

November 10, 2006

**To: Peter Love, Chief Conservation Officer, OPA.
Mary Ellen Richardson, Vice President Conservation Programs, OPA
Amir Shalaby, Vice-President, Power System Planning, OPA
Paul Shervill, Vice-President, Program Operations and Sector Development, OPA.**

Re: Supplementary Submission on the OPA CDM Strategy Design Process

The Pembina Institute wishes to thank the OPA for providing an opportunity to participate in the important process of developing a Conservation and Demand Management (CDM) plan for Ontario that would meet or exceed the target of 6300 MW from energy conservation, energy efficiency, fuel switching, and demand response by 2020 set in the Minister of Energy's June 2006 Supply Mix Directive.

We participated in the September 27 and 28 workshop where considerable progress was made in developing a comprehensive approach to CDM. At this workshop, the OPA put forward a CDM program delivery "continuum" which included four types of programs:

1. OPA Designed programs with reactive LDC support and third party delivery
2. OPA Designed programs with proactive LDC support and third party delivery
3. Standard OPA designed programs delivered by LDCs
4. Custom LDC designed and delivered programs

A CDM Program Design Group (PDAG) was set up to provide stakeholder input to the CDM process.

Pembina has been participating in the meetings of the PDAG. However, we are concerned about the narrow focus of this group on 'standard/program in a box' programs to be delivered by LDCs across Ontario (type 3 in the continuum). Our understanding is that at best these programs will account for only 25% of the overall CDM effort.

There is, so far, no parallel process for designing the other three program types representing 75% of the CDM effort. It is expected these other programs would involve a wide variety of private and NGOs delivery agents. By focusing only on the LDC fund programs, the OPA will also be limited to what LDCs feel they can deliver.

More broadly, we are concerned over the lack of an overall “road map” for each market segment or end-use that will prevent program overlap or worse, competition among program delivery agents. Such road maps should outline the steps needed to achieve market transformation in each market segment and the role of CDM programming in achieving the market transformation (target market share etc.). They would also include plans for the coordination of programs addressing the segment with standards and code updates, coordination with gas utility CDM programming and other fuel switching/renewables/cogeneration programs, and links to federal initiatives/programs that address the market segment (e.g. The National Lighting Initiative). Without this ‘bigger picture’ in place to guide the program design processes for each type of program on the continuum, stakeholders and the OPA will be working in a vacuum.

We have a number of other concerns regarding the current strategy for the development of the CDM components of the IPSP.

- Standards and Codes Coordination. Experience with successful energy efficiency programs in the United States has demonstrated that the upgrading of energy efficiency standards and codes of buildings and equipment, and the integration of standard and code upgrading with other energy efficiency programming is essential to the achievement of major reductions in energy consumption. The OPA’s current approach to this issue seems to rely on ‘lobbying’ on the part of the Conservation Bureau to achieve upgrades of standards and codes administered by the province. Given the centrality of standards and codes to successful energy efficiency strategies this is simply too ad hoc and unreliable an approach. The Power Authority should be pursuing a memorandum of understanding with the relevant provincial agencies regarding short and long-term plans with respect to standards and code upgrades. As a starting point, the OPA should make clear to the provincial government the approach to standards and codes upgrades that it believes necessary to achieve the targets established via the June 2006 supply mix directive. Such an MOU would allow the coordination of CDM programming with standards and code changes to achieve full market transformation in each market segment, as is done in many US jurisdictions.
- Market Transformation vs. Resource Acquisition. We are increasingly concerned about the focus of the PDAG CDM design process on resource acquisition rather than market transformation that maximizes the acquisition of CDM resources that are below avoided cost. A unanimous message at the September 28/29 workshop was that OPA should not just acquire CDM resources up to the target of 1350 MW but acquire all cost effective CDM in each sector. The “high” scenario for CDM acquisition should be set at full cost effective CDM.

- Capacity Building: While there has been some discussion at the PDAG about building capacity to deliver CDM programs and develop an energy efficiency industry capable of providing products and services in all regions of Ontario, no action has been taken to date, and to our knowledge, no skill or capacity gap assessment is being planned. Capacity building is seen as a very important CDM program feature in other jurisdictions, and the concept of regional training centres was discussed at the September 27/28 workshop. To illustrate this point we have been told by builders in Northern Ontario that they do not know how to meet the 2010 code requirements and are looking for capacity building help to do so.
- Links to OEB: The LDC fund programs will be outside of the OEB incentive mechanism process and negotiated directly between LDCs and OPA. There does not appear to be any coordination between the two programming processes raising the possibility of overlap and competition among different programs.
- Government Procurement: No explicit role for government procurement of energy efficient products and services to complement OPA CDM programming and kick start market transformation appears to be contemplated and there does not seem to be any planned coordination between programs and procurement. Government procurement of energy efficient products and services is enabled by Bill 21 but has yet to be implemented. The OPA and Provincial Ministries should develop a memorandum of understanding explicitly covering procurement and CDM programming.
- Coordination with Bill 21 Authorities: Bill 21 includes provisions that permit the province to require the development of energy conservation plans by public agencies, and permits the province to set targets for these plans. Bill 21 also includes authority to require consideration of energy conservation in procurement and capital investments by public agencies. The planning, procurement and capital investment strategies required under these provisions should be integrated with the OPA's overall CDM strategy.
- Coordination with Gas LDCs: The focus on the LCD fund has also diverted attention away from joint programming with gas LDCs. At the September 27/28 workshop and October 26 web conference there were repeated questions from gas utilities on how programs addressing end uses such as water heating, home retrofit, micro co-generation, and other fuel switching would be handled. Currently there has been no response to these concerns.

These concerns lead us to make the following recommendations:

1. OPA should immediately establish a process to develop an overall plan or “road map” for market transformation in each sector and end use so that the LCD and other programs can be designed with a specified role and target. A typical road map - say for commercial lighting – would contain the following elements:
 - state of the commercial lighting market in Ontario
 - targets and milestones for lighting efficiency transformation - incandescent / T8 phase out by 2015, control systems targets, fixture design etc
 - proposed code and standard updates with dates (for inclusion in an MOU)
 - links to the National Lighting Initiative
 - roles of existing programs
 - roles for proposed programs of each type - OPA designed (e.g. lighting contractor standard offer), LDC standard (direct install for small business),
 - the role of government procurement (for inclusion in an MOU)
 - integration and coordination to prevent overlap, etc.
 - capacity building – gaps, needs, proposed means to address.

These road maps should be developed as soon as possible with full stakeholder input, either by the PDAG or a separate body.

2. A process should be established to provide guidance to the OPA on the design of the overall CDM strategy, including CDM programs to be delivered by all third parties. The programming template proposed for use for the LDC programs would be used for all CDM programs. The programs would follow the “road maps” for each sector for guidance so that a complementary suite of programs is designed for each market segment. The process should include potential third party delivery agencies, gas utilities, consumer interests and LDCs.
3. A memorandum of understanding should be developed between the relevant provincial agencies and the OPA to regularly update codes and standards based on Conservation Bureau recommendations. Such an MOU would allow the coordination of CDM programming with standards and code changes to achieve full market transformation in each market segment, as is done in many US jurisdictions. The MOU should also clarify the government’s plans regarding the implementation of the provisions of Bill 21 regarding energy conservation planning, procurement, and capital investment by public agencies, so that these factors can be incorporated into the OPA’s overall CDM strategy.
4. Immediate action should be taken to assess gaps in capacity to deliver CDM programs and make efficient manufacturing, product distribution, service and consulting capacity

available across Ontario. Plans to fill these gaps with regional training centres or other capacity building programs should be based on this gap analysis and incorporated into all program designs.

5. All CDM programs delivered by LDCs under the OPA CDM mandate should be eligible to receive incentives under the OEB incentive mechanism process. This coordination between the two programming processes would prevent the possibility of overlap and competition among different program approval processes.

For more information contact:

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