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Pembina Institute comments on OPA Discussion Paper 3: Conservation and Demand Management

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The Pembina Institute's Comments on OPA Discussion Paper 3 are as follows:

- The paper treats the Minister of Energy's June 13, 2006 mix directive goals with respect to CDM as caps on CDM efforts, rather than minimum levels of CDM to be achieved. Consistent with the principle of cost-effectiveness, higher CDM opportunities should be pursued if they can be obtained at lower cost than conventional electricity supply. The upper limit for these opportunities should be the savings associated with complete market transformation. Savings should be pursued through CDM programming until a significant market transformation has been achieved. Such an approach has significant implications for the notion of the need for trade-offs between different CDM options. The crucial trade-off to be considered in the IPSP is between CDM opportunities and conventional electricity supplies, not among cost-effective CDM options.

- The paper provides no discussion of CDM program design and implementation beyond 2010. It is very important that the CDM programs put in place before 2010 provide the building blocks for those that follow. By treating CDM as an ongoing effort to transform markets, programs objectives and target dates can be related to market share and not an arbitrary date like 2010. CDM programming to support the national lighting efficiency initiative, which seeks to transform lighting markets by 2015, for example, should consist of a suite of programs that begin in 2007 and end when the market has shifted sufficiently.

- The Pembina Institute recognizes the need for an initial period of capacity building, particularly among CDM program delivery agents. The Institute also recognizes the concern regarding the OPA's ability to fund these activities under existing OPA financing mechanisms. Any additional ministerial directives required to ensure adequate funding of capacity building activities should be identified.

- We also recognize that LDCs cannot be the only delivery agents for CDM. Mechanisms such as standard offers must be established so that third party private, community and NGO sector agents can provide CDM resources and help build a multi-sector conservation capacity and culture.

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- The estimates of end-use energy efficiency potential derived from the MK Jaccard and Associates CIMS modeling for the Canadian Electricity Association and Canadian Gas Association may underestimate the actual potential in this area. The Pembina Institute notes that the assumptions used in the modeling for the earlier project of an "aggressive" energy efficiency strategy actually fell short of the goals of existing standards and programs in some provinces. A detailed critique of the assumptions used in the CIMS modeling for the CEA/CGA project is attached to this submission.

- The estimates of the potential for cogeneration are extremely low compared to earlier estimates prepared for the Ministry of Energy (approximately 16,000MW technical potential), and obtained by the Pembina Institute through modeling conducted with CIMS in 2004 (approximately 6700MW technical and economic potential). In fact, the estimate for 2025 is barely larger than the current 1000MW cogeneration RFP. The reasons for these differences in estimated potential need to be examined and explained.

- The paper fails to provide a clear indication of how institutional roles, expectations and responsibilities will be established in the delivery of CDM activities. The OPA should clearly identify what steps will be required of specific agencies and the provincial government as a whole in order to achieve CDM objectives. Specific examples may include:
    - The regular upgrading of energy related standards and codes by the Ministries of Energy and Municipal Affairs and Housing, particularly given the large role that standards and codes have played in the achievement of CDM in other jurisdictions. Code and standard cycles should be linked explicitly with CDM programming so that a significant share of the industry meets new standards and codes before they become mandatory.
    - The Ministry of Colleges and Universities may have a significant role in ensuring the delivery of appropriate education and training programs in CDM program design, management and implementation for CDM delivery agents.
    - The Ministry of Finance may be required to deliver incentives in CDM activities through the province's tax system. Budgetary measures may also be needed to ensure that the required policy and standards development capacity is present among key provincial agencies.

- The OPA needs to clarify its decision-making process and criteria regarding reductions in conventional supply requirements in the event that greater potential for cost-effective CDM than the targets provided in the Minister of Energy's June 2006 directive is identified.

- The “Conservation” component of CDM is not well addressed in the paper and there is some ambiguity as to whether it covers just behaviour or more permanent measures to reduce demand such as lighting controls and green building design. The main point is that these measures are included – either in conservation or efficiency, and that more research is done to assess the potential of conservation. The MJK and Associates/Marbek modeling does not cover these measures.

- The paper should not include “program options” (4.2.10). While we recognize the list is included as an illustration, it is incomplete and mixes a wide variety of program types. There is a danger that the list will become the preferred options or limit the presentation of alternative options.

- Specific comments on Table 4.1 Suggested Principles to Guide CDM Program Selection and Design are as follows:

    - Principle 2: It is only necessary to pilot large programs if they have not been used in other North American Jurisdictions.

    - Additional principles to be considered:

        13. The goal of CDM programming is to transform complete market segments to high efficiency technologies and practices through the delivery of programs that encourage and facilitate their adoption and remove barriers to their use.

        14. CDM Programming will be explicitly linked to a regular cycle of upgrading building codes and equipment standards.

        15. CDM Programs will take maximum advantage of synergies with federal energy efficiency programs and collaboration among provinces.

- Specific comments on Table 4.2 Suggested Principles Guide Program Implementation

- Principles 2, 4 and 8: It is very important to include standard offers as a means to acquire CDM resources and transform markets. They provide a long term stable investment environment and allow for more flexibility in timing for bidders.

- Additional Principles for consideration:

9. A one-stop-shop will be provided for any CDM program participant and there should be local as well as central program coordination. There should not be local competition among delivery agents offering similar programs, as such outcomes are likely to confuse consumers.

10. CDM Programming will be explicitly linked to a regular cycle of upgrading building codes and equipment standards.

11. Targets for codes and standards upgrading and CDM programming achievements will be set several years ahead on a regular cycle.

12. Every program will have an explicit component to build private sector, community, NGO and LDC capacity to deliver the efficient measure or product.

13. Every program will have market share targets that are also used as part of the EM&V protocol for the program.

Copies of the following Pembina Institute publications have already been submitted to the OPA website and should be considered part of this submission on OPA Discussion Paper 3:

- *A Quick Start Energy Efficiency Strategy for Ontario* (April 2006)
- *Successful Strategies for Energy Efficiency* (August 2006)

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