

Speaking Notes for Canadian Energy Efficiency Alliance Presentation to Standing Committee on Social Policy

By Judy Simon

Re: Electricity Restructuring Act, 2004

August 12, 2004

I am Vice President, IndEco Strategic Consulting Inc. a Toronto based energy management firm specializing in demand side management management. I am here today in my position as the Canadian Energy Efficiency Technical Expert on DSM. I also was the Alliance representative on the OEB Stakeholder Advisory Committee, which was charged with making recommendations on a governance model for DSM for electric LDC's.

My role today is to provide you with some detailed comment from the Alliance on Bill 100. The Alliance is supportive of Bill 100 and views it as an excellent step toward building a conservation culture in Ontario. We support the provincial government's move to time of use rates and to smart meters.

As part of the Alliance participation in the OEB DSM consultation process, the Alliance submitted a policy paper, *Demand Side Management Framework for Ontario*.

In that policy paper, the Alliance identified a number of components that should comprise any DSM governance model. We recommend that, to the extent possible, these components be reflected in Bill 100. These components are:

- Energy prices reflect true costs. We are pleased to see that this is in Bill 100.
- There is no undue burden placed on disadvantaged groups as a result of energy prices. We note that the Minister of Energy has recommended that electric LDC's provide DSM programs for low income and other hard to reach consumers. This recommendation should be codified in the Bill.
- Energy efficiency standards continually improve over time. The Conservation Bureau could be mandated to facilitate these improvements to the energy efficiency standards.
- Incentives are available to encourage the development and introduction of new, more efficient technologies. These could be provided by the Conservation Bureau.
- There are training or other programs to ensure energy professionals and trades people are skilled at using the latest technologies and techniques. This is a potential role for the Conservation Bureau.
- There are coordinated and consistent public education programs on energy conservation and energy efficiency across Ontario. This is also a potential role for the Conservation Bureau.
- Natural gas and electric utilities and provincial ministries/agencies are required to implement cost-effective energy efficiency and energy conservation programs in their own operations and report on their progress. The utilities' component should be part of the DSM mandate for the OEB.

- There is a reliable, long term source of funding for aggressive DSM.
- There are DSM programs that target each of the market segments.
- There is emphasis on local delivery of DSM programs.
- There are incentives for delivery agents to carry out successful, aggressive DSM programs.
- There are clear rules for DSM.
- There is independent, third party verification of DSM energy savings.

The Alliance policy paper proposed a hybrid DSM governance model with a central coordination function for integrated resource planning at the provincial level. We are pleased that this central function for integrated system power planning has been adopted in Bill 100.

As we indicated in our paper, integrated resource planning is also important to be carried out at the more local levels – at the project level. Bill 100 should be modified to reflect this need for more local integrated system power planning and to clarify the role of the Ontario Power Authority and the LDC's in carrying out this type of planning.

As part of the hybrid governance model, we recommended local responsibility for DSM by the LDC's. It is not clear that Bill 100 gives responsibility for DSM at the local level to the LDCs. The LDCs understand their customers and their markets and therefore are in the best position to develop programs to meet their customers' needs. We recognize that not all LDCs are created equal and that some, as part of fulfilling their responsibility for DSM, may choose to outsource program design and delivery to others such as other LDCs, the natural gas utilities or other DSM service providers. We stress the importance of local responsibility for DSM and recommend that this be clearly delineated in Bill 100.

The mandate of the OPA regarding the options to be considered for integrated power system planning should be clarified in Bill 100. The framework for integrated power system planning must ensure that DSM, fuel-switching options and distributed generation options are fully and rigorously evaluated to properly compare these with conventional supply and transmission options at both the provincial level and at the project level.

For example, in Toronto or in the Bradford area there may be a particular constraint in the power system. Bill 100 must ensure that for each constraint there is a thorough investigation of DSM, distributed generation, and fuel-switching options in addition to the more conventional transmission and large supply options before the preferred option or options are chosen.

Bill 100 should ensure that suppliers of DSM, fuel-switching and distributed generation options, including the natural gas and electric utilities, have the opportunity to provide input to the integrated power system planning and to offer and deliver these options.

Bill 100 should encourage fuel switching from more costly sources from an economic and environmentally sustainable perspective to cheaper, more environmentally sustainable sources. The Bill should also encourage cooperation of electric LDCs with the natural gas utilities in the development and delivery of these fuel-switching programs as part of the natural gas and electric LDC DSM plans.

The Minister of Energy in his May 31st 2004 letter to all electric LDCs recommended that DSM for electric LDC's be defined to include:

- energy efficiency;

- behavioural and operational changes, including the application of benchmarking or "smart" control systems;
- load management measures which facilitate interruptible and dispatchable loads, dual fuel applications, thermal storage, and demand response;
- measures to encourage fuel switching which reduces the total system energy for a given end-use;
- programs and initiatives targeted to low income and other hard to reach consumers; and
- distributed energy options behind a customer's meter such as tri-generation, co-generation, ground source heat pumps, solar, wind, and biomass systems.

The Alliance endorses this definition of DSM. It is consistent with the definition of DSM we have put forward in other policy papers to the Province and the OEB. We recommend that the Minister's definition of DSM be included in Bill 100.

In order to promote a conservation culture, all agencies of the government should be encouraged to promote energy efficiency and energy conservation within the agency as well as with the organizations that it regulates. To that end, the Alliance opposes the amendment proposed in Bill 100 to remove the OEB objective to promote energy conservation, energy efficiency, distributed generation and alternative energy sources. The OEB objective to promote these aspects of the conservation culture should remain in the OEB Act so that the OEB will take steps that will encourage the electric utilities to carry out DSM within their own operations and with their customers.

The Alliance would be pleased to discuss further any of our recommendations for Bill 100 with the Committee. Thank you.