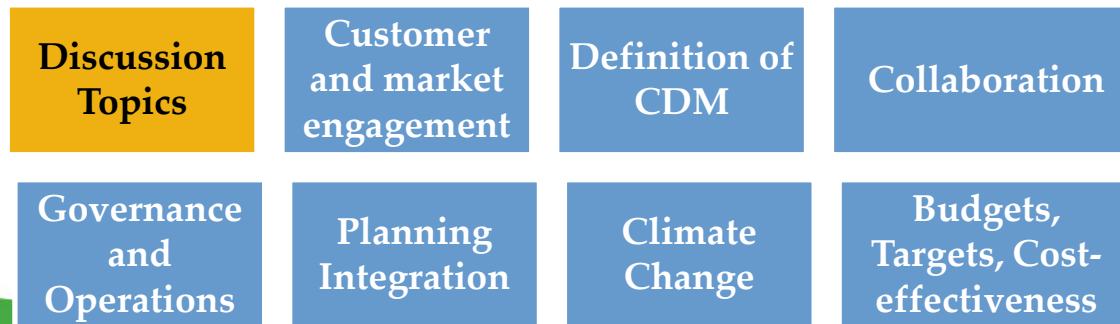


Mid-Term Review: 2015-2020 Conservation Framework

Update for IESO Stakeholder Advisory Committee
February 21, 2018

Overview

- Key objectives and outcomes of Mid-term Review
 - Review assessed Conservation First Framework (CFF) and Industrial Accelerator Program (IAP) implementation against any stated policy goals within directions from the Minister of Energy and Long Term Energy Plan (LTEP)
 - Key outcome: IESO to provide recommendations to the Minister of Energy to address any identified challenges or opportunities
- IESO updated SAC in May and August 2017 on initial discussions topics covered with Mid-term Advisory Group.
- Focus today will be to summarize key findings and feedback received from stakeholders that will inform IESO recommendations on Mid-term review



STAKEHOLDER FEEDBACK WAS GATHERED THROUGHOUT THE MID-TERM REVIEW PROCESS AND USED TO INFORM THE OPPORTUNITIES

CUSTOMERS

- Would like to see more **flexibility** in the frameworks tending towards a holistic, integrated approach to energy management.
- Value **simplicity** in the application and administrative processes that support programs.
- Would like to ensure **equitable access** to programs is protected with the target exchange.
- Strongly supported **consistent and continuous program availability** (both within and beyond this framework).
- Interested in **providing feedback** into current programs and the future framework and would like to **see how their feedback is integrated**.

LDCS

- Value their position in the market and **connection with customers** and interested in a larger **integrated program delivery** role.
- Desire an **LDC-led target exchange** and would like additional mechanisms to alleviate budgetary pressures.
- Would like to see **consistent, informed, and transparent decision making** with respect to framework adjustments and approval of working group recommendations.

IESO

- Would like a more formal avenue for **stakeholders to provide feedback** into programs and the framework.
- Need additional **visibility** into anticipated framework performance at the LDC level.
- Desire to have **oversight into the LDC target exchange** to ensure alignment with policy objectives.
- Need for **re-distribution of funding** to alleviate additional demands on central services.
- IAP account managers have heard that **customers experience a perceived trade-off** between energy efficiency projects and other policies and programs (e.g., cap and trade and Industrial Conservation initiative).

THIRD PARTIES/OTHER STAKEHOLDERS

- Reiterated the desire for customer **continuity** between frameworks and provincial consistency of program offerings.
- Desire more **consistency** in program administration across the province.

SEVERAL SHORT-TERM (2018 – 2020) OPPORTUNITIES TO IMPROVE THE CFF AND IAP WERE IDENTIFIED AND GROUPED INTO OPPORTUNITY MODULES

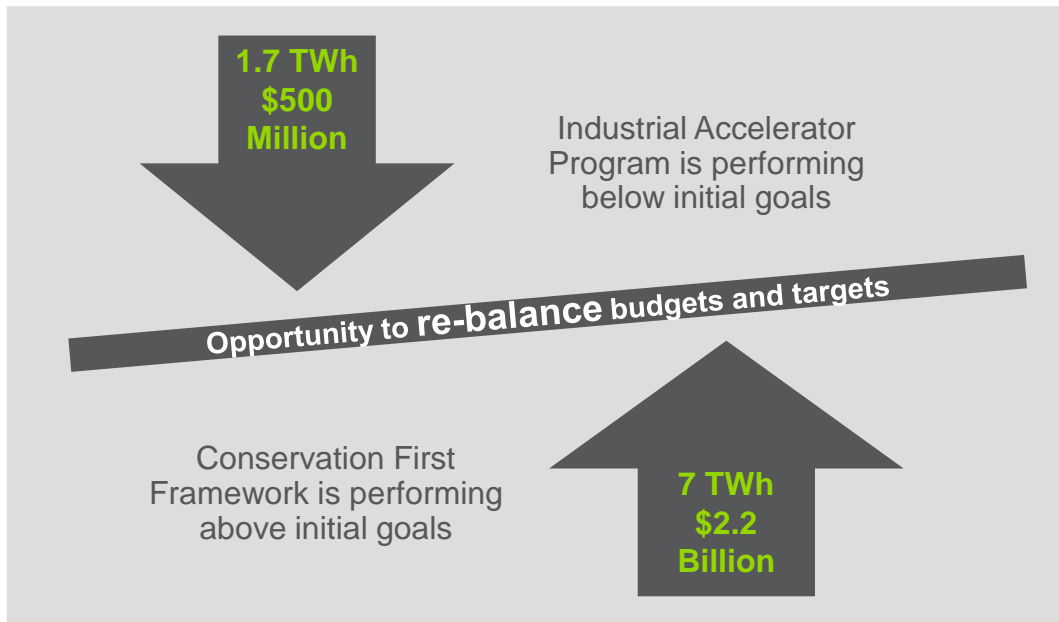


THERE IS AN OPPORTUNITY TO SHIFT BUDGET AND TARGET BETWEEN IAP AND CFF TO REBALANCE OBSERVED PERFORMANCE

MID-TERM REVIEW FINDING

CFF is performing well and it is expected to exceed the 7 TWh target within its \$2.2 billion budget.

IAP is trending below the original 1.7 TWh target achieving greater cost-efficiencies than forecasted and well below the \$500 million budget.



RESULTING ACTION

- The IESO is seeking to rebalance the 8.7 TWh and \$2.7 Billion budget between the Conservation First Framework and Industrial Accelerator Program through amending Ministry Direction in Q1 2018.
- IESO is reviewing feedback obtained through the mid-term review to understand opportunities for a central funding pool.

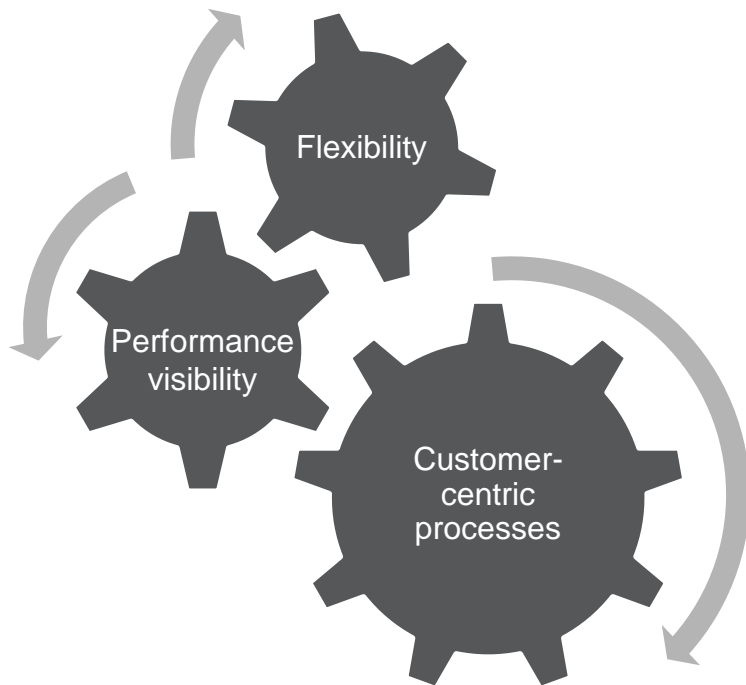
2015 – 2020
8.7 TWh
\$2.7 Billion

UPDATE: Amending Direction received February 8, 2018

THERE ARE OPPORTUNITIES TO IMPROVE FLEXIBILITY, PROCESSES, AND VISIBILITY IN PERFORMANCE WITHIN BOTH FRAMEWORKS

MID-TERM REVIEW FINDING

Similar challenges with flexibility, customer-centric processes and contracts, visibility into performance exist within both frameworks.



RESULTING ACTION

Conservation First Framework:

- IESO and LDCs are in discussions to determine how to evolve Working Group structures and/or governance to better respond to market needs.
- IESO to initiate a formal stakeholder engagement process to support Working Groups and obtain regular feedback on programs and the framework from all stakeholders.
- IESO and LDCs seeking how best to share data between entities to better estimate framework performance and other indicators to support decision making.

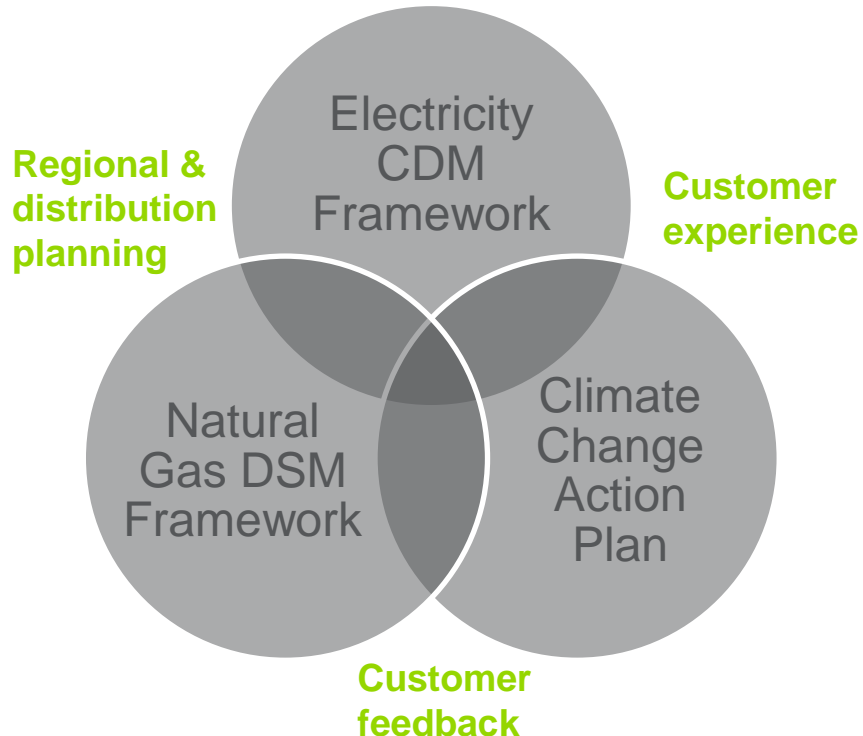
Industrial Accelerator Program:

- IESO is reviewing feedback from mid-term review to determine where improvements can be made to increase flexibility, continue to transition to more customer-centric processes and contracts, and increase visibility into program performance.

THERE ARE OPPORTUNITIES TO FURTHER COLLABORATE IN THE SHORT-TERM LEADING TOWARDS GREATER INTEGRATION ACROSS FRAMEWORKS

MID-TERM REVIEW FINDING

Customers and other stakeholders see value in integration across frameworks. Increased collaboration across frameworks recognized as a first step to enable integration.



RESULTING ACTION

- IESO and Ministries are discussing attribution issues across frameworks as they arise (e.g., joint programs between GreenON, natural gas utilities, and IESO/LDCs).
- Opportunities to improve integration of CDM and other non-wires alternatives with distribution and regional planning will be further investigated as a result of LTEP 2017.
- IESO is reviewing mid-term review findings to determine how best to pilot greater integration across the various frameworks and how best to measure and communicate on current collaborative efforts.

CONTINUOUS IMPROVEMENTS WILL ENSURE BETTER ALIGNMENT OF THE FRAMEWORK TO STATED POLICY OBJECTIVES

MID-TERM REVIEW FINDING

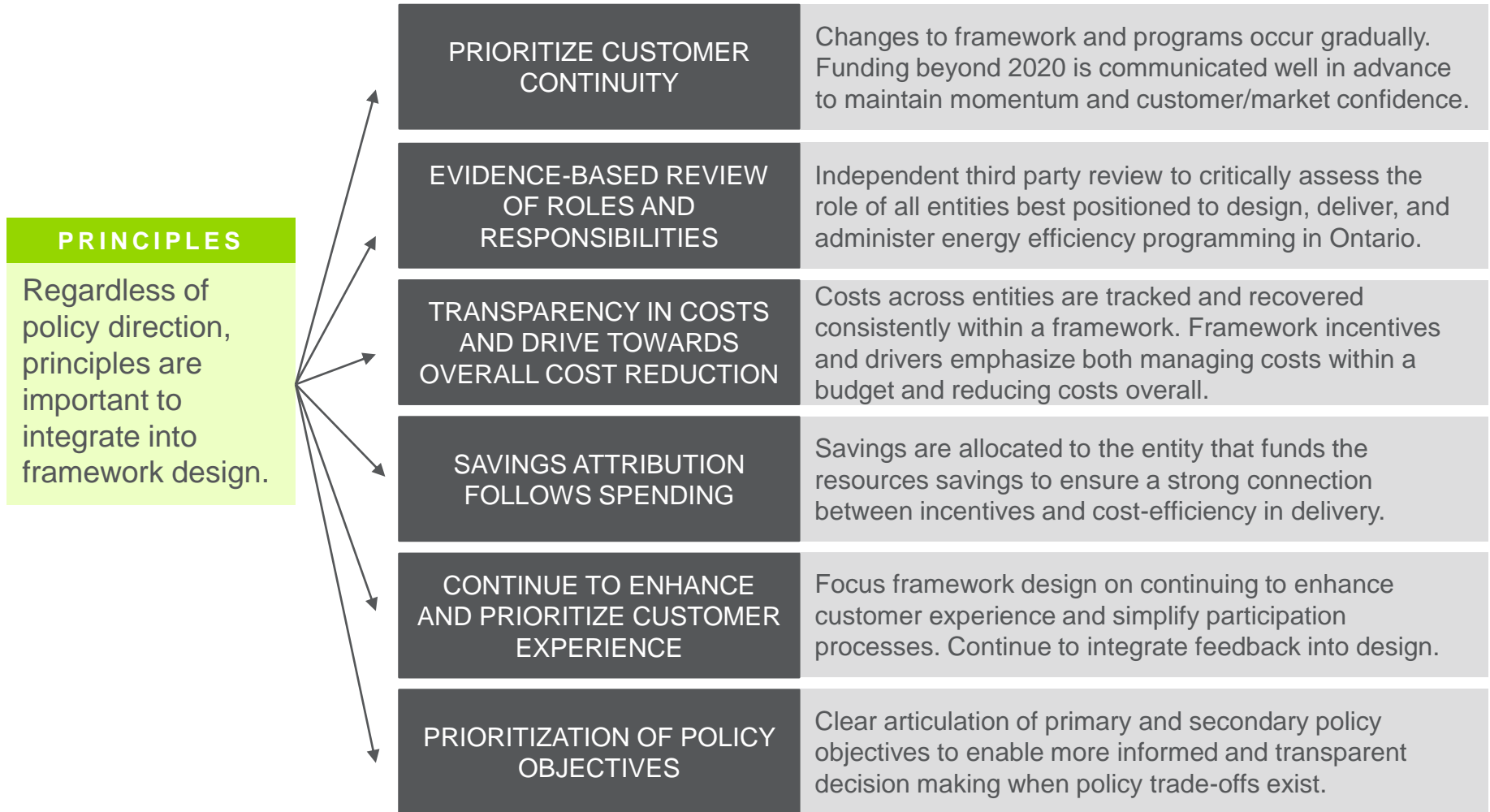
There are minor adjustments which would improve administrative components of the Conservation First Framework to better align with policy objectives.



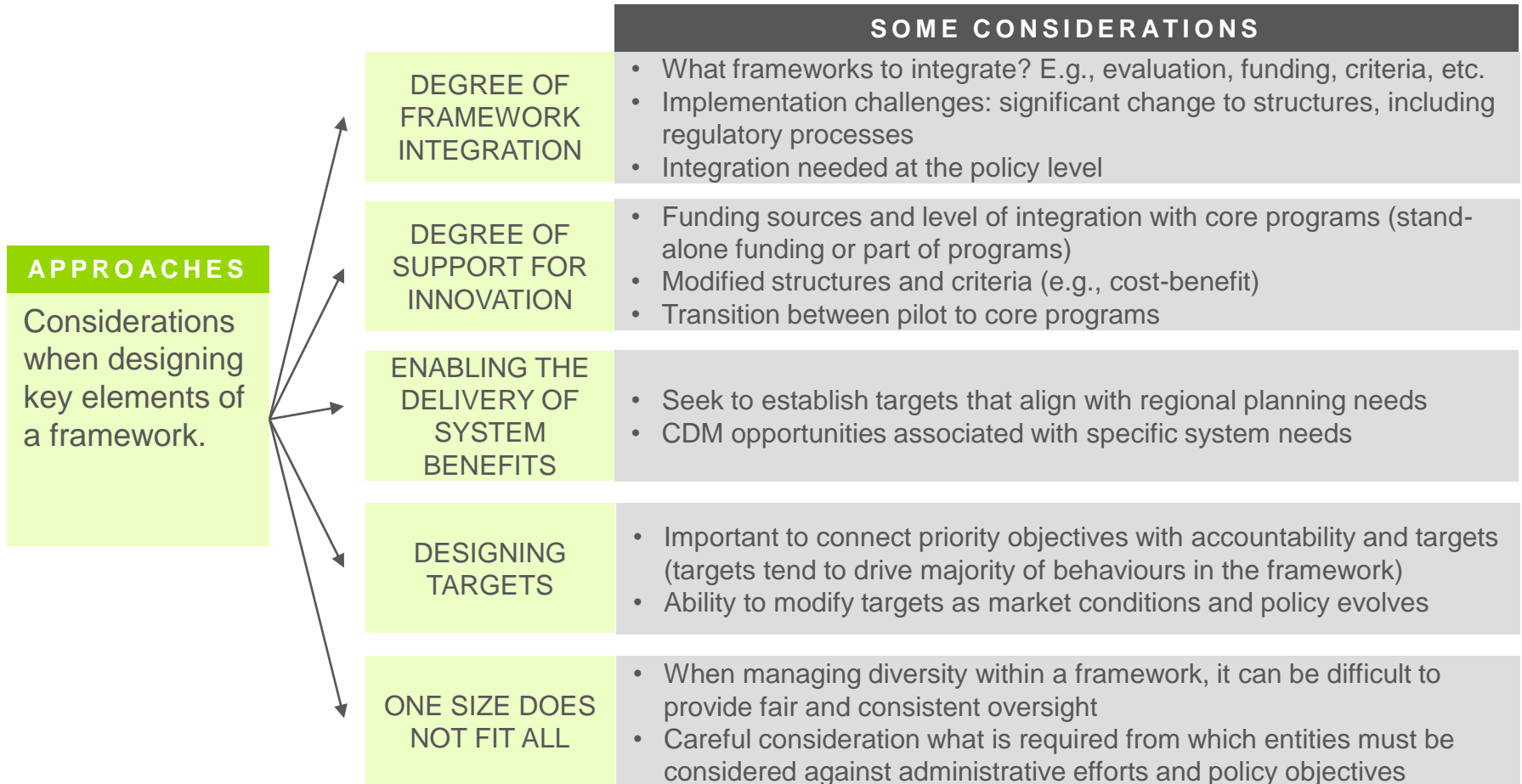
RESULTING ACTION

- LDCs to continue to lead target exchange efforts.
- IESO released target exchange criteria in January 2018 to ensure policy objectives such as customer coverage and cost efficiencies are maintained.
- IESO is reviewing mid-term review findings surrounding adequate customer coverage and how best to integrate non-energy impacts in framework.
- IESO is reviewing current allocation of program savings and funding between entities to ensure direct connection between funding and resulting savings.

THERE ARE SIX PRINCIPLES NAVIGANT'S REPORT HAS IDENTIFIED AS IMPORTANT TO CONSIDER FOR THE POST 2020 FRAMEWORK



THERE ARE FIVE APPROACHES NAVIGANT HAS IDENTIFIED AS IMPORTANT TO CONSIDER WHEN DESIGNING THE POST 2020 FRAMEWORK



Key Questions to be Discussed:

- In your view, are the actions that are either being considered or undertaken in the short-term sufficient and appropriate to address the challenges and opportunities identified through the mid-term review process?
- Stakeholders expressed an interest in providing increased input into the framework post 2020. What does successful stakeholder engagement look like as the post 2020 framework is being developed?

Other considerations from SAC?

Next Steps for Mid-Term Review

- **March 8:** Final meeting with the Mid-Term Advisory Group to review stakeholder feedback, responses to stakeholder feedback, and provide final feedback into Mid-Term review process
- **Before June 1:** IESO to produce a report that provides Mid-Term review recommendations to the Ministry of Energy
- **Q3 – Q4 2018:** It is expected that the Ministry to respond to Mid-Term review report through direction to the IESO

Appendix A: Mid-term Review Study Background

Mid-term Review Advisory Group and Engagement

- In November 2016 initiated pre-engagement process by publishing draft Conservation Mid-Term Review engagement plan and invitation for Advisory Group members on IESO website
- Comprehensive, open engagement adhering to IESO principles to ensure all LDCs, customers, channel partners, other interested parties have meaningful opportunities to provide feedback for consideration by the IESO
- Multi-stakeholder Mid-term Review Advisory Group formed as part of the engagement and includes the following members (see subsequent slides for details):
 - Five LDCs (representing different size utilities, regions)
 - Five customers (representing a mix of sectors, and distribution/transmission connected customers)
 - One service provider
 - One manufacturer
 - IESO (Chair plus support staff)
 - Observers

Public Engagements and Market Research

- Public engagements:
 - Five public webinars covering all discussion topics of the Mid-term Review completed from April 2017 through to October 2017, including a final webinar on the draft final report in February 2018
 - 26 participants (customers, LDCs, service providers, associations) have provided written comments to date
- One-on-one market research interviews completed in Q3 2017
 - 51 comprehensive interviews completed with customers, LDCs, service providers and associations
- Four in-person workshops completed in Q4 2017 with customers, LDCs, IESO and OEB (46 participants in total)

Mid-term review Advisory Group Members and Observers

Mid-term Review Advisory Group Membership	
Consumers (5)	
Housing Services Corp.	Parry, Myfanwy
Loblaw	Schembri, Mark
University Health Network	Rubinstein, Ed
CBRE Limited	Abraha, Amha
AMPCO	Anderson, Colin
Local Distribution Companies (5)	
Customer First Inc.	Barker, Chris
Hydro One	Katsuras, George
Entegrus Powerlines Inc.	Rodd, Margaret
Alectra	Bond, Raegan
Toronto Hydro-Electric System	Marchant, Michael
Electricity Service Providers/Consultants (2)	
	Kalyanraman, Guru
Nest Labs	Calin, Iuliana
IESO	
Chair	Nik Schruder

Observer organizations

Ministry of Energy
 Ministry of Environment and Climate Change
 Ontario Energy Board
 Environmental Commissioner of Ontario
 Enbridge Gas Distribution
 Union Gas Limited
 Association of Major Power Consumers in Ontario
 Canadian Solar Industries Association (CanSIA)
 Electricity Distributors Association
 Ontario Energy Association
 ENWIN Utilities
 Brantford Power Inc.
 Cornerstone Hydro Electric Concepts Association
 Energy+ Inc.
 Essex Powerlines Corporation
 Oshawa PUC
 Thunder Bay Hydro Electric Distribution Inc.
 Veridian Connections Inc.
 Roberts and Co.
 Summerhill Group
 buildABILITY
 Burman Energy Consultants Group Inc.
 ecobee
 Just Energy Ontario LP
 liteSMART
 Ontario Clean Air Alliance
 Building Owners and Managers Association

OVERVIEW OF MID-TERM REVIEW PROCESS

Issues were identified by the IESO and grouped into seven major topics that will guide the Framework Review through four key activities outlined below. The non-energy benefits topic will be explored as part of the final report pending inputs external to this study.

