

Conservation Framework Mid-term Review – Final Report

The IESO's Response to Stakeholder Feedback

The IESO presented the final Conservation Framework Mid-term Review report through an Advisory Group webinar on January 9th and a public webinar on January 30th.

The IESO received written comments from the stakeholders below following the webinars:

- Alectra Utilities
- AMP Energy (AMP)
- Association of Major Power Consumers in Ontario (AMPCO)
- Canadian Solar Industries Association (Can SIA)
- Cornerstone Hydro Electric Concepts (CHEC)
- Electricity Distributors Association (EDA)
- Enbridge Gas Distribution
- Housing Services Corporation (HSC)
- Hydro One Networks (HONI)
- Ontario Mining Association (OMA)
- Temagami Systems
- Toronto Hydro Electric Systems Limited (THESL)
- Union Gas Limited

Comments received following the webinars followed 15 major themes:

- Target Exchange
- Working Groups
- CDM Plans and Forecasting
- Budgets and Overall Cost Envelope
- GreenON and CFF Overlap
- LDC Performance Incentives
- Achievable Potential Study
- The IESO and LDC Relationship
- Customer Coverage
- Multi-Fuel / GHG Collaboration Guideline
- Collaboration Successes
- Customer experience
- Beyond 2020
- IAP Framework Comments
- Miscellaneous Comments

Below is a summary of the questions and written comments received summarized by theme, with a list of each stakeholder that provided a comment related to the theme. The IESO and Navigant response is below, *in italics*.

Target Exchange – as part of the Targets and Budgets Opportunity Module (summary of comments received from Alectra, CHEC, EDA, HONI and THESL):

- Disagreement that the IESO should act as a “Clearinghouse” or “Broker” for target exchange.
- Stakeholders commented that the IESO’s involvement in target exchange would add too much time.
- Suggestion that the IESO should only be involved if the target exchange is greater than 15% of the LDC’s target.
- Disagreement with the statement that LDCs “expressed that [target exchange] may be insufficient to address all budget needs”, and that this statement was intended to represent lack of clarity into the forecast of central programs.

Representatives on the Mid-term Review Advisory Group and the IESO Stakeholder Advisory Committee have voiced their support for government oversight of target exchange. Navigant is aware that the IESO has taken steps to outline criteria for approving target exchange between LDCs. As the counter parties to the Energy Conservation Agreements, the IESO and LDCs need to negotiate how the target exchange operates. Navigant is supportive of more representative forecasts from all stakeholders to support target exchange, as described in the Forecasting Opportunity Module.

Working Groups – as part of the Program Responsiveness and Flexibility Opportunity Module (summary of comments received from Alectra, EDA and HONI):

- Support for the Joint Programs Operations Committee (JPOC)
- JPOC should endorse major and minor changes to programs
- The IESO should only have up to 20% representation on JPOC

Navigant is aware that the IESO and LDCs have engaged in conversations about reforms to the working group structure. As the counter parties to the Energy Conservation Agreements, the IESO and LDCs need to negotiate how the working groups should be restructured.

Navigant has identified opportunities related to the working group structure, which include the suggestion to reduce working group size (3-5 members), while maintaining representation from IESO, LDCs and other stakeholders. These two suggestions may result in the IESO having higher than 20% representation on working groups.

CDM Plans and Forecasting – as part of the Forecasting Opportunity Module (summary of comments received from Alectra, CHEC, EDA, HONI and THESL):

- LDCs require a simple forecasting tool to provide the IESO with the most accurate CDM pipeline data
- LDCs are prepared to provide more detailed forecasts to the IESO on a more frequent basis, but LDCs should not be penalized for not meeting these forecasts
- This forecasting tool should not be combined with the current CDM Plan structure
- CDM plan submission frequency should not be increased to quarterly
- Skeptical of the statement that customers require more visibility into CFF forecasting

The objective of Navigant's observation is that there is an opportunity to bring best practices from business and budget management to the way that CDM funds are forecasted and managed. For example, on an annual basis LDCs should provide an update of their forecast through the remainder of the framework based on the best available information. On a quarterly basis, LDCs should provide forecast and variance reports through the remainder of the year. Support for the statement that customers want more visibility into CFF forecasting has been added to the final report.

Budgets and Overall Cost-Envelope – as part of the Beyond the Current Framework (2020+) section (summary of comments received from Alectra, EDA and THESL):

- Disagreement that utilities are mismanaging their budgets
- Requests for evidence to prove the following statement: "Policy guidance to add a focus on reducing overall budgets in addition to cost efficiency/cost effectiveness within the budget envelope"
- Request for explanation as to why cost-efficiency incentive is insufficient to provide evidence of cost management

Navigant does not intend to state that utilities are mismanaging budgets. From conversations in the advisory group and market research, it is obvious that utilities are managing to their budgets. That is, the utilities are targeting to spend the money they have been allocated. Which suggests "little consideration to manage overall costs".

LDC performance incentives are structured such that LDCs will typically receive a higher incentive if they achieve greater than 100% of their targeted savings rather than achieving their target under budget. Navigant recognizes that there needs to be a policy discussion about what incentive structure should be used: get as much energy savings for your budget, or achieve the energy target for as little of your budget as possible.

GreenON and CFF overlap – as part of the Integration and Collaboration Opportunity Module (summary of comments received from Alectra, CHEC, EDA, Enbridge, HSC and THESL):

- There is potential for overlap and duplication of GreenON and other Climate Change Action Plan programs, LDC-delivered CDM programs, and gas utility DSM programs
- It is the responsibility of the IESO and GreenON to avoid confusion between CFF and GreenON programs

- Existing framework (CFF) and LDCs are in the best position to help deliver GreenON programs
- The current ECA is a flexible document that can be easily amended to include climate change programs

Navigant agrees that there is significant potential for overlap and duplication between the many conservation programs available to customers. Finding ways to minimize overlap and duplication and avoiding market confusion are important going forward. One opportunity for minimizing the overlap is to allow for a one-window approach to conservation programs, as noted in the post-2020 section of the final report. A statement addressing customer confusion due to overlap between CDM, DSM and GreenON has been added to the final report (page 39).

LDC Performance Incentives – as part of the Current State Key Findings section (summary of comments received from Alectra, EDA and THESL):

- The bracketed statement “(even if they are underperforming)”, in relation to LDC performance incentives should be removed
- Disagreement that the LDC incentive design is misaligned with the spirit of the framework
- LDC performance incentives were designed as part of the ECA to support collaboration and target exchange.
- LDC performance incentives are a significant reason for the good performance of LDCs

The bracketed statement has been removed from the final report. Navigant has reported the following current state observations in the final report, which were derived from conversations with multiple stakeholders (i.e. Advisory Group, market research) and Navigant’s own research. Navigant believes that these observations indicate an opportunity for improvement:

- LDCs who wish to reduce their target through target exchange also reduce their performance thresholds, thereby increasing their ability to achieve performance incentives;
- Savings for programs not paid through an LDC’s allocated budget but support LDCs in meeting their CDM targets and performance incentives (e.g. savings from centrally funded programs and programs delivered by the IESO);
- LDC performance incentives are not provided to encourage other behaviours such as meeting regional needs; and
- Performance incentives payments are higher for joint CDM plans, though there is insufficient data to support whether joint CDM plans are achieving cost-efficiencies or better customer convenience.

Achievable Potential Study – as part of the Targets and Budgets Opportunity Module (summary of comments received from CHEC, EDA, HONI and THESL):

- The next (2019) APS must take into consideration changes since the start of the framework (e.g. Fair Hydro Plan, Climate Change Action Plan etc.)

- Budgets and targets should be adjusted to reflect these changes

Navigant agrees that results of the updated Achievable Potential Study are required to have an informed discussion about whether or not budgets and targets should be updated. The IESO will take into account the feedback received regarding the 2019 Achievable Potential Study when developing the scope of work, however the next 2019 APS is intended to inform the next framework. It should be noted that the 2016 APS resulted in a lowered mid-term incentive threshold for multiple LDCs. Also, multiple Mid-term Review stakeholders voiced their opposition of altering budgets and targets within the current framework.

The IESO and LDC Relationship – as part of the Current State Key Findings section (summary of comments received from Alectra, EDA and THESL):

- Disagreement that the relationship between the IESO and LDCs adds costs
- The ECA allows for flexibility and provides an option to avoid overlap between LDCs and the IESO
- Recommendation to reword this statement to read that it is administrative requirements between the two entities that add costs, as opposed to the relationship itself (slide 11 and 56)

Navigant does not intend to reword the statement on slides 11 and 56 “The IESO and LDCs’ relationship adds costs and limits effectiveness of framework”. The nature of the framework results in an overlap of roles and responsibilities between the IESO and LDCs, which increases the cost. The IESO is not a pure administrator, it has administration and delivery responsibilities (e.g. province-wide programs, HAP). The LDCs are not pure delivery agents, they have delivery and administration responsibilities (e.g. program design). There is significant amount of discussion within appendix B.4 – Governance and Operations Current State Summary, to qualitatively support the statement that the relationship between the IESO and LDCs adds cost and limits effectiveness.

The impact of this overlap on costs can be minimized if both sides are working closely together to minimize the need for duplication and are closely coordinating all efforts. It is Navigant’s observation that the current relationship between LDCs and the IESO reduces the amount of coordination and cooperation.

Customer Coverage Alternatives – as part of the Customer Coverage Opportunity Module (summary of comments received from EDA and THESL):

- Disagreement with the alternative opportunities provided in the Customer Coverage module of the final report (summarized below):
 - Adequate customer coverage remains at the discretion of the IESO (Page 100)
 - Alternate Opportunity 1 – The IESO continues to act as a back-stop for customer coverage, only steps in if there is a need for intervention (page 104)
 - Alternate Opportunity 2 - LDCs can offer all province wide-programs or CDM delivery in their territory is auctioned off (page 104)

- Alternate Opportunity 3 – Province wide programs are consolidated into a short list of core programs. Non-core programs, are either removed or consolidated. (page 105)
- Recommendation to add the caveat to alternate opportunity 3 (page 105) that LDCs can opt-in to discontinued province-wide programs
- Adequate customer coverage must be quantified

With respect to the first main bullet - comment acknowledged. There are pros and cons to each of the alternatives identified.

With respect to the second main bullet - the objective of alternative 3 is to reduce costs by limiting the number of small and ineffective programs that are managed by the IESO. If a province-wide program was discontinued, an LDC could in theory propose it as a cost-effective local or regional program within their territory if a local or regional need is clearly demonstrated and substantiated through market research.

With respect to the third main bullet – the intention of the opportunity discussed on pages 97-100 is to define or quantify adequate customer coverage.

Multi-Fuel / GHG Collaboration Guideline – as part of the Integration and Collaboration Opportunity Module (summary of comments received from Enbridge, THESL and Union):

- There is strong support for a collaboration guideline, which should be developed with input from gas and electric utilities
- The collaboration guideline should leverage learnings from existing DSM framework
- A review of the barriers to collaboration between frameworks is required to develop effective collaboration guidelines

Navigant agrees that a collaboration guideline should incorporate feedback from all stakeholders. The corresponding opportunity on page 115 has been updated to include the opportunity to leverage learnings from past collaboration guidelines and case studies from the natural gas DSM and CFF frameworks. It should be noted that the IESO, GreenON and the OEB are currently investigating the barriers to Multi-fuel / GHG collaboration through the Whole Home Pilot Program and the GreenON Rebates program.

LDC Collaboration Successes – as part of the Integration and Collaboration Opportunity Module (summary of comments received from CHEC and THESL)

- Formal and informal collaboration is occurring between LDCs to the benefit of the framework
- The successes of LDC collaboration should be addressed qualitatively

Navigant agrees that there have been many successful examples of collaboration benefitting the framework. Page 122, within the Integration and Collaboration Opportunity Module of the report,

describes the opportunity to develop a process to regularly monitor the successes of collaboration and share this information with the province.

Customer Experience – as part of the Program Responsiveness and Flexibility Opportunity Module (summary of comments received from HSC, OMA and THESL)

- The process for participation should be simplified, including improving the application system
- Provide more support for customers including databases of past projects, customized support.
- Take a whole-home and whole-building approach to conservation

The IESO and LDCs are working together to engage the marketplace on developing and enhancing program tools. Navigant has identified the opportunity to integrate customer feedback into these processes (page 86). The Whole Home Pilot Program is an example of an available program that takes a whole home approach. The Energy Partnerships Program (EPP) is available to target the whole building approach for multi-site customers. Navigant has identified the opportunity for a one-window approach to conservation, which could allow for more whole home and whole building programs.

IAP Framework Comments – as part of the Framework Opportunities – Industrial Accelerator Program section (summary of comments received from AMPCO and OMA):

- The IAP framework timeline should be increased to allow for longer term projects
- The IAP can be streamlined and made more flexible for customers' needs
- Program targets and budgets should be tied to an organization's size
- Flexibility should be incorporated to allow for new technologies
- Integration and harmony between electricity, natural gas, water and greenhouse gas conservation targets is needed
- Disagreement with the recent target exchange between the CFF and IAP

Comments acknowledged by Navigant. Options for flexibility for change, and the opportunity for a more streamlined IAP framework are captured in the Program Responsiveness, Integration, and Flexibility opportunity module. Also, in the post-2020 section of the report, Navigant identifies the need for continuity. This includes an opportunity to provide more consideration of transition between frameworks.

In regards to the CFF and IAP target exchange, 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.

Beyond 2020 – as part of the Beyond the Current Framework section (summary of comments received from Alectra, CHEC, EDA, HSC and THESL)

- Continuity between frameworks should be prioritized
- Defined roles and responsibilities, including defined processes and service levels, should be a key principal
- A committee of MOE, MOECC, LDCs and gas utilities should be created to ensure policy drivers are embedded in the all energy delivery model.
- There is a need for integration to support a streamlined and consistent one-window approach to conservation
- There should be a multi-year extension of the current framework, re-confirming the industry's commitment to "conservation first"
- There is a need for accountability in the framework.

Comments acknowledged by Navigant. In the post-2020 section of the final report, Navigant identifies the need for framework continuity and the opportunity for a one-window approach to conservation. Navigant agrees that responsibilities should also be accompanied by clear accountabilities.

Miscellaneous Comments

- Non-Energy Impacts (summary of comments received from EDA, HSC and THESL):
 - Disagreement with the alternative opportunities provided in the Non-Energy Impacts module of the final report
 - Suggestion to include low income non-energy impacts
 - At a minimum, greenhouse gases should be included in non-energy impacts

Comments acknowledged by Navigant. There are pros and cons to each of the alternatives identified.

- Stranded budgets (summary of comments received from Alectra):
 - The deadline requirement of projects being completed by 2020 will lead to stranded budgets

Comments acknowledged by Navigant. In the post-2020 section of the report, Navigant identifies the need for continuity. This include an opportunity for policy direction to ensure funding continues past 2020.

- Regional Planning (summary of comments received from CHEC, Enbridge and Union):
 - Gas utilities should be eligible to participate in regional planning
 - Support, guidelines and best practices will help incorporate CDM into regional planning

Comments acknowledged by Navigant. The IESO has released its implementation plan for the 2017 LTEP initiatives, which include the responsibility to review and report on the regional planning process, taking into account lessons learned, and provide options and recommendations. Navigant recommends that Gas utilities should participate in this process.

- Savings Follow Funding (summary of comments received from CHEC and Enbridge):
 - Disagree with this opportunity, and believes that this will lower collaboration by reducing claimable savings.
 - Support for IAP savings from LDC-served customers being attributed to LDC targets

Navigant's intention with this statement was with respect to savings within the CFF and IAP frameworks, which require careful consideration. Attribution between natural gas and electricity utilities on joint programs is a separate issue that also requires careful consideration.

- Program Tools (summary of comments received from CHEC, Temagami):
 - Suggestion of the Temagami platform for incentive management.
 - Frustration from multiple stakeholders regarding IT systems and tools used to support CFF (iCon, Cost Effectiveness Tool)

Comment acknowledged by Navigant. The IESO is working with LDCs to engage the marketplace on developing and enhancing programs tools. The LDCs are also supporting programs and their customers through various unique tools to continue to build the customer experience.

- Business Case Templates (summary of comments received from Alectra)
 - The IESO should provide the criteria on which business cases will be evaluated
 - Requirements for business case changes should be proportional to materiality of the change, and should be standardized
 - Agreements should be reached between the IESO and Working Groups regarding the review of the business case template, along with clearly designed roles and responsibilities

Navigant acknowledges these comments and is supportive of the business case template review, and recommends that the review is carried out with input from LDCs and other stakeholders. The IESO is currently working on updating and clarifying the requirements business case templates.

- Inclusion of Other Technologies in Upcoming Conservation Programs (summary of comments received from AMP and Can SIA)

- Clarity should be provided on the eligibility of energy storage, solar and other renewables and technologies in the CFF and IAP frameworks

In the final report, Navigant describes that the definition of CDM should consider new technologies, and that a process is put in place to regularly review the definition of CDM in light of policy and technology changes.

- Various comments to provide more clarity and evidence for statements made in the final report (comments received from Alectra, CHEC, EDA and THESL):

Navigant acknowledges these comments and has addressed them individually in the final report by adding more support, context and evidence where possible. Slides have been added to the end of the final report to note all changes that have been made as a result of stakeholder feedback.