



Efficiency Manitoba's 2020/23 Efficiency Plan: Missed opportunities and too much risk, or a credible path forward?

Opening statement of the Consumers Coalition,
presented by the Public Interest Law Centre on
behalf of Winnipeg Harvest and CAC Manitoba

January 6, 2020



Missed opportunities and too much risk, or a credible path forward?

- Did the legislature intend to get a carbon copy of Manitoba Hydro's prior energy efficiency plan, which asserts that it can achieve higher savings at a lower cost?
- Or did the legislature intend for Efficiency Manitoba to file a plan that:
 - reflects cost-effective innovation;
 - includes a credible risk assessment and appropriate mitigation, where necessary; and
 - can be reasonably achieved?



The 2020/23 Efficiency Plan is important to *all Manitobans*

- Will be in place for 3 years
- A well-designed, cost-effective energy efficiency plan can have positive implications for residential ratepayers and for our environment:
 - Consumers can have more control over their energy bills;
 - Allow for reduced or delayed capital expenditures and development, as well as increased energy available for export, which can lead to lower rates overall for hydro customers; and
 - Can assist in developing the market for emerging technologies in clean energy and energy conservation.



Poor filing, poor process combined with the importance of this inaugural 3-year Efficiency Plan has left parties and the PUB in a difficult position with respect to the outcome of this proceeding

- Efficiency Plan delayed from October 1, 2019 to October 25, 2019, resulting in additional compressions to an already compressed timeframe;
- No second round of information requests;
- Significant detail missing in the Efficiency Plan submitted; and
- A January 28, 2020 hearing end date combined with an April 1, 2020 implementation date for the Efficiency Plan does not leave much time for amendments to be made to the 2020/23 Efficiency Plan if the PUB and the Minister recommend that improvements should be made.

The Consumers Coalition Members

Winnipeg Harvest

- Since 1984, a non-profit, community based organization committed to providing food to people who struggle to feed themselves and their families.
- Seeks to maximize public awareness of hunger while working towards long-term solutions to hunger and poverty. Advocated for affordable access to financial services, transit, telecommunications, energy efficiency programming and heating and lighting.



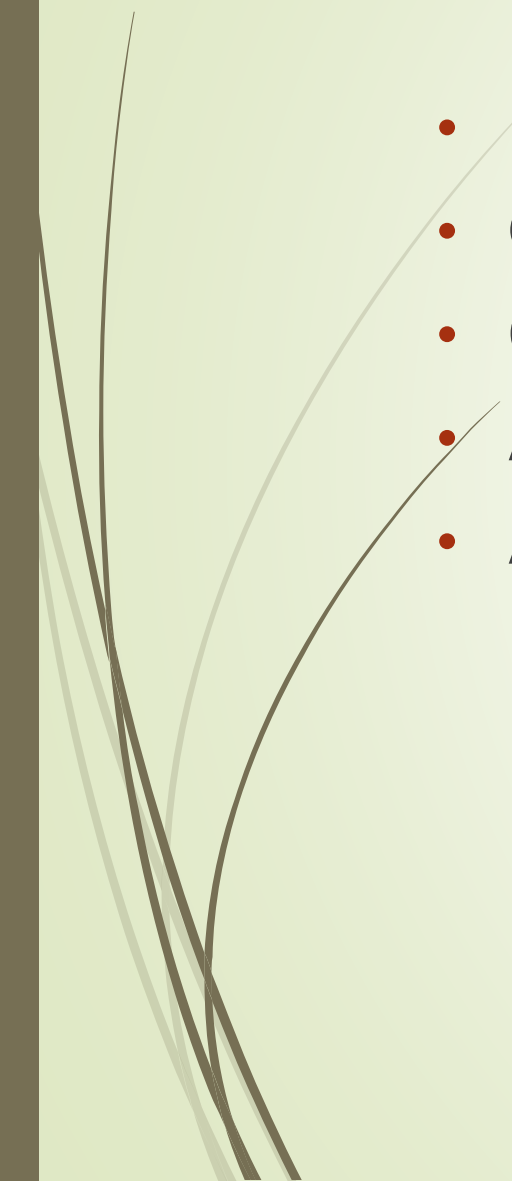
CAC Manitoba

- Since 1947, volunteer, non-profit, independent organization working to inform and empower consumers and to represent the consumer interest in Manitoba.
- Over the past 28 years, rate regulation matters relating to Manitoba Hydro, Centra Gas, MPI, MTS, payday lending and the maximum cost of cashing government cheques. Also extensive and intersecting regulatory experience at the Canadian Radio-television and Telecommunications Commission.





Developing the Consumers Coalition Position

- Review written record
 - Ongoing and regular consumer contact
 - Consumer engagement
 - Attendance at hearing
 - Advice from expert advisors
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Highly qualified, inter-disciplinary team of experts:

- Was the methodology to develop the Plan and to select initiatives reasonable?
- Is the Plan credible, cost-effective and accessible to all Manitobans?
- Were climate change implications considered?
- Was engagement with stakeholders and the public appropriate?

Experts who are independent:

- It is your duty to provide evidence that:
 - Is fair, objective and non-partisan;
 - Is related only to matters that are within your area of expertise; and
- Your duty in providing assistance and giving evidence is to help the Public Utilities Board. This duty overrides any obligation to the Consumers Coalition.



Statutory Context

The Efficiency Manitoba Act

Mandate

4(1) The mandate of Efficiency Manitoba is to

- (a) implement and support demand-side management initiatives to meet the savings targets and achieve any resulting reductions in greenhouse gas emissions in Manitoba;
- (b) achieve additional reductions in the consumption of electrical energy or natural gas — including resulting reductions in the demand for electrical power — if the reductions can be achieved in a cost-effective manner;
- (c) mitigate the impact of rate increases and delay the point at which capital investments in major new generation and transmission projects will be required by Manitoba Hydro to serve the needs of Manitobans;



Statutory Context (cont.)

The Efficiency Manitoba Act

Plans to be submitted to PUB

- 10 Subject to the regulations, Efficiency Manitoba must submit each of its efficiency plans to the PUB at the time and in the manner specified by the PUB.

Review and recommendation by PUB

- 11(1) The PUB must review an efficiency plan and make a report, with recommendations, to the minister as to whether the plan should be
 - (a) approved;
 - (b) approved with suggested amendments; or
 - (c) rejected.

Statutory Context (cont.)

The Efficiency Manitoba Act

Mandatory considerations

- **11(4)** In reviewing an efficiency plan and making recommendations to the minister, the PUB must consider
 - (a) the **net savings required to meet the savings targets and the plans to address any existing shortfall**;
 - (b) **the benefits and cost-effectiveness of the initiatives proposed in the plan**;
 - (c) whether Efficiency Manitoba is **reasonably achieving the aim of providing initiatives that are accessible to all Manitobans**; and
 - (d) **any additional factors prescribed by the regulations. [emphasis added]**

Optional recommendations

- **11(5)** The PUB may recommend to the minister
 - (a) an increase in a savings target if it is reasonably satisfied that it is in the public interest for Efficiency Manitoba to achieve additional net savings; or
 - (b) a decrease in a savings target if it is reasonably satisfied that the existing savings target is not in the public interest.


Statutory Context (cont.)

Efficiency Manitoba Regulations

Additional factors to be considered by PUB

11 In addition to the factors set out in subsection 11(4) of the Act, the PUB must consider the following when reviewing an efficiency plan:

- (a) the appropriateness of the methodologies used by Efficiency Manitoba to select or reject demand-side management initiatives;
- (b) whether the plan adequately considers the interests of residential, commercial and industrial customers;
- (c) whether, if it is practical to do so, at least 5% of Efficiency Manitoba's budget for demand-side management initiatives is allocated to initiatives targeting low-income or hard-to-reach customers;
- (d) whether the portfolio of demand-side management initiatives required to achieve the savings targets is cost-effective;
- [...]
- (g) the impact of the efficiency plan on rates and average customer bill amounts;
- (h) the reasonableness of the projected savings and Efficiency Manitoba's ability to meet the annual savings targets and the 15-year cumulative savings targets;
- [...]
- (j) whether the efficiency plan adequately considers new and emerging technologies that may be included in a future efficiency plan;
- [...].



The 2020/23 Efficiency Plan: Missed opportunities and too much risk?


The types of programs that are included in the Plan are typical of comprehensive energy efficiency portfolios and, if budgeted appropriately and implemented effectively, provide significant opportunities to increase the energy efficiency of homes and businesses in the province.

However, is this sufficient? Or does Efficiency Manitoba's plan miss significant opportunities in light of:

- good practice public and stakeholder engagement;
- previous PUB findings regarding the importance of energy efficiency for low-income consumers and in the context of Integrated Resource Planning;
- good practice in leading energy efficiency jurisdictions with respect to residential programming and risk management; and
- the climate change crisis, electrification and emerging technologies.



Principles of Integrated Resource Planning

- The PUB has previously found that “DSM must be evaluated as a stand-alone resource in an integrated resource planning process by Manitoba Hydro.” [NFAT Report, p 92]
 - In developing its Efficiency Plan, did Efficiency Manitoba appropriately apply principles of Integrated Resource Planning?
 - If Efficiency Manitoba did not appropriately apply these principles, would applying such principles have led to a more robust and transparent consideration, evaluation and selection of options and alternatives?
 - Should Efficiency Manitoba be directed to demonstrate how it has applied principles of Integrated Resource Planning in the development of future Efficiency Plans?
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Public and Stakeholder Engagement

- Section 9(h) of the *Efficiency Manitoba Act* requires Efficiency Manitoba to include in its efficiency plan:
 - (h) a description of the input that Efficiency Manitoba received from stakeholders — including the stakeholder committee established under section 27 — and the public in preparing the plan, and the process established for receiving the input.
- In light of this legislative requirement, was there sufficient **public and stakeholder** engagement conducted in developing the 2020/23 Efficiency Plan? If not, what does this mean for the 2020/23 Efficiency Plan?
- Given that meaningful participation is a cornerstone of the development of good policy, can significant improvements be made to Efficiency Manitoba's methodology for public and stakeholder engagement?



Risks and Risk Management

- Are there significant risks to the implementation of the Efficiency Plan that are not being acknowledged or addressed by Efficiency Manitoba?
- Do risks to the implementation of the Efficiency Plan include:
 - Whether the required staff transition from Manitoba Hydro (“Hydro”) will be successful and accomplished in a timely manner?
 - Whether procurement for third party program implementers will be successful and accomplished in a timely manner?
 - Whether all the programs will ramp up according to plan and meet participation and savings targets within the proposed budgets?
 - Whether the proposed Customer Relationship Management (“CRM”) tool and proposed Online Home Energy Questionnaire will be fully deployed and operational according to the expected timelines?
 - Whether the significant savings that are projected to come from Codes and Standards will be verified by the independent assessor?



Risks and Risk Management (cont.)

- Are adequate contingency plans being contemplated to address implementation risks or is there significant uncertainty with respect to Efficiency Manitoba's potential for successfully implementing the Plan?
- Should Efficiency Manitoba develop a risk management or project management framework which would identify potential risks and mitigation strategies?



Accessibility of Programs to all Manitobans

- Is Efficiency Manitoba unreasonably conservative in the scope and scale of its proposed residential sector programs?
- Section 4(3)(c) of the *Efficiency Manitoba Act* states that in fulfilling its mandate, Efficiency Manitoba may “aim to provide initiatives that are accessible to all Manitobans.”
- The PUB has previously recognized “the energy burden faced by low-income customers and the vital importance of MH providing effective energy efficiency and comprehensive low-income programs.” [see PUB Order 90/08; see also PUB Order 116/08; PUB Order 43/13]



Cost-effectiveness

- Are there shortcomings associated with Efficiency Manitoba's calculation of the Program Administrator Cost Test (PACT) and the Lifecycle Revenue Impact (LRI) analysis, in relation to the marginal values and the discount rate used, as well as the rate increase assumption used for the LRI?
- While cost-effectiveness is an important factor to be considered in developing an energy efficiency portfolio, should it be the most important factor?
 - Or should consumer choice, accessibility of programs to all Manitobans, long-term savings goals, emerging technologies and environmental considerations also be weighed in the development of the energy efficiency portfolio?
 - If so, what is the relative importance of the various factors in relation to cost-effectiveness?



Climate Change, Electrification and Energy Efficiency

- In light of the climate crisis and the importance of building electrification as one of the critical pathways to achieve the kind of substantial reductions in greenhouse gas emissions necessary to stabilize the global climate:
 - Does Efficiency Manitoba's Plan have significant shortcomings in the way that it plans to address electrification opportunities over the next three years?
 - Does Efficiency Manitoba's proposed mix of measures and programs do enough to enable future electrification, beyond the three year plan?
 - Does the structure of Efficiency Manitoba's savings goals, as well as how the organization is proposing to treat the impacts of electrification on those goals, have the potential to create perverse disincentives to pursuing electrification?



Conclusion

- Is Efficiency Manitoba's plan innovative, cost-effective and accessible to all Manitobans, or is it simply business as usual?
- Has Efficiency Manitoba appropriately recognized and addressed the risks to implementing its plan and meeting the savings targets, or are there credibility concerns with the Plan?

Thank you