

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

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| <b>Date:</b> June 22, 2017               | <b>Time:</b> 9:00am-2:30pm   |
| <b>Location:</b>                         | <ul style="list-style-type: none"><li>St. Andrew's Club &amp; Convention Centre, 150 King Street West, 16th Fl., Toronto - Room F1</li></ul> |
| <b>Meeting Chair(s) and Facilitator:</b> | Katherine Sparkes (IESO)   |
| <b>Scribe:</b>                           | Jodi Amy (Navigant Consulting)   |

## Meeting Objective(s):

- Review key takeaways and action items from prior Advisory Group meeting
- Discuss comments on revised materials from May meeting
- Provide update on Indigenous Conservation Programming Engagement
- Seek input on draft Topic 5 Summary: Planning Integration

## 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), Mark Schembri (Loblaw), Michael Marchant (Toronto Hydro-Electric System Limited), Edward Rubinstein (University Health Network)

**Observers:** Bala Gnanam (BOMA), Tim Sturgeon (delegate - Burman Energy Consultants), Jesse Kulendran (Electricity Distributors Association), Erika Lontoc (Enbridge Gas Distribution Inc.), Afreen Khan (Environmental Commissioner of Ontario), Emma Schwab-Pflug (Ministry of Energy), Katie Zwick (Ministry of Energy and Climate Change), Tina Nicholson (Union Gas Limited), Wes Johnston (CanSIA), Frances Murray (Just Energy Ontario LP), Roy Hrab (Ontario Energy Association)

**IESO:** Katherine Sparkes – Chair, Ahmed Maria, Bronwen Smith, Carrie Aloussis, Evelyn Lundhild, Erinn Meloche, Fraser Damoff, Nik Schruder

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

**Regrets:**

**Members:** Iuliana Calin (Nest Labs), Walter Nuvoloni (Lafarge)

**Observers:** Colin Anderson (AMPCO), Joanne Van Panhuis (Brantford Power Inc.), Michael Lio (buildABILITY), Brandon Weiss (Cornerstone Hydro Electric Concepts Association Inc.), Sarah Colvin (Ecobee), Edward Glasbergen (Energy+ Inc.), Giovanna Gesuale (Enwin Utilities Limited), Joe Barile (Essex Powerlines Corporation), 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.)

| Action Items Identified   | Response  |
|---|---|
| Summary of identified gaps and key conclusions for each topic to be developed and circulated to the group in preparation for Market Research                                | Navigant/IESO to develop summary document and circulate |
| Updates/edits to page 2 and 7 of Advisory Group Meeting Notes (May 25, 2017) based on feedback  | Navigant/IESO to update documents and circulate         |
| It was requested that on slide 9 of Topic Report 5 “energy efficiency” be used instead of “conservation”  | Navigant/IESO to update documents and circulate         |
| It was requested that the definitions of Regional Infrastructure Plan (RIP), Integrated Regional Resource Plan (IRRP) and Incremental Conservation be added to the glossary | Navigant/IESO to update documents and circulate         |
| MOECC reps to attend next AG meeting  | IESO to arrange   |

| Key Themes Identified   |
|---|
| <ul style="list-style-type: none"> <li>• There is a conflict between the fact that energy targets are assigned in the Conservation First Framework and that planning is primarily focused on addressing peak demand. The implications of this conflict are low encouragement and/or incentivization for incremental conservation to be used in planning.</li> <li>• There is minimal incentive for LDCs to pursue incremental conservation instead of traditional “wires” solutions.</li> <li>• The act of offering incentives for incremental conservation is not aligned with the provincial CDM goal of providing consistent customer offerings across the province.</li> <li>• The timing of regional planning has historically not been conducive to incremental conservation. Incremental conservation is not usually feasible to respond to short term needs. While it may be feasible for incremental conservation to respond to mid and long-term needs, cost effectiveness estimates are not usually given for those timeframes.</li> </ul> |

## Key Themes Identified

- There is an opportunity to unlock value from offering incremental conservation by tying incentives to programs that mitigate peak demand. Incremental conservation may also be a valuable resource if Ontario follows one of the higher demand growth scenarios.
- LDC business models are not aligned with supporting incremental conservation. This misalignment is in part due to the accounting treatment of conservation projects in relation to traditional supply-side projects.
- Lack of insight into local/regional achievable potential is a major barrier to incremental conservation. The IESO has committed to supporting multiple local achievable potential studies, with the goal of identifying potential conservation pilots that could help inform future incremental conservation activities.
- Incremental conservation is not disallowed as part of an LDC's rate-filing, but there is little encouragement and the approval criteria is not clear.
- Minimal coordination between gas and electricity planning could lead to integration issues and missed opportunities. This lack of integration is, in part, due to the different regulators, laws and planning processes for gas and electricity.
- Under current processes, incremental conservation will be charged at the local or regional level, but will potentially provide upstream benefits. This highlights the challenge of viewing planning through the "system lens" vs. the "customer lens".
- An adder, as part of the current Conservation First Framework, could be an effective method of encouraging incremental CDM to meet regional needs.
- Some of the action items identified for improving planning in relation to conservation, may be better addressed through avenues outside of the Conservation First Framework.

### **Agenda Item 1: Welcome and Introduction**

Speaker: Katherine Sparkes (IESO)

Katherine kicked off the meeting with a review of the agenda items. Katharine highlighted that the following comments on the meetings notes from the previous Advisory Group meeting (May 25, 2017) have been noted and will be addressed:

- Page 2 – in the fourth bullet the word "staking" should be exchanged with "stacking"
- Page 7 – the paragraph starting with the sentence "Customers commented that buildings are entire systems..." should be reworded for more clarity

Katherine mentioned that the meeting will follow the same format as the previous Advisory Group Meeting and asked for any initial feedback from the group.

*Questions/comments:*

*Members of the group posed questions regarding incentive setting, and specifically how it would be discussed as part of the mid-term review process, and whether there would be coordination with the climate change*

*work being done with the Ministry of the Environment and Climate Change and other agencies providing conservation incentives. The group also discussed the attribution of savings from stacked incentives. IESO responded that incentive setting is a narrow topic that most likely will not be discussed as part of the mid-term review process. It was agreed that incentive setting should consider the broader regulatory environment, including the work being done by the Ministry of the Environment and Climate Change and incentive stacking. It was advised by an observer, and agreed upon by the IESO, that more members of the Ministry of the Environment and Climate Change should be present at the meeting in July and potentially come forward with topics for climate change.*

*Customers indicated that falling technology costs should also be considered when setting incentives. IESO agreed that technology costs should be considered in incentive setting, but it is difficult to forecast these far into the future. A member of the group asked when the gas mid-term review results would be discussed. It was mentioned that an update on the gas mid-term review would occur at the following Advisory Group meeting in July.*

*A service provider suggested that members of the insurance sector should also be included in the market research phase to get their input on market transformation. IESO agreed that insurance-sector stakeholders can be included in market research.*

Katherine emphasized that written comments from members of the group are welcome and that all written comments must be posted on the website with IESO's response. All written comments received will be shared with the Advisory Group.

Katherine mentioned that the IESO has scheduled a public webinar for the definition of CDM topic, which will be posted online.

## **Agenda Item 2: Update on Indigenous Conservation Engagement**

Speaker: Nik Schruder (IESO)

Nik stated that the Indigenous Conservation Engagement is being run in parallel to the Mid-Term Review. At the close of this engagement, a report focusing on conservation in Indigenous communities will be submitted alongside the Mid-Term Review to the Ministry.

Nik highlighted that the purpose of this engagement was to determine any gaps in conservation programming for Indigenous communities. He mentioned that in the old framework, the IESO delivered a direct install program. In the Conservation First Framework, there are minimal programs specifically for Indigenous communities. Nik mentioned some programs for Indigenous communities, but stated that this engagement will determine if needs are being met by current program offerings and uncover opportunities for future programming in indigenous communities. Many of these plans have identified conservation and renewables as solutions to address issues experienced by the communities.

Nik ended by stating that they will be carrying out a stakeholder consultation process as part of the Indigenous Conservation Engagement.

*Questions/comments:*

*An Advisory Group member recommended providing conservation-specific jobs to Indigenous communities (e.g. summer internships) to help with the engagement and build more knowledge of, and support for, conservation within Indigenous communities. Nik stated that the IESO will consider it.*

*An LDC member of the Advisory Group asked if the IESO was considering providing extra funding to these communities as part of this process, and if so, there should be coordination between the IESO and the LDC to avoid duplicative activities. Nik stated that further funding for Indigenous community conservation programs was a possibility, and agreed that the IESO should coordinate this funding with the LDC.*

### **Agenda Item 3: Presentation of Topic 5 – Planning and Integration**

Speaker: Benjamin Grunfeld (Navigant)

“How do CDM Programs and the Conservation First Framework Fit into the Broader Planning Context?” Ben summarized the content slides related to this question, and requested feedback from the Advisory Group.

*Questions/Comments:*

*An Advisory Group member asked if the Regional Infrastructure Plan is considered as part of the Integrated Regional Resource Plan. Response that there is a decision made whether they are both needed based on the region. The Regional Infrastructure Plan is carried out if infrastructure investments are determined to be needed, and the Integrated Regional Resource Plan is carried out when regional coordination and solutions in addition to infrastructure investments may be needed.*

*An Advisory Group member asked if CDM is considered a demand response (capacity) resource or an energy resource in planning. Response that it is considered for both, but planning is primarily done in capacity not energy. This was confirmed by the group, and the discussion emphasized that this is a key barrier because Conservation First Framework targets are stated in MW and MWh, whereas planning is carried out in MW.*

*A member mentioned that the key question should be rephrased to also include the question: “how does planning influence CDM programs?” The group discussed whether this was necessary, with certain members and Navigant indicating that this is covered by the clear flow-through of Long Term Energy Plan goals leading to CDM targets. A barrier was identified because system planning goals do not translate down to how planning influences incremental CDM on the local and regional level. The group discussed Toronto Hydro’s Cecil TS Demand Response program as one example of incremental conservation, but noted that this was approved by the Ontario Energy Board (OEB) not through the Conservation First Framework.*

*A member requested that Navigant rephrase the second bullet point of the right bottom box on slide 9 to say specifically “energy efficiency” instead of “conservation” Navigant added a note to make this change.*

*LDCs mentioned that they have multiple planning requirements (distribution, transmission, local and regional) and how it is difficult to design one program that fits all those needs. The Group discussed whether Ontario should cease assessing CDM using an energy target (MWh), and move toward a peak demand target (MW). Customers mentioned that targets for CDM should be set for on-peak, off-peak and critical peak impacts. The group supported this, mentioning that there is not much need for CDM to be considered as an energy solution because energy demand is forecasted to be flat. A member pointed out that there are four Ontario Planning Outlook scenarios, two are flat, two are growing, and we need to wait until the 2017 Long Term Energy Plan to see which demand forecast will be used. There was also support for a target or approach that enables additional value to be derived from surplus baseload.*

*The IESO stated that Integrated Regional Resource Plans are considered in terms of time. In the near-term, it is easy to determine the avoided cost of an incremental CDM solution. In the mid to long-term, it is more difficult to estimate the avoided cost, so Integrated Regional Resource Plans do not usually include a cost for mid-term to long-term. The IESO mentioned that in the near term it is usually too late to implement a CDM program. The Group recommended including avoided costs for mid to long-term planning, for which CDM is more suitable. A member gave an example that it costs about 10 million dollars to defer 10 MVA. A customer mentioned that electric vehicles that receive an incentive should include a requirement that these vehicles are not allowed to charge while on-peak.*

*A member of the Advisory Group asked if climate change impacts are being considered in planning. The discussion surrounded the fact that different regions of the province will be impacted by climate change to different extents, and ultimately there will be more cooling load in the province. Province-wide planning was discussed, and it was mentioned that conformity of planning is valued, but region-specific planning is also important. It was mentioned that there was a trade-off, and conflict, in viewing planning through the customer lens vs. the system lens. Discussions surrounding how the regional value of conservation is not fully considered in planning, and how historically, only wires solutions have been identified.*

*The Group discussed whether the gas framework was considered in electricity planning, highlighting that integration of the two is very important. Response that gas is not considered in provincial system planning, but gas and electricity planning is more integrated at the municipal level. Despite this, gas and electricity infrastructure plans are still individually completed. The IESO confirmed that gas and electricity planning are not highly integrated, primarily due to the different regulators, laws and planning processes. A member identified this as a gap, and questioned what role the province plays in integrating the two. The IESO mentioned that gas planning is partially considered in regional planning, as it gas is often considered in community energy plans (CEPs). IESO stated that CEPs are factored into the Integrated Regional Resource Plan as much as possible, and the organization sits in on many CEP meetings. An observer mentioned that integrating gas and electricity planning is a priority of the long-term energy plan (2017).*

*An observer asked if codes and standards are considered in planning. The IESO responded that it is incorporated into the load forecast. A Member posed a question about the timing of the Brooklyn-Queens pilot project mentioned in the topic report. Navigant responded that the pilot was proposed in 2014 to address a need identified for 2017 to 2018.*

*“How can customers be better engaged in the various planning processes?”  
Ben introduced the question and walked through the content slides from the topic report.*

*Questions/comments:*

*Question posed on how does the IESO define customer, “an end-user or a stakeholder?” The response was that both are considered customers. There was disagreement amongst members whether customers should be involved in planning process, with some customers stating that they would like a voice, and other customers stating that only very large customers in Ontario will have much to contribute to the planning discussion.*

*LDCs commented that rules for customer engagement in planning are not clearly defined. Another member mentioned that this question should be asked/posed later in the day after we discuss barriers, Navigant and IESO agreed that we would discuss this question in the next section.*

*An observer asked how the capacity market will impact CDM, and how much consideration has been put into this. The observer questioned how the capacity market payments will be paid for and the impact of this on conservation programs and adoption in the province. Navigant responded that there is uncertainty of how these costs will be passed through to the customer, and how this will ultimately impact CDM.*

*“What are the barriers to implementing incremental CDM, and what can be done to address these?” Ben posed the question and walked through potential barriers and content slides.*

*Questions/comments:*

*LDCs mentioned that there is no clear path to determining the payment of incremental conservation. LDCs do rate filings every five years, which does not allow for much flexibility. The barrier is that incremental conservation programs are typically considered as operating expenses (OPEX), which is not beneficial for LDCs business models (i.e., to support an incremental conservation program, the required OPEX must be taken out of some other program or activity). The group agreed that it was a major issue that LDCs cannot capitalize many incremental conservation programs. An LDC clarified that it depends on the program, for example a demand response program would be considered OPEX, however a program where you install a battery can be capitalized.*

*Questions surrounding why certain CDM programs cannot be capitalized. The logic posed was that if an LDC is offsetting a capital expenditure with an incremental conservation investment, it should be able to capitalize it. An LDC Member of the Advisory Group responded that their internal financial team did not allow them to capitalize a conservation program.*

*A non-LDC member mentioned that the business model barrier seems like a major issue, and as a result incremental CDM is not encouraged, required or incentivized. It leads to a point where the business model is at odds with carrying out incremental CDM. IESO questioned the group if there is a way to level out the playing field. A member responded that incentives should be designed in a way to address this. Service providers noted that the costs and risks with incremental CDM could be solved through by opening incremental CDM to competitive procurement.*

*Discussion surrounding transparency and whether it allows the market to compete effectively. LDCs responded that the process is already very robust, and moving in the right direction. Discussion surrounding defining what exactly is incremental conservation, and that the IESO or other government organization needs to define this. The discussion centred around the idea that it would be better to design a new program for incremental conservation, as opposed to updating an existing program, as it would delineate what was incremental conservation.*

*Discussions that the Conservation First Framework does not address incremental conservation, but the province is looking at ways to address this through the Conservation First Framework. A non-LDC member mentioned that there should be stronger encouragement for incremental conservation. An LDC member of the Group responded that incremental conservation is required to be considered in the Integrated Regional Resource Plan, and that they believe that this is a step in the right direction.*

*Question about what should be considered for the second half of Conservation First Framework to better incent LDCs to carry out incremental conservation. LDCs responded that incentives for incremental conservation should be done outside of the Conservation First Framework and stated that they do not believe LDCs would support local demand targets as part of the Conservation First Framework.*

*Question was raised if there is value in having two separate streams: an OEB stream for incremental conservation, and Conservation First Framework stream for provincial baseload target. The response from the Group that these should be layered, yet integrated enough to find the most cost-effective solution.*

*Question whether OEB regional planning should include incentives and recover the costs through OEB mechanisms without taking away budget from the Conservation First Framework. Response that IESO was open to consideration of an adder. The group questioned how an adder could be funded. The IESO mentioned there is the possibility for using the innovation fund for this. LDCs were concerned about using CDM dollars to offset constraints in specific regional areas, without taking into consideration different distribution rates. The response was that using the innovation fund is not a good long term solution for this, but it may work in the short term, and that there may be upstream benefits if IESO funds all conservation.*

*“How can the opportunities for further integration of CDM solutions in the Integrated Regional Resource Plan be encouraged from various stakeholders?” Ben posed the question, summarized the content slides and requested feedback from the group.*

*Customers mentioned that this question should be addressed through policy to bring the right groups together (gas, electricity, climate change and government) to develop a common vision. LDCs suggested that this may not be the correct forum for this particular discussion, which should be carried out by the planning teams. The Group agreed that this question was sufficiently covered in the conversation.*

#### **Agenda Item 4: Closing Remarks**

Ben mentioned that market research will be launched in July and carried out through the summer. Workshops will be held for LDCs and customers in late September, and the IESO will share these dates with the group. Katherine mentioned that a summary of each topic report, and observations and potential recommendations from the Advisory Group meetings, will be created for these workshops. This document will be sent out for comment by the advisory group in advance.

#### *Questions/comments:*

*A member asked when is the final report going to be sent out. The response was that the statutory deadline is June 2018, but Navigant and IESO foresee that it will be done earlier than that. Question whether the IESO would expect a further meeting to discuss the final report, the answer is that the Advisory Group will have an opportunity to review the draft report. A comment was raised that topic 8 on budgets and targets would be spread over two meetings. IESO agreed that topic 8 should be covered over two meetings.*