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BY EMAIL AND WEB POSTING

December 1, 2020

To: All Rate-regulated Natural Gas Distributors
All Participants in EB-2019-0003

Re: Post-2020 Natural Gas Demand Side Management Framework
Board File Number: EB-2019-0003

The Ontario Energy Board (OEB) has determined that the best approach for approving a post-2021 Demand Side Management (DSM) plan is for the OEB to consider it through an application process. For that reason, the policy consultation is being concluded. Through this letter, the OEB is inviting Enbridge Gas Inc. to develop and file a comprehensive DSM plan application for DSM programs starting in 2022. The application should include proposed targets, budgets, and programs for the next multi-year DSM plan term. This letter also provides Enbridge Gas with initial guidance to assist it in developing its application, although the proposals made by Enbridge Gas will ultimately be at the discretion of the company.

Background

The OEB began a policy consultation, to be completed in stages, through a [letter](#) dated May 21, 2019. Following a Phase 1 Stakeholder Meeting on June 13, 2019 to receive input on the scope of the consultation and the goals and objectives, the OEB [indicated](#) that it would undertake a comprehensive review of the current framework for the purpose of establishing a new framework.

In a [letter](#) issued on December 19, 2019, the OEB initiated Phase 2 of the consultation and provided a draft consultation plan identifying topics for discussion. The OEB held a Phase 2 Stakeholder Meeting on January 28, 2020 to seek input on the consultation plan and general framework ideas.

On July 16, 2020, the OEB issued a [Decision and Order](#) approving a one-year extension for Enbridge Gas Inc. to continue delivering DSM programs under the existing framework throughout 2021.

OEB Direction

Given the passage of time, and in an effort to achieve efficiencies and increase the timeliness of OEB approval of a new multi-year natural gas DSM plan, the OEB is concluding the consultation process in favour of an adjudicative process. The OEB invites Enbridge Gas to file a comprehensive multi-year DSM plan application for the OEB to review new conservation programs, budgets, and targets for the post-2021 period. With the existing 2015-2020 DSM framework set to expire on December 31, 2020, forgoing additional pre-hearing consultation will allow the process to be streamlined through the OEB's adjudicative process. The OEB and interested parties will have the opportunity to undertake a detailed review and comprehensive analysis of the application in order to assess the value and merit of all proposals related to ratepayer-funded DSM programs. This will ensure that the initial goal of the policy consultation, which was to undertake a comprehensive review of the central elements of a DSM plan, can still be achieved.

Enbridge Gas's DSM plan application should be informed by the results of the 2015-2020 DSM plans, the OEB's [Mid-Term Review Report](#), the 2019 [Achievable Potential Study](#), information received through the post-2020 DSM consultation to date, and the government's policies and commitments in the Environment Plan as they continue to evolve, including as expressed in the November 27, 2020 [letter](#) from the Associate Minister of Energy and the Minister of the Environment, Conservation and Parks to the OEB regarding the Ontario government's current policy objectives related to DSM.

The OEB's overall objectives for ratepayer funded DSM and key guidance on the main elements of natural gas DSM plans are provided below to allow Enbridge Gas to develop an application for a new multi-year DSM plan that will be subject to a hearing by the OEB. The panel of commissioners hearing the application, however, will ultimately make its decision based on the evidence and arguments before it.

Objectives and Costs of Ratepayer-Funded Natural Gas DSM

As part of Phase 1 of the OEB's consultation, the OEB received written comments from 25 stakeholders regarding the goals and objectives of ratepayer-funded DSM. Following its review and consideration of the submissions, the OEB is of the view that the primary objective of ratepayer-funded natural gas DSM is assisting customers in making their homes and businesses more efficient in order to help better manage their energy bills.

In working towards the primary objective, Enbridge Gas's future ratepayer-funded DSM plan should also consider the following secondary objectives:

- Help lower overall average annual natural gas usage
- Play a role in meeting Ontario's greenhouse gas reductions goals
- Create opportunities to defer and/or avoid future natural gas infrastructure projects¹

These secondary objectives balance input received from stakeholders and refine the objectives included in the former 2015-2020 DSM framework. The OEB is of the view that these secondary objectives are important considerations that a well-planned and effectively implemented DSM plan can help achieve.

Over the course of the 2015-2020 term, annual OEB-approved natural gas conservation budgets have doubled from the previous levels approved for the 2012-2014 term, up to approximately \$140 million per year by the end of the current term. With COVID-19 creating many financial hardships, energy conservation has a role in helping to reduce energy costs and assist customers in managing their energy bills. The OEB anticipates modest budget increases to be proposed by Enbridge Gas in the near-term in order to increase natural gas savings, and expects Enbridge Gas to seek to improve the cost-effectiveness of programs. However, the appropriate level of ratepayer funding expended for DSM programs must weigh the cost-effective natural gas savings to be achieved against both short-term and long-term customer bill impacts.

The OEB expects that all requests for ratepayer-funding to support DSM programs be accompanied by detailed evidence that shows how the programs will benefit Ontario's natural gas customers, help reduce overall natural gas usage and costs, and contribute towards meeting the Government's goals to reduce greenhouse gas emissions.

DSM Programs

Based on the OEB's evaluated results of the 2015 to 2018 DSM programs, while still cost-effective, the level of natural gas savings achieved through DSM programs for each dollar spent has been decreasing. This may be related to Enbridge Gas striving to

¹ DSM can avoid or defer infrastructure passively (by reducing overall natural gas use and infrastructure needs) or actively (by targeting specific infrastructure projects). The OEB has an ongoing hearing that is considering Enbridge Gas's proposed Integrated Resource Planning framework (EB-2020-0091). As part of that proceeding, the OEB will decide on the relationship between the IRP framework and future utility DSM plans and the extent to which Enbridge Gas will be expected to meet this secondary objective as part of its future DSM plan.

meet a number of different priorities, programs being extended to harder-to-reach customers, and recent updates to outdated assumptions.

The OEB expects Enbridge Gas to seek out elements of current programs that can be modified and consider new programs in order to optimize overall program results to make the best use of ratepayer funding. When reviewing its current suite of programs and potential future programs, Enbridge Gas is expected to consider input received through the post-2020 DSM framework consultation, lessons learned from the past six years of activity, the OEB's evaluation reports and recommendations from the Evaluation Contractor, stakeholder feedback from the Mid-Term Review consultation and the recent 2021 DSM plan proceeding, the 2019 Achievable Potential Study, as well as the Government's Environment Plan as it continues to evolve.

For example, Enbridge Gas is encouraged to find ways to increase the natural gas savings from its programs by reducing free ridership, targeting key segments of the market, including low-income and on-reserve First Nations communities, and customers with significant room for efficiency improvements, and strategically incenting customers to achieve more savings. Consistent with the OEB's direction provided in the OEB's [Mid-Term Review Report](#), Enbridge Gas is expected to be actively screening potential program participants thoroughly, and actively seeking out customers who can most greatly benefit from the programs, thereby ensuring program funds are used as efficiently as possible. Further, the OEB expects that all programs continue to be cost-effective as defined in the Mid-Term Review Report.

Additionally, consistent with the [Ministerial Directive](#) issued to the Independent Electricity System Operator (IESO) on September 30, 2020, the OEB expects that Enbridge Gas will endeavor to coordinate the delivery of DSM programs with electricity CDM programs where possible, including modifying the participant eligibility requirements of its current low-income program in order to be consistent with the electricity income-tested CDM program eligibility requirements. The centralization of electricity CDM programs under the IESO may lead to new opportunities for DSM-CDM collaboration and a greater level of overall energy savings. The OEB expects Enbridge Gas to file evidence addressing linkages to the new electricity CDM framework and to identify opportunities for efficiencies, program cost reductions, and increased natural gas savings.

Targets, Metrics and Shareholder Incentives

The OEB completed an updated Achievable Potential Study in October 2019. The study was integrated with the IESO with the objective of identifying and quantifying energy

savings (electricity and natural gas), greenhouse gas emissions reductions and associated costs from demand side resources for the period from 2019 to 2038. While not determinative, the OEB expects that the findings from the study will be used to inform future natural gas DSM plans.

Further, the OEB is generally supportive of continuing the use of a utility shareholder incentive as a reward for meeting or exceeding performance targets. The OEB expects that future performance be assessed relative to measurable, outcome-based metrics. Additional metrics should also be proposed to ensure all segments of the market are reached and small volume, low-income customers and on-reserve First Nations communities are well-served. The OEB encourages Enbridge Gas to develop a longer-term natural gas savings reduction target, separate from the annual targets, that it will work to achieve by the end of the next multi-year DSM term.

Evaluation, Measurement and Verification

The OEB will continue to provide annual oversight of DSM programs through its role in leading the evaluation, measurement and verification (EM&V) activities. The OEB expects that all future process evaluations undertaken by Enbridge Gas will be included in the OEB's EM&V Plan. These evaluations assess the design and delivery of programs, and all scope of work documents and deliverables will be reviewed by the OEB's Evaluation Advisory Committee and the OEB's Evaluation Contractor.

Additionally, as part of its application for a new multi-year DSM plan, Enbridge Gas is expected to provide information on how it has refined its processes and improved its tracking databases, as recommended by the OEB's Evaluation Contractor, to support the OEB's evaluation process, reduce costs and increase efficiencies.

Term

The OEB expects that Enbridge Gas's new multi-year DSM plan will be for a minimum term of three years up to a maximum of six years, including 2022. Enbridge Gas may consider it necessary to maintain some elements from its 2021 DSM Plan as part of its proposed 2022 DSM Plan to potentially act as a transition to the next multi-year DSM plan. Enbridge Gas should specify in its DSM Plan application by when approval of its 2022 DSM Plan would be required in order to ensure program continuity. Alternatively, Enbridge Gas may file a separate application for 2022.

Next Steps

At a minimum, the OEB expects Enbridge Gas to submit an application for a new DSM plan that includes proposed targets, budgets, programs, and performance metrics no later than May 1, 2021.

As the OEB's main objective for DSM is relevant to all Ontario natural gas customers, the OEB encourages EPCOR Natural Gas Limited Partnership to consider filing its own DSM plan. The OEB appreciates that any DSM plan filed by EPCOR would need to be devised and assessed in a different manner than that of Enbridge Gas, however, the objectives outlined in this letter are still relevant to EPCOR.

The OEB thanks all participants for their contributions to the consultation. A Notice of Hearing for Cost Awards regarding the remaining activities not yet addressed will be issued separately.

Yours truly,

Original Signed By

Christine E. Long
Registrar