts not yet piloted in Ontario
 - *a focus on achieving policy objectives*: includes collaboration, meeting customer needs (of all types, sectors), achieving cost-efficiency, pay-for-performance models, peak demand and/or GHG emissions reductions
 - *consideration for achievable potential*: focus on underserved/low uptake/unique sectors with high potential and/or end uses/measures with high potential but low uptake

Key Updates to LDC Innovation Fund (cont'd)

- LDC Innovation Fund to close December 31, 2018 for any new pilot business case submission
 - To allow for programs influenced by pilots to be in market and achieving savings within the existing Conservation First Framework
- Moving forward all pilots to undergo a review at the mid-point milestone to assess success to-date
- Other opportunities to support program innovation/ readiness in next Framework (2020+)
 - Conservation Fund will continue to support pilots until the end of 2020
 - Potential for strategic research to prepare for a future Framework (external funding to CFF)

TARGET EXCHANGE GUIDELINE UPDATE

Rationale for Target Exchange Guideline Update

- Provide LDCs with additional clarity on the principles and criteria that would guide the acceptance of a target exchange
 - Issue raised as part of mid-term review process
 - The IESO has received and reviewed two target exchange requests prior to December 31, 2017
 - These target exchanges were reviewed against the guiding principles laid out in the guideline
 - The principles were discussed by both the Mid-Term Advisory Committee and CFIC
 - A draft guideline was posted for comment for LDCs on December 20th and the LDCs will have until January 16th to provide comments
 - Guideline includes sample scenarios on approved and rejected target exchange

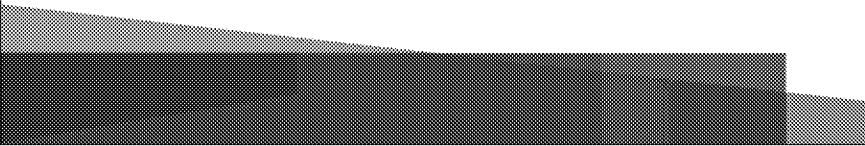
Key Principles on Target Exchanges

- Key guiding principles
 1. Continued CDM target delivery and customer coverage in LDC service areas, as per CDM Plan Submission and Review Criteria
 2. Target exchange protects rate payer value and does not result in additional payments that would otherwise not be associated with additional CDM savings
- Outlined principles reflect the continued support of the following CFF objectives
 - Programs available to all customer types
 - Cost-efficient energy savings
- LDCs to submit final target exchange request along with their CDM Plans submission (includes all LDCs involved in target exchange)
 - CDM plans would be reviewed by the IESO in parallel of target exchange

Next Steps on Revised Guidelines

- Revised LDC Collaboration Fund and Innovation Fund Guidelines posted on LDC extranet for two weeks for LDC comment (*January 3rd to January 16th, 2018*)
 - Please submit comments to : ConservationContracts@ieso.ca by January 16th
 - Additionally, the Program Business Case Review Process Flow (referenced in LDC Innovation Fund Guideline) and application/reporting forms for the Collaboration Fund have been updated and posted on the [LDC Toolkit](#) for download
- Revised Target Exchange Guidelines posted on LDC extranet on for two weeks for LDC comment (*December 20th to January 10th*)
 - Comment period extended to [January 16th](#)

IESO CONSERVATION FUND UPDATES



Rationale for Conservation Fund Update

- The IESO Conservation Fund has supported over 200 innovative CDM projects 2005
- In 2016, the IESO commissioned a strategy report to understand how to maximize the impact of the fund
 - The report was developed with input from more than 40 stakeholders
- As a result of the strategy recommendations, the IESO will be making changes to the fund's application intake process

Key Updates to Conservation Fund

- Effective March 1, 2018, the Conservation Fund will move to set windows for accepting unsolicited applications
 - The first window for unsolicited applications to the Fund will be in July 2018
- The IESO will increase the frequency of targeted calls for project proposals to address specific challenges and opportunities identified in the marketplace
 - These calls for project proposals will be communicated on the Conservation Fund webpage, via the IESO Bulletin and LDC E-Blast, and through other channels
 - More information on targeted calls and the schedule of application windows for unsolicited applications will be forthcoming

Whole Home Pilot Update

- Whole home program pilot launched in May 2017 in collaboration with gas utilities
 - Preliminary results indicate strong participation with 18,200 pre-assessment audits and 6,690 post-renovation energy audits completed for all homes types
 - 5,000 homes completed air sealing, 500 homes replaced windows; 600 homes increased attic insulation
- Pilot agreement extended until July 2018
 - Enables IESO to evaluate pilot before committing to a province-wide program
 - Greater controls and procedures to prevent duplication with Heating & Cooling and GreenON Rebates
 - Additional opportunity to discuss potential harmonization of incentives with GreenON Rebates

Mid-term Review Update

- As per the March 2014 ministerial direction, a formal mid-term review of the Conservation First Framework (CFF) and Industrial Accelerator Program (IAP) commenced in December 2016
 - Navigant Consulting engaged to conduct review
- Formal stakeholder engagement through:
 - Mid-Term Review Advisory Group (monthly meetings)
 - Public webinars
 - Market research (one-on-one interviews, workshops)
 - Mid-term Review engagement webpage¹
- Draft report on options and opportunities shared with Mid-Term Review Advisory Group on January 3rd

¹Webpage: www.ieso.ca/sector-participants/engagement-initiatives/engagements/conservation-framework-mid-term-review

Next Steps on Mid-Term Review Process

- **January 9** - Mid-term Review Advisory Group webinar
 - Advisory Group written comments due January 23rd
- **January 30** - Public webinar
 - Public written comments due February 13
- **February 21** - IESO Stakeholder Advisory Committee
- **March 8** - Final Mid-term Review Advisory Group meeting
- **March 31** - IESO to produce a report that provides recommendations to Ministry of Energy

CONSERVATION COUNCIL DISCUSSION ITEMS



Ensuring a Cost Efficient Framework

- Cost efficiency was identified as a guiding principle for the Conservation First Framework
- Mid-term review process identified constraints on both LDC and central services budgets as we move into the second half of the framework

How can we ensure that CFF remains a cost efficient and cost competitive resource?

Increasing Stakeholder Input into Framework

- Customer and channel feedback is not formally integrated into the program design process
 - When their input/feedback is requested, some indicated challenges in seeing how it was incorporated
- Market research indicated that small and mid-size LDCs perceive their regional needs as well as their feedback to IESO and Working Groups on programs and CFF are not being heard

How can we ensure perspectives from customers, LDCs, and channel partners are regularly and effectively integrated into the framework?

CFF Governance & Approval Processes

- CFIC/IESO currently is reviewing proposed changes to the overall governance and program approval processes for CFF
 - Mid-term review highlighted a number of challenges in current structure and processes

How can we enable more timely and responsive improvements to new/existing province-wide programs?