



Wednesday, November 19, 2014

Ms. Kirsten Walli
Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

RE: Conservation First and the DSM Framework

Dear Ms. Walli:

The Minister of Energy directed the Ontario Energy Board to develop a framework for achieving all cost-effective efficiency and conservation measures in the use of natural gas. This directive is based on the government's understanding that such programs are good for our economy and good for our environment:

- According to a 2011 Spatial Economics study, reducing gas use by 16% by 2021 through increases in efficiency would lead to a \$5.5 billion increase in our GDP, 33,800 more jobs, a \$479 million reduction in the provincial deficit, and a 6.1% reduction in our greenhouse gas emissions.
- Current gas energy efficiency programs have had a huge net benefit for Ontario gas customers. For example, Union Gas' programs have saved its customers more than \$1 billion over a 10 year period.
- Ontario's gas utilities' DSM programs are amongst the most cost-effective in North America. Historically, for every dollar of utility spending, customers have received \$16.20 in bill reductions.
- Natural gas usage is one of the largest sources of provincial greenhouse gas emissions, but also one of the sectors where energy efficiency investments can quickly reduce emissions and raise our GDP with no lifestyle changes.

Enbridge Gas Distribution calculates that the GHG emission reductions achieved by its programs over the past 18 years are the equivalent of taking 3.2 million cars off the road.

It is therefore critical that the OEB develop a robust regulatory framework for the acquisition of *all* cost effective conservation. To do so, the OEB needs to adopt the following principles:

- A clear statement that the objective is to obtain “all cost-effective conservation” without additional conditions or encumbrances.
- Targets based on strong empirical evidence, particularly high-quality studies of energy efficiency potential conducted by utilities and the knowledge gained by utilities through prior program delivery. Targets should flow from utility planning and reflect the goal of achieving deep reductions in gas use.
- No arbitrary budget caps placed on utility conservation programs. Instead, budgets should be based on plans produced by utilities that are designed to achieve all cost-effective conservation in a manner that will result in reasonable rate impacts for customers.
- Encouragement for utilities to offer conservation programs to large-volume gas customers to help them deepen their efficiency gains and to provide greater long-term incentives to pursue all cost-effective measures.
- DSM programs must also be accessible for low-income customers, including tenants in the private rental market, regardless of whether they are direct customers of the gas utility.
- Strong shareholder incentives for utilities to reward their pursuit of all cost-effective conservation. These incentives represent a small fraction of the savings generated by utility programs (3 to 4%), but are key to driving good program design and execution. In particular, incentives should continue to be structured to reward utilities that outperform in achieving conservation goals.
- Use of a Societal Cost Test to account for the value of reducing costly greenhouse gas pollution and to incent progress toward achieving the government’s GHG reduction targets. The SCT can also be used to improve programs for low-income residents and to drive “deeper” home retrofit programs that result in benefits such as increased property values and greater home comfort.

Given that Ontario’s gas utilities have an exemplary track record of delivering cost-effective programs, the OEB’s focus should be on ensuring they continue to have the flexibility and earn the rewards that will maximize program potential.

Ontario has a terrific opportunity to build on success with this review of its hugely successful gas DSM programs, but only if the board continues to ensure that such

programs are properly resourced, are appropriately ambitious, and evolve to take into account pressing issues such as climate change.

We strongly encourage the OEB's decisions reflect the important principles outlined above and that they develop a framework which will, in keeping with the Minister of Energy's legally binding directive, enable all cost effective conservation.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Gray', written in a cursive style.

Tim Gray, Executive Director, Environmental Defence.

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On Behalf of:

The Canadian Environmental Law Association
Toronto Environmental Alliance
Sierra Club Ontario
Building Owners and Managers Association of Toronto
Greenpeace Canada
Canadian Association of Physicians for the Environment
Blue Green Canada
Ontario Sustainable Energy Association
Ontario Clean Air Alliance

cc: The Honourable Bob Chiarelli, Minister of Energy

The Honourable Glen Murray, Minister of Environment and Climate Change