

# Feedback on Proposed 2021-2024 Conservation and Demand Management (CDM) Framework

**ERO 019-2132**

Submitted to

Ontario Ministry of Energy, Northern Development & Mines

August 22, 2020



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August 22, 2020

The Honourable Greg Rickford  
Minister of Energy, Northern Development & Mines  
Whitney Block Rm 5630,  
99 Wellesley St W,  
Toronto, ON  
M7A 1W3

Dear Minister Rickford,

RE: Proposed 2021-2024 CDM Framework (ERO 019-2132)

On behalf of BOMA Toronto and its membership, I would like to thank you for this opportunity to provide our feedback on the proposed CDM Framework.

The Building Owners and Managers Association of the Greater Toronto Area (BOMA Toronto) is a not-for-profit industry association established in 1917. Our membership represent over 80% of leading building owners, property and facility managers, developers, corporate facility managers, leasing professionals, and industry suppliers in the GTA and beyond. Our sister chapter, BOMA Ottawa, services the Capital region. Our broader mandate is to develop, promote and advance building management best practices through proactive advocacy, exceptional education and the creation of valuable networking opportunities.

BOMA is committed to working with your government collaboratively to achieve mutually beneficial outcomes with respect to the energy future of Ontario.

Although the focus of this submission is the newly proposed 2021-2024 CDM Framework, we would like to address this within the context of four key areas:

- Lowering electricity prices while protecting grid and supply reliability
- Unleashing the power of the private sector
- Preserving efficiency improvements and programs
- Conservation & Demand Management (CDM)

Thank you and your team at the Ministry of Energy, Northern Development and Mines for keeping us engaged and involved. As the voice of the Commercial Real Estate Industry, we are committed to collaborating with the government to address matters of mutual interests and concerns on our path towards strong and prosperous Ontario.

Sincerely,

Bala Gnanam  
VP – Energy, Environment & Advocacy  
BOMA Toronto

Email copy to:

Susan Allen, President & CEO, BOMA Toronto  
Terry Flynn, GM, BentallGreenOak; Board Member – BOMA Toronto; Chair -  
BOMA Toronto Energy Committee  
Dean Karakasis, Executive Director BOMA Ottawa  
Paul Johnson, Director, Ministry of Energy, Northern Development & Mines  
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## DISCUSSION

### 1. LOWERING ELECTRICITY PRICES WHILE PROTECTING GRID AND SUPPLY RELIABILITY

Affordable electricity price is key for keeping Ontario competitive. Ontario needs to invest more in integrated generation and distribution technologies (renewables, energy storage, district energy, combined heat and power, etc.) to diversify and increase capacity and to drive down costs. Conservation and Demand Management (CDM) and Demand Side Management (DSM) play a significant role in this strategy.

Over a period of a decade, the cost of electricity has increased quite substantially. The major contributing factor is the Global Adjustment Mechanism (GAM). GAM is very difficult to understand because it is unique to Ontario and because of its complete lack of transparency. The cost is typically over \$1,200,000,000 per month.

#### Monthly Global Adjustment Cost



We appreciate that a portion of the GAM costs are necessary and commendable, such as investment in aging transmission and distribution infrastructure. However, our provincial neighbour utilities face similar challenges without the same escalating costs.

One might ask why should the province invest in CDM and DSM when there is surplus supply? That is such a short-term view of a long-term issue/need. All the factors that contributed to the surplus conditions are only temporary. With growing population and economy, aging infrastructure, and climate risks, Ontario needs secure, reliable and resilient energy supply. It has been demonstrated that CDM and DSM are the lowest cost of supply, and will have even bigger impact as the nuclear refurbishments take capacity out of service and the electrification of transportation increases the demand for electricity. Costs need to be managed better.

## 2. UNLEASHING THE POWER OF THE PRIVATE SECTOR

Partnerships brings out the best which leads to new and innovative solutions, similar to what we have witnessed in the telecommunications industry. A comparison of the telecommunication industry today vs 10 years ago illustrates the value of engaging the private sector in introducing new ideas. Private sector “power” transformed the telecommunication industry with new products, services and solutions, and created jobs and growth. From the economic perspective, this is truer today than ever. The government needs to continue to invest more in energy efficiency and energy infrastructure as part of its broader post COVID economic recovery strategy. Customers invest in themselves and their operations in order to remain competitive.

A similar comparison with the electricity sector highlights the absence of innovation. This was pointed out repeatedly during BOMA’s contribution to the Ontario Energy Board’s attempt at promoting a “Smart Grid”. Numerous examples are available and some as simple as ensuring customers have real time access to their electricity meter.

A review of BOMA Toronto Conservation Demand Management (CDM) Program (2007-2011) under contract with the former Ontario Power Authority would indicate that every provincial dollar spent on energy efficiency, leveraged over \$3 in private investments.

Another example of a partnerships yielding great success was between utilities and BOMA Toronto to design, manage and deliver the BOMA Toronto race2reduce (R2R) Program. The race2reduce program is a fun corporate challenge to engage the commercial and institutional (C&I) building sectors on improving energy efficiency and operational excellence through collaboration, innovation and sharing of best practices.

The R2R is funded by utilities (earlier by Toronto hydro and now by Enbridge) to leverage BOMA Toronto’s membership, industry network and expertise by encouraging our members and the Commercial Real Estate Industry at large to undertake more energy efficiency projects and improve the performance of their buildings. The R2R was launched on June 6 2017 and with almost a year of pause due to changes to the Conservation First Framework, the program continues to be popular with over 730 buildings and leased spaces (approximately 125M square feet) enrolled, and the trend is expected to continue. The program participants have collectively contributed to close to 30GWh of savings to date. Even with no promotion of the program during the period of COVID-19 lockdown and containment measures, the enrollment grew by almost 10%. In 2019 the race2reduce was awarded the Clean50 – Top Project for outstanding contribution to clean economy.

From 2007-2011, under contract with the former Ontario Power Authority (OPA), BOMA Toronto designed, managed and delivered a national and international award-winning conservation and demand management program (BOMA CDM Program) for commercial buildings over 25,000 square feet in the 416 region. The BOMA CDM Program delivered over 50,000kW of peak demand reduction while leveraging over \$90 million of investment in energy conservation projects within the program's service area. According to a special report released in 2010, the investment made in the BOMA CDM Program resulted in over 300% ROI for the Province of Ontario.

In December 2017, BOMA Toronto, in collaboration with Toronto Hydro, launched its *Mid-Tier Buildings Initiatives* to promote energy conservation and incentive programs to small-medium sized building owners and managers. BOMA Toronto identified this segment of the commercial real estate sector as one that has long been neglected by the mainstream conservation campaigns. This initiative has been well received, and much to our amazement, has resulted in projects that have the potential to yield over 9,000,000kWh of savings. With the conservation now being delivered by the IESO, BOMA Toronto is continuing its efforts to promote energy efficiency in the mid-tier buildings sector through collaboration with the IESO.

These are exceptional examples of partnership between government/public agencies and private sector organizations like BOMA Toronto.

Presently there are too many barriers to innovation. The cost to innovate is often perceived as high because the strengths of private organizations operating at the end user/customer level are not consulted or leveraged adequately. These issues increase consumer frustration and make it difficult to build a competitive, 21st Century, electric system. A holistic conservation framework would not only help Ontario meet its energy future in the most cost-efficient way, but would also help spur innovation and job growth leading to prosperity. BOMA Toronto understands the complexities of the CRE industry and knows how to rally, both its membership and the industry in general, to drive positive changes. Embracing and empowering partnerships are the key to success.

### 3. PRESERVING EFFICIENCY IMPROVEMENTS AND PROGRAMS

Best practices have demonstrated the value that investments in energy efficiency can offer. While there is a need to be prudent with spending, with great risks to cities and businesses posed by aging infrastructure, urban growth, and extreme weather events, and now COVID-19, we need a coping mechanism to maintain reliability across the grid and keep the cost

of operating our buildings to a minimum. There is a greater need to preserve and continue the element of the conservation programs that have been proven successful, cost-effective and make Ontario highly competitive. The programs are also said to have a significant impact on Ontario's economy and its ability to compete with other global cities, through job creation and promotion of innovation.

We were once asked by a government official, that if energy efficiency improvements make business sense why should you need government incentives? While this is a good question, it is worthy to note that incentives accelerate the adoption of energy efficient technologies (through retrofits) and enable projects that would have otherwise slated for later years. Strategic investments in energy efficiency not only benefit customers, but also the entire province and the communities it supports.

Energy Efficiency is credited as the third fuel (i.e. the energy we do not use is always the cheapest to provide). It is also estimated that every \$1 invested in energy efficiency avoided \$2 in costs to the electricity system. Therefore there is a greater need to preserve and continue the element of the conservation programs (under the current Long Term Energy Plan) that are proven to be successful, cost-effective and which make Ontario competitive.

There is no such thing as a perfect program. We understand that current CDM program delivered by the IESO could be improved. Much to their credit, the IESO has been, in collaboration with their stakeholders, continuously improving these programs to bring greater value to their customers. We could always do better. We applaud the government for its interest in examining these programs closely to ensure their cost effectiveness and to validate that these programs are meeting their objectives while bringing value to Ontarians. We also believe that it should be done in a manner that does not reverse what has been achieved to-date or impede progress.

We need to the CDM/DSM programs to address real challenges faced by major Ontario cities and businesses – aging distribution and transmission infrastructure, urban growth, shocks to the grid caused by extreme weather-related events, and rising cost of refurbishments of nuclear generation plants. All of these contribute to a reduced reliability of power supply and pose risks to Ontario businesses and public. Conservation programs offer temporary, but necessary, relief while we focus on innovating the grid and securing the necessary energy supply. Investing in conservation has been proven as an effective way to save to cities millions of dollars in annual expenses.

Like new generation or transmission, efficiency also requires strategies and investments to achieve the desired outcome. The Association of Energy

Engineers awarded BOMA Toronto with an international award for our former BOMA CDM Program. We recognized, early in the program, the importance of engaging professional expertise, making smart/practical investments and most importantly, Listening to the needs of the customer!

#### 4. CONSERVATION AND DEMAND MANAGEMENT (CDM )

Fundamentally, the real opportunity of conservation has always been to help customers and utility infrastructure get the best value for their energy dollars. The “best value for their energy dollars” should be expansive and include sustainable energy strategies for a longer period, not just three to four years. We should be considering a broader and integrated energy strategy that includes renewables, emission reduction, energy storage, electrification of public transportation system, distributed energy systems, near/net-zero energy/emission buildings, and conservation rather than just energy efficiency. This may sound too idealistic, but we need a comprehensive and holistic public policy to achieve lasting and impactful solutions to address our energy and climate change risks.

Here is our response to the various elements of the government’s proposal for the new 2021-2024 CDM Framework:

[Term: Four-year term from January 1, 2021 to December 31, 2024, with a mid-term review at the end of 2022.](#)

*Comments:* The business world does not operate in timelines of three to four years and then stop to consider whether they should continue to operate for another three four years or not. Business is a continuous operation and the planning, investment and implementation horizon for deep energy retrofit projects are longer than three to four years. By limiting the CDM program term to four years with a potential discontinue after, you are introducing uncertainties into the decision making, causing prospective participants to only use the incentive programs for relatively simple projects and view the program term as a risk for more complex projects. The “stop & go” approach to CDM/DSM over the last couple of decades has not worked well; it has caused process inefficiencies, introduced uncertainties and eroded customer/participant/investor confidence.

*Recommendation:* Consider a program term of at least six to ten years with a periodic review of every two years for any course-correction. The immediate funding horizon may be shorter, but the commitment and plan should cover longer term. A long-term plan and strategy that is based on science, evidence and economics (not politics and ideologies) so that even when government changes, the new government will have a solid framework and foundation to continue and enhance and build on the success of the previous government(s).



**Delivery:** The Framework would continue to be centrally delivered by the IESO with opportunities for anyone, including customers, LDCs and program delivery companies to propose cost-effective programs or projects that meet local or regional electricity system needs.

**Comments:** The IESO does not have the infrastructure to deliver the program province-wide. So it is reasonable to expect that the program delivery be outsourced. However, opening the program for multiple delivery agents may not be the most cost effective and consistent way to deliver the program across the province. With the merger of Enbridge and Union Gas, Enbridge has province-wide network and infrastructure to be able to deliver the program efficiently. In our view Enbridge should be the delivery agent while IESO retains the overall management of the CDM program. This partnership would also enable Enbridge to deliver both the CDM and DSM program, bringing further cost and operational efficiencies as well as simplify the enrollment and settlement processes for customers.

**Recommendation:** While IESO remains as the program administrator, consider selecting Enbridge (a regulated utility) as the sole delivery agent with the mandate to deliver both the CDM and the DSM programs.

**Objectives and customers served:** Address limited system needs in near term in the most cost-effective manner while maintaining program delivery capacity in the province; and increase CDM investments in the second two years of the Framework (2023-24) to meet system needs that emerge through the 2020s. To be achieved by:

- Targeting provincial bulk system needs (primarily peak demand reductions) and local/regional system needs.
- Recognizing the wide availability of cost-effective residential energy efficient products, this Framework would focus on providing education and tools for residential customers to empower them to improve their energy efficiency.

**Comments:** Neither the electricity nor natural gas utilities “own the customer”. IESO has done a good job based on the OEB framework for Regional Planning to assess system related investments required and the value of conservation to avoid system expansion. However, the IESO does not have a provincially dispersed network of staff to deliver programs. Local natural gas utilities should be included in regional electricity planning to ensure that priorities are being addressed. Both electricity and natural gas system expansions should be informed by a “net of conservation approach” to supply planning. With respect to

residential consumer information and assistance Enbridge has already demonstrated its ability to deliver these services for Toronto Hydro.

*Recommendation:* Enbridge should be included in the regional electricity planning to ensure that priorities are being addressed.

Program Types: Proposed programs under the new Framework would fall under the following general program types, with some offering benefits in more than one category. In order to provide a seamless transition from the Interim Framework and to target system needs as they arise, programs may be phased in over time.

- Programs that incentivize whole building electricity savings and peak demand reduction and help business to increase their internal energy management capacity.

*Comments:* We strongly support a performance-based whole building incentive structure such as the EPP. This will require the program participant to maintain persistence of savings thus delivering a higher ROI for both the participant and the province. However, unlike the current EPP rules, the new program should provide the flexibility to undertake system-specific retrofits where appropriate, and then net out the savings from the overall EPP savings so that incentives are not double-dipped.

*Recommendation:* Current EPP should be enhanced to provide the flexibility to implement system-specific retrofit where appropriate to achieve additional savings factor and reduce the financial burden on the customers.

*Comments:* One of the discerning aspects of the EPP is that, unlike the OPsaver Program introduced by the Toronto Hydro, it does not provide any incentives to cover portion of the upfront cost of implementing energy conservation or energy efficiency measures. The full cost is borne by the participant. Higher up-front cost is frequently cited as one of the major barriers to undertaking energy efficiency projects, especially in the mid-tier building sector. Providing higher upfront incentives for energy efficiency measures would attract more enrollment in the EPP.

*Recommendation:* Enhance the EPP and provide incentives to cover portion of the upfront cost of implementing energy efficiency/conservation measures.

- Programs that target local/regional needs, procured through a competitive process.

*Comments:* This is not a new idea. Similar models were tried in the 1980's with limited success and usually to the detriment of the customer and system benefits. The concern with this competitive bidding approach is that the customer ends up getting squeezed between the sponsoring organization and the energy service companies (ESCOs) with a predominant focus on "cream skimming" which leaves projects on the table undermining the total savings available to customers and the system. Even without the ESCOs, customers are less likely to participate in such model because of the risks involved – high upfront costs to be borne by the participant without any assurance or guarantee for recovery through incentives over the contract period. What if the government changes and the contracts are cancelled?

*Recommendation:* Local/regional priorities for electricity system needs should be governed by their respective regional plans. Furthermore, distributed resources of Enbridge makes it the ideal agency to deliver the programs to meet local and regional needs.

- Customer-driven solutions for larger/complex projects.

*Comments:* We concur. Complex projects that could deliver deep savings would also normally require operational changes and implementation of best practices as well as operator training in addition to equipment retrofits.

*Recommendation:* Considering broader system/building-wide impact of complex projects, EPP model (whole building) would be more appropriate to capture and validate savings.

- Customer friendly and direct install programs that enable easy access and savings for standardized measures, including programs for small businesses.

*Comments:* We concur. Direct install programs are one of the most successful initiatives delivered to date, and should be maintained and enhanced under the new CDM Framework. Direct install programs for more common retrofit measures would also greatly benefit the mid-tier buildings sector that lack the necessary resources to acquire energy service providers to identify opportunities and develop retrofit strategy.

*Recommendation:* In addition to programs for small businesses, consider the direct install model as the primary retrofit strategy for the mid-tier buildings sector.

- Programs for on-reserve First Nations communities, including for remote communities soon to be connected to the provincial electricity grid.

*Comments:* We concur. Programs should be inclusive and investments in the energy system should benefit all communities.

- A program for income-eligible households that would provide energy saving measures and installation of measures at no cost to the participant.

*Comments:* We concur. Such programs should also be easily accessible and simple to participate.

## ADDITIONAL COMMENTS & RECOMMENDATIONS

### 1. Energy Audit Incentive Program

*Comments:* Energy audit is a critical step on the path to energy efficiency and performance improvement. Energy audits identify energy efficiency opportunities in buildings and provide insights to help develop a road map for reducing consumption and improving energy efficiency and performance – the Energy Management Plan. It also forms the foundation for investing in energy efficiency projects.

The energy audit is also a very cost-effective tool for the mid-tier buildings sector to help prioritize projects. Having financial incentives to help with the cost of energy audits will motivate this sector to explore conservation opportunities and eventually lead to projects. It is understood that audits alone will not motivate someone to undertake projects. It needs to be part of the broader capacity building strategy to inform and educate this sector of Commercial real Estate.

Unfortunately the energy audit incentive program was one of the programs that was eliminated under the Interim Framework.

*Recommendation:* The Energy Audit Program should be reinstated with certain conditions to ensure more of the recommended solutions are converted to projects. Perhaps a unique program (similar to the direct install program) targeting small businesses and mid-tier buildings sector.

### 2. Energy Manager Program

*Comments:* The Energy Manager Program is considered one of the most successful programs delivered the former Conservation First Framework and the current Interim Framework. There are number of studies identifying the opportunities for conservation in the mid-tier sector

(including BOMA Toronto's collaboration with IESO to understand the mid-tier through our Mid-Tier Performance Initiative). Furthermore, one of our preliminary study with Toronto Hydro revealed that less than 2% of the mid-tier customers participated in the current conservation program. With close to 65% of building stock in any urban center categorized as mid-tier, it is a gold mine for conservation. But it is not easy to tap into this market without adequate investment to understand this market and deploy sufficient resources to capture the potential.

**Recommendation:** Consider investing more in the Energy Manager Program under the new CDM Framework. This will provide much needed resources for the mid-tier sector to identify retrofit opportunities and facilitate their participation in the CDM program.

### 3. Training & Capacity-Building Initiatives

**Comments:** The long-term viability of any conservation program rests on our ability to transform the market and to influence and change consumer behaviour. This can only be achieved through sustained customer/consumer engagement that consists of awareness campaigns, resources, research, training and education.

The focus should be on how do we address the current system needs while we continue to change the consumption behaviour of current and future customers so that the principles and best practices of conservation and energy efficiency become the norm in the future rather than continuing to be the exception?

**Recommendation:** Continue to invest more in training and capacity-building initiatives. This should be at the core of future CDM Framework.

## CONCLUSION

We are at an inflection point in our history – challenges posed by social issues, political instabilities, health & wellness risks (such as the current pandemic), economic uncertainties and climate risks. Despite all of these challenges we still need to continue our goals towards energy security, reliability, efficiency and affordability to meet the needs of Ontarians and to keep Ontario business thriving and competitive. The post COVID-19 economic recovery is expected to be longer than we would like, and we need every reasonable and proven strategy to kick-start and strengthen the lives of Ontarians and businesses. Energy conservation program is one of those strategies. With today's telecommunication capabilities, businesses can operate virtually anywhere in the world. Ontario remains one of the world's desirable locations to live and work, and we believe that this government is in an ideal position to make smart choices that will attract greater investment, and will provide businesses with the confidence that Ontario's energy future is strong and under control. Charting a new and better course through smart energy policies will leverage what has made Ontario great.

BOMA is available and eager to contribute to Ontario's success. We believe by bringing together the voice and experience of our members in collaboration with utilities, generators, and regulators, policy improvements are possible in each of the critical areas.

We appreciate the willingness from the Ministry of Energy, Northern Development and Mines to keep BOMA engaged and involved in this complex file. As the voice of the Commercial Real Estate Industry, we are committed to collaborating with the government and help address matters of mutual interests and concerns on our path towards strong and prosperous Ontario.

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