

# Conservation Framework: Mid-term Review Advisory Group - Agenda

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| Date: March 8, 2018               |                                                                                                                                                                    | Time: 9:00am-1:00pm |  |
| Location:                         | <ul style="list-style-type: none"><li>Vantage Venues (formerly St. Andrews Conference and Convention Centre), 150 King Street West, 27th Floor - Room L2</li></ul> |                     |  |
| Meeting Chair(s) and Facilitator: | Nik Schruder (IESO)                                                                                                                                                |                     |  |
| Scribe:                           | Dixon Grant (Navigant)                                                                                                                                             |                     |  |

## Meeting Objective(s):

- Review stakeholder feedback on final report and responses
- Review actions underway as a result of the Mid-term Review Process
- Conclude the Mid-term Review Process

## Attendees:

**Members:** Gia De Julio (delegate – Alectra Utilities), Colin Anderson (AMPCO), Guru Kalyanraman, Amha Abraha (CBRE Limited), Chris Barker (CustomerFirst Inc.), Margaret Rodd (Entegrus Powerlines Inc.), Myfanwy Parry (Housing Services Corporation), George Katsuras (Hydro One), Iuliana Calin (Nest Labs), Michael Marchant (Toronto Hydro-Electric System Limited)

**Observers:** Bart Burman (Burman Energy Consultants), Jesse Kulendran (Electricity Distributors Association), Erika Lontoc (Enbridge Gas Distribution Inc.), Afreen Khan (Environmental Commissioner of Ontario), Giovanna Gesuale (Enwin Utilities Limited), Emma Schwab-Pflug (Ministry of Energy), Clarence Cheng (Ministry of the Environment and Climate Change), Roy Hrab (Ontario Energy Association), Tina Nicholson (Union Gas Limited)

**IESO:** Nik Schruder – Chair, Erinn Meloche, Sura Abdul-Razzak

**Navigant:** Benjamin Grunfeld, Emay Cowx (C2 Strategies), Dixon Grant

**Regrets:**

**Members:** Mark Schembri (Loblaw), Edward Rubinstein (University Health Network)

**Observers:** Bala Gnanam (BOMA), Joanne Van Panhuis (Brantford Power Inc.), Michael Lio (buildABILITY), Wes Johnston (CanSIA), Brandon Weiss (Cornerstone Hydro Electric Concepts Association Inc.), Sarah Colvin (Ecobee), Edward Glasbergen (Energy+ Inc.), Joe Barile (Essex Powerlines Corporation), Frances Murray (Just Energy Ontario LP), Jeff Kish (liteSMART), Katie Zwick (Ministry of Energy and Climate Change), Jack Gibbons (Ontario Clean Air Alliance), Valerie Bennett (Ontario Energy Board), Janet Taylor (Oshawa PUC Networks), Dan Roberts (Roberts and Company), Ersilia Serafini (Summerhill), Tim Wilson (Thunder Bay Hydro), Steve Zebrowski (Veridian Connections Inc.)

**IESO:** Phil Bosco, Susan Harrison, Terry Young

**Navigant:** Jodi Amy

| Action Items Identified                                                                                                                                                                                                                      | Response                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Note in the report and response document that “IESO-oversight of Target Exchange” should be characterized as “enhanced oversight”.                                                                                                           | Navigant to update documents and IESO to circulate |
| Summarize and respond to customer comments (both CFF and IAP) in the response document.                                                                                                                                                      | Navigant to update document and IESO to circulate  |
| Adjust the wording on slides 11 and 56 of the final report to note that the statement that there has been “little consideration to manage overall costs” is due to how the framework and LDC performance incentive mechanisms were designed. | Navigant to update document and IESO to circulate  |

| Key Themes Identified                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| <ul style="list-style-type: none"><li>• There is support for the Joint Program Operations Committee (JPOC) structure, but it requires clear guidelines and channels to capture customer input</li><li>• In addition to the overlap of CFF and GreenON programs, potential overlap between all conservation programs should be considered</li><li>• There is support for whole home and whole building programs, incremental to the programs and pilots currently available</li><li>• There is disagreement from some stakeholders that customers desire oversight of target exchange. It was noted that this oversight would increase administrative costs, which seemed counter-intuitive to some members. Some customers were unavailable to provide more context on this statement</li><li>• LDCs have managed their budgets cost-effectively, and have pursued performance</li></ul> |

### Key Themes Identified

- incentives in accordance with how the incentives were structured and the framework was designed
- Despite the observation that the IESO and LDC relationship adds cost to the framework, it should be noted that the framework is being delivered cost-effectively. Navigant has identified increased cost-efficiency as a principle of the Mid-term Review, which was agreed upon by stakeholders

### Agenda Item 1: Welcome and Introduction

Speaker: Nik Schruder (IESO)

Nik allowed for introductions of Advisory Group members. Nik told the group that upon completion of Navigant's report, the IESO will develop their recommendation report for the Ministry of Energy.

*Questions/comments:*

*A utility member asked if the IESO recommendation report will be released to the public. Response that the report will be posted to the IESO website following acceptance by the Ministry of Energy.*

### Agenda Item 2: Review of Actions Underway as a Result of the Mid-term Review and Next Steps:

Speaker: Nik Schruder (IESO)

Nik summarized updates from the Ministerial Directive in relation to the target reallocation of 0.4 TWh from the IAP to CFF.

*Questions/comments:*

*A customer commented that multiple large power customers have questioned why the IESO would go forward with transferring funding and target from the IAP given that there have been many recommendations on how to improve the IAP itself. Response that the IESO has undertaken extensive analysis to develop a more-informed forecast for IAP. The IESO has determined that a 1.3 TWh target for IAP projects is sufficient to meet needs based on available information from the current pipeline and customer discussions, but this target will be flexible if needed.*

Nik described the centrally delivered First Nations Conservation Demand Management Program per the February 8 Ministerial Directive to the IESO, as well as the development of the Target Exchange Guidelines.

*A utility asked if the target exchange principles and new deadlines apply to a target exchange within a joint plan. Response that these guidelines are only for target exchange between LDCs that are not in a joint plan.*

Nik discussed CFF governance including the working group updates and the Joint Program Operations Committee (JPOC).

*A utility member noted their support for the JPOC solution in the second half of the framework. It was noted that the JPOC structure should be nimble and flexible. Another utility member indicated that in addition to developing a structure, it is necessary that clear roles and guidelines are developed for JPOC.*

*A customer asked how the JPOC structure will enhance channels for customers to provide feedback on new and existing programs. Response that the JPOC will implement new processes to require stakeholder consultation in all program design and program changes (i.e. new and existing programs). One of the first tasks the IESO and LDCs are working on is to finalize this process for stakeholder feedback.*

Nik discussed updates in relation to attribution, forecasting requirements for LDCs and the collaboration fund. Nik then asked for any other questions from the group, to which there was none.

### **Agenda Item 3: Review of Stakeholder Feedback on Final Report and Responses**

Speaker: Benjamin Grunfeld (Navigant)

Ben described the stakeholder feedback response document and the edits that were made to the final report in response to the feedback. Ben asked if any stakeholders' comments were missed from the response, or if there were any general comments from the group.

*Questions/comments:*

*A customer noted that it is very important for the IESO to look at the overlap between programs to ensure a whole-building approach. In addition to GreenON programs, all programs from the Climate Change Action Plan should be considered. A customer noted that their comment in support of a one window approach to conservation programming was not reflected in the response. The customer noted that the IESO's statement that the Whole Home Pilot Program and Energy Partnerships Program address the need for both whole home and whole building programs because these are not viable for many types of customers. There must be a*

lateral discussion between the Ministries regarding the integration of GreenON, CCAP and CFF programs. Response that Navigant will review these comments and incorporate them into the official response and final report where applicable.

A customer asked if the response to stakeholder feedback document was only in response to stakeholder comments on the final report. Response that the document only addresses comments provided by stakeholders on the final report provided to the IESO on or before February 13, 2018. All other comments received have been addressed separately and posted on the Mid-term Review Engagement website under the corresponding public webinar date entries.

A utility member asked if the IESO will have a new central services budget available after IAP target exchange. Response that the IESO has been given approval by their board to determine the CFF and IAP budgets after the CFF and IAP target exchange and are in the process of determining how much should be allocated to central services. This will be released when it is finalized by the IESO.

Ben walked through the presentation and asked the group if they had any questions or comments on each of the major themes.

Questions/comments:

### **Target Exchange – as part of the Targets and Budgets Opportunity Module**

A utility member noted that clarification should be added to support the statement in the final report that “customers want more insight into LDC target exchange”. It would be more representative to say that it was one customer that said that. Also, this statement is inconsistent with the Mid-term Review finding that customers desire lower administrative costs in the framework. A customer responded and stated that they had reservations with Navigant adding more granularity / weighting to this particular comment, because this would then have to be done for every statement. Also, this would not take into consideration that some groups do not have as much representation as others on the Advisory Group. Response that the topic of customer oversight of target exchange was brought up in the Stakeholder Advisory Committee meeting and there was general agreement in support of IESO oversight.

A utility member asked what the customer’s reasoning was behind the desire to have more oversight over target exchange. Response that the customer is not present to speak to this. The oversight itself is intended to be a “light touch”, and is not intended to result in a major administrative burden. Also, the IESO is the counter-party to the Energy Conservation Agreement and, because of the nature of the agreement, the IESO requires oversight. Utilities noted that they take issue with changing the target exchange guidelines significantly after they have already provided recommendations for this process. The comment in the report and response should be changed to note that there will be “enhanced” oversight over target exchange, as there has already been IESO-oversight in the process of approving CDM plans that include a proposed target exchange.

### **Working Groups – as part of the Program Responsiveness and Flexibility Opportunity Module**

*A utility asked for clarification of the statement “while maintaining representation from IESO, LDCs and other stakeholders” on slide 4 of the response slide deck. It was their understanding that JPOC would consist only of the IESO and LDCs. Response that in the final report, Navigant identified the opportunity to include feedback from all relevant stakeholders in working groups and committees. The IESO confirmed that, in areas where there is overlap with gas or climate change programs, representation from those frameworks should be represented as part of their respective committees.*

*A service provider asked if there has been any discussion about assigning budgets for the JPOC and future working groups, as this will add more legitimacy. Response that the JPOC will set up a budget, and allocate it to several initiatives. The intention is that initiatives requiring external expertise will still be allocated budget.*

### **CDM Plans and Forecasting – as part of the Forecasting Opportunity Module**

*A customer indicated that there was concern over the lack of insight into whether an LDC delivered on forecasts. Response that this form of reporting is already captured by LDCs internally, but has not been reported to the IESO in an effective manner in the first half of the framework. The final report identifies the opportunity for a forecasting structure that aligns more closely with best practices of internal reporting. A service provider noted that there must be motivation for LDCs to carry out best practices in forecasting.*

*A utility noted that forecasting is not perfect, even it is improved as recommended. The IESO should be careful with how it treats forecasts. Another utility noted that there are external factors that will cause significant variability in results, which will show up in quarterly forecasts. Response in agreement. Forecasts can be aggregated to more mitigate variability.*

### **Budgets and Overall Cost-Envelope – as part of the Beyond the Current Framework (2020+) section**

*A utility noted that the following statement on slide 6 of the response slide deck is inherently wrong due to the cost-efficiency incentive “...utilities are targeting to spend the money they have been allocated, which suggests little consideration to manage overall costs”. Response that the cost-efficiency incentive is structured in such a way that there is little incentive to stop spending until the utility has exceeded 120% of its target. The cost-efficiency incentive drives reductions in unit cost, but it does not drive reductions in total budget. A utility member noted that this should not be considered a bad thing because 75-80% of the LDC budget is spent on incentives that benefit customers. Response in agreement, but the intention of this statement is to highlight that it is not clear what the ultimate objective is, achieve as much savings as possible, or achieve the target within budget. A utility member noted that, as it is written, the response on slide 6 negatively characterizes LDCs. The LDC performance incentives were designed this way, and LDCs*

*are just following the rules. Response that the wording on slide 6 will be adjusted to respond to these concerns.*

*Utilities stated that the objective of the framework is conservation first, and given that conservation is the cheapest “supply” option it should be prioritized. Response in agreement, but it should be noted that Ontario currently has an over-supply of electricity, and marginal cost benefits from conservation may not be realized within the duration of this framework.*

#### **GreenON and CFF overlap – as part of the Integration and Collaboration Opportunity Module**

*A utility member asked if it is Navigant’s intention to recommend how the IESO can avoid the overlap between GreenON and CFF. Response that the intention was to note that this overlap is a potential issue, and there is an opportunity to address this through engagement between IESO and relevant stakeholders.*

*A utility member asked if a greenhouse gas target for the CFF was discussed in this response to feedback document. Response that this topic was not submitted as a comment for final feedback, but the topic was discussed in the final report.*

#### **LDC Performance Incentives – as part of the Current State Key Findings section**

*A utility member noted that there is anecdotal evidence that joint plans have resulted in cost-efficiencies. Response that the report notes that there is “insufficient quantitative data” to prove cost-efficiencies of joint plans. A utility member indicated that LDC performance incentives were not designed to encourage LDCs to meet regional needs.*

*A utility member mentioned that the final report states that there is the potential for the IESO to pay up to \$120 million in LDC performance incentives, which does not seem to be possible. Response that the IESO determined the \$120 million figure using a bottom up approach and, based on internal calculations, is feasible once you include LDCs who may achieve greater than 100% of their CDM Plan target.*

#### **IESO and LDC Relationship – as part of the Current State Key Findings section**

*A utility noted that there is a regulatory cost for both LDCs and the IESO because the IESO regulates the CFF.*

*A utility member agreed that the IESO and LDC relationship adds cost, but noted that despite this added cost, the framework is performing cost-effectively. Also, the IESO and LDCs perform better together than they would apart. A service provider supported this statement and noted that teams that experience some tension often perform better than those that have no tension if the teams are striving towards a common goal. In the case of LDCs and the IESO, this common goal is improved customer experience.*

#### **Beyond 2020 – as part of the Beyond the Current Framework section**

*A customer asked when will stakeholders know what programs will be available in the next framework and if the IESO will be open to allocate budgets before the framework begins. Response that at this stage the IESO does not know what any future framework will look like. The IESO intends to continue to evolve programs throughout the remainder of the current framework and the IESO hopes that this evolution continues into the next framework. A customer asked if there is a way to forecast the number of projects that will not be completed within this framework. Response that this question ties back to forecasting opportunity, and the new working group structure should consider whether forecasts end at 2020 or beyond.*

*A service provider asked when applications for the next framework will be open. Response that this is an ongoing question and has not yet been determined.*

### **Miscellaneous Comments – Program Tools**

*A utility member asked if the application processing tool is addressed in the final report. Response that program tools are discussed in the report. In addition, the CDM-IS tool is currently being tested and is on track to be released this summer for CDM Plan submissions. The iCon system is currently being improved through engagement between IESO and LDC stakeholders. Small improvements have been made to iCon throughout this process to improve its functionality.*

Ben asked if there are any final comments or questions that should be considered.

*A customer noted that they had recently submitted their comments on the final report, which are in alignment with comments submitted by other large customers.*

*A Ministry of Energy observer asked what criteria was used to address statements in the final report where there was disagreement between stakeholders. Response that factual statements included in the report were validated. For other statements, Navigant retained the right to express their opinion as informed by the findings of the Mid-term Review.*

### **Agenda Item 4: Next Steps**

Speaker: Nik Schruder (IESO)

Nik closed out the meeting by thanking all members and observers. He noted that participants could provide further comments, which Navigant will incorporate into the final report if received in time.

Nik noted that a survey link will be sent out for members and observers to provide feedback on the Advisory Group process. Nik then asked for final comments.

*Questions/comments:*



*A customer asked when the Ministry of Energy will respond to the IESO's recommendation and what this response would entail. A Ministry of Energy observer noted that an answer to this cannot be provided at this time. A response will be provided at some point after the provincial elections, at which point the Ministry will prioritize the matters at hand and respond accordingly, likely late summer or early fall.*