

ONTARIO ENERGY ASSOCIATION

# 2025–2036 Electricity Energy Efficiency Framework

OEA Response to ERO Posting 019 9235

Submission Date: Nov 2, 2024

To shape our energy future for a stronger Ontario.



# ABOUT

The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research, but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

**Together, we are working to build a stronger energy future for Ontario.**

The recommendations and positions contained in OEA submissions represent the advice of the OEA as an organization. They are not meant to represent the positions or opinions of individual OEA members, OEA Board members, or their organizations. The OEA has a broad range of members, and there may not always be a 100 percent consensus on all positions and recommendations. Accordingly, the positions and opinions of individual members and their organizations may not be reflected in this document.

Thank you very much for giving us the opportunity to comment on the government's proposal to create an electricity-Demand Side Management framework (eDSM) from 2025 to 2036.

DSM in general, on both the gas and electric sides, offers Ontarians an unparalleled opportunity to be cost-effective and environmentally friendly. As the IESO noted in its 2021-2024 CDM mid-term review, DSM (referred to as Conservation & Demand Management or CDM) offered the province additional capacity on the grid at approximately 3 cents per kWh saved. The avoided cost benefit for consumers is significant, considering the bottom rung of TOU RPP is over 8 cents per kWh consumed.

eDSM becomes particularly relevant due to the scale of the energy transition challenge ahead of. As outlined in the 2024 IESO Demand Forecast, Ontario's energy needs will skyrocket by 75% by 2050.

Given the scale of the capacity required to meet load, eDSM is particularly well placed as the first, and cheapest, resource to access provincially. Every kWh of DSM capacity delivered is one less that has to be procured via the bulk system. This is in addition to the avoided operating costs and capital wear and tear that comes from procurement to transmission to distribution to consumption.

The energy transition is intensifying and factors like EV uptake are beginning to impact the grid. A DSM-first approach will be essential to ensuring that Ontario can meet the challenges ahead.

As such the Ontario Energy Association provides the following input in support of the proposed 2025 to 2036 eDSM framework:

- **eDSM timeframe:** The OEA is supportive of an enduring framework for the delivery of eDSM programs – as proposed from 2025 to 2036. This clear policy proposal signals to the utility sector and various market program and service providers that programmatic support will exist for a significant period of time. It will allow for institutional and operational muscle to be built up and will allow for cost-effective CDM delivery. Previous iterations of CDM programming existing within 3 – 5 year tranches, which provided significant uncertainty for sector participants as to whether program delivery would continue or not. The decade plus policy support will maximize the chance for success in future program delivery.
- **Ensuring Utility Participation:** The OEA can confidently state that re-engaging utilities to support the delivery of provincial and local programs is required in order to maximize the benefits eDSM can provide to all levels of the system. Utilities have the closest relationship with customers who will stand to gain directly from eDSM access as well as provide the relevant capacity necessary for the success of eDSM programming. For IESO's bulk system programming, the utilities have access and outreach to their large commercial and industrial customers, which in turn can enhance program participation. Allowing utilities to engage in local or regional programming can help tap into local value, such as deferring short-to-

intermediate capital asset needs, and gain better insights into grid-edge technologies with the service territories. Customers are the ultimate beneficiary when eDSM is leveraged to deliver bulk and local value.

- **Funding and Cost-Recovery:** We strongly encourage for there to be funding stability for provincial programs and at least startup funding to get local programs up and running. This could include IESO-based funding for local programs. In addition, we recommend that a “beneficiary-pays” approach be utilized for cost-recovery purposes for local programs. This would allow the full system benefits of local programs to be recognized and Global Adjustment (GA) based cost-recovery for accrued benefits on the bulk system.
- **Regulatory Burden Reduction:** One of the key challenges in previous tranches of CDM programming was the fact that the CDM Guidelines combined with Cost-of-Service processes introduced significant risk into the cost-recovery process. In addition, OEB ruling on whether certain programs were duplicative or not of provincial programming essentially ensured that local initiatives were not pursued by utilities to offer their suite of programs. The OEA recommends the development of streamlined regulatory processes specifically for local initiative eDSM programs. Cost-recovery could be de-risked by developing a transparent, mechanistic process to ensure local funding requests are prudent and can be adjudicated efficiently (ie., approved with the need for a Panel or dedicated hearing). An LDC working group is currently developing such an approach with the IESO. The OEA recommends that the Ministry accept and support the LDC position for a more mechanistic, streamlined process for utility cost-recovery to ensure the success of local and regional eDSM initiatives.
- **Value Stacking:** As “grid edge” technology becomes ubiquitous, it will be important to allow various technologies to “value stack”, which in turn will strengthen the business case for consumer participation. Technology like smart thermostats may have complementary uses for local, regional and bulk systems. Allowing programmatic rules that enable the same piece of technology to pursue multiple value propositions strengthens the case for technology uptake and enhances potential DSM utilization. However, value stacking has to be recognized as a core policy principle as the government moves forward with its 2025 – 2036 eDSM framework for this potential to be fully realized.
- **Single window Gas and Electric DSM delivery:** Anything that reduces consumer friction is a good thing. Ensuring that bulk programs for both gas and electric DSM options are available within the same virtual space reduces the friction required to maximize the uptake required meet the government’s energy transition goals. Most commercial, industrial and residential locations operate on a mixture of natural gas and electricity at the same location, so ensuring programs that maximize efficiency targets on an operational basis be offered within the same virtual space. However, the practicality of including region/LDC-specific local programs along with bulk programs remains to be seen.

- **Innovation and Broader Customer Participation:** With proliferating grid-edge technologies across the customer base, eDSM can offer residential customers new opportunities to extract additional value by reducing energy consumption and saving money. For example, as Battery Electric Storage Systems (BESS) are more widely available, third-party service providers (or even utilities) can offer new local (and hopefully bulk) system benefits via applications such as VPPs or residential demand-response. New technology, combined with an innovation focused outlook can help us unlock DSM/energy capacity at a scale that was likely not possible before.

The OEA wholeheartedly supports the government's push to sustain and expand DSM programming and ensure that the consumer experience in accessing it is as seamless as possible. We trust that the feedback provided in this submission is treated in the collaborative spirit with which it is submitted, in support of the government's overall goals.

## CONTACT

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