

Final Engagement Summary Report

Date: January 5, 2023

Mid-Term Review of the 2021-2024 CDM Framework

Engagement Initiated: March 2022

Engagement Description

On September 30, 2020, the Minister of Energy, Northern Development and Mines directed the Independent Electricity System Operator (IESO) to establish a 2021-2024 Conservation and Demand Management (CDM) Framework aimed at offering a suite of centrally-delivered programs to help consumers manage their electricity use while meeting electricity system needs.

The Directive required the IESO to undertake a Mid-Term Review (MTR) to reassess forecasted electricity system needs and inform potential changes to programs, targets and budgets for the latter half of the CDM Framework. Specifically, the review was required to examine:

- Alignment of the demand reduction target, electricity target and Framework budget with provincial, regional and/or local electricity system needs, as identified by the IESO;
- Alignment of CDM program offerings with consumer needs in Ontario and a comparison against programs from other jurisdictions;
- Lessons learned and recommendations from competitive mechanisms for procuring energy-efficiency resources, including results to date of the Energy Efficiency Auction Pilot (EEAP);
- The progress and impact of CDM programs, including for income-eligible and on-reserve First Nations consumers; and
- Recommendations on the remainder of the CDM Framework.

The September 30, 2020, Directive was subsequently amended to include an additional requirement for the review:

- An exploration of opportunities for local distribution companies (LDCs) to build on IESO CDM programs where they can add value to the distribution system.

The IESO conducted this engagement to share information about and obtain input from consumers (including on-and off-reserve Indigenous consumers), environmental organizations, industry associations, energy service providers, energy utilities, and other interested parties to inform the MTR.

Engagement Objective

The objectives of this engagement were to:

- Inform engagement participants of the MTR process and approach;
- Discuss electricity system needs and CDM trends to date;
- Collect feedback from stakeholders and seek input on program gaps and opportunities to inform recommendations to Minister of Energy.

This engagement was conducted in accordance with the IESO's approved engagement principles. The approach for this engagement included opportunities to provide input through various channels such as webinars, written feedback, and through targeted outreach to affected customers. All materials, including feedback and commentary received, and the IESO's responses to feedback, were posted on the dedicated [IESO engagement webpage](#) for this initiative.

Summary and Conclusion

Engagement session #1:

On April 22 2022, the IESO held the first engagement webinar to inform stakeholders of the MTR process and approach, seek input on CDM trends, program gaps and opportunities. After the webinar, stakeholders submitted feedback which highlighted key themes including emerging provincial and local electricity system needs resulting from economic development and decarbonization efforts, and opportunities for deeper collaboration with natural gas distributors, different levels of government, and local distribution companies (LDCs), particularly IESO-LDC collaboration to address local system needs using non-wires alternatives.

Stakeholders communicated that challenges arising directly/indirectly from the COVID-19 pandemic (supply chain disruptions, skilled labour shortages, changing work patterns driving changing demand) continue to be relevant. In addition to highlighting opportunities for the Framework's CDM programs to better serve specific customers/segments (e.g., upstream, residential, income-eligible), feedback emphasized that customer's energy needs are evolving and recommended that the CDM programs should evolve to respond to the changing needs by expanding to supporting behind-the-meter DER and "efficient electrification" projects.

This feedback and other early findings from the Mid-Term Review were used to inform the IESO's report back on mechanisms for meeting reliability needs that was submitted to the Minister on July 15, 2022. The report back proposed four new or expanded programs to maximize energy-efficiency contributions to meet near-term provincial needs starting in 2025 as well as local system needs.

Engagement session #2

The IESO held a second engagement webinar on July 19, 2022 to present progress and preliminary findings from the Mid-Term Review, and to seek input on conditions needed to enable continued innovation, program enhancement opportunities and implementation considerations, and how to support the energy transition.

Feedback themes were similar to the first engagement webinar, with stakeholders providing more specific suggestions relating to programs, measures, and IESO-LDC collaboration. Stakeholders also highlighted the challenges that time bound frameworks can pose to capital planning for businesses pursuing energy efficiency projects and emphasized the benefits of longer framework terms to minimize program delivery disruption and marketplace confusion.

The IESO received a directive on October 4, 2022, to implement the four proposed CDM programs described in the AAR Report Back. These enhancements to the 2021-2024 CDM Framework, expected to be in-market in spring 2023, directly address certain stakeholder themes, particularly support for custom retrofit projects, incentives for behind-the-meter DER, and greater support for targeted CDM to meet regional/local system needs. The directive also added an additional requirement for the Mid-Term Review to explore opportunities for LDCs to build on IESO CDM programs where they can add value to the distribution system.

CDM MTR Completed:

On December 15, 2022, the IESO published the [2021-2024 CDM Framework Mid-Term Review](#) report and an updated CDM Framework Program Plan. The report and plan reflect the stakeholder feedback received via written feedback and through targeted outreach as well as the IESO's research into 12 key themes under the customer needs review section.

The IESO summarized LDC feedback in a section on LDC collaboration opportunities and committed to continuing conversations on IESO/LDC collaboration in CDM into 2023. These themes and feedback along with the system needs and competitive mechanisms reviews ultimately informed the Mid-Term Review's recommendations and next steps, which were submitted as part of the Mid-Term Review:

- Continue to implement the enhanced 2021-2024 CDM Framework Program Plan, including programming for income-eligible and on-reserve First Nations communities, according to budgets, targets and schedules, while fulfilling program-enhancement opportunities.¹
- Continue to collaborate with other entities, including Enbridge and Natural Resources Canada, to help program participants achieve deeper savings and reduce IESO administrative costs.
- Continue to engage with LDCs on opportunities to build on CDM programs to provide local system benefits, leveraging the Ontario Energy Board's CDM Guidelines for Electricity Distributors.

¹ Note that program enhancements also consider and respond to stakeholder feedback – e.g., capturing potential from air-source heat pumps by adding this technology to the Energy Affordability Program for electrically heated homes.

- Adopt an enduring approach for post-2024 that better leverages CDM as a resource to respond to evolving system and customer needs while continuing to provide appropriate reporting and government oversight.
- Establish post-2024 CDM targets and budgets that reflect forecasted system needs; achievable potential; and equity, diversity and inclusion so no one is left behind.
- Reallocate a portion of the current Framework’s budget for research and development activities for post-2024 programs, including single- and multi-family residential programs, and efficient electrification programs.

As reflected in these recommendations and the Mid-Term Review report, the IESO is committed to exploring new opportunities for continued collaboration across the sector and to expand the scale and nature of CDM to address changing system and customer needs now and into the future. The IESO appreciates stakeholders’ participation in the Mid-Term review process and the thoughtful feedback received. Materials from this engagement will continue to be available on the IESO CDM Mid-Term Review [webpage](#).