Ecology Action Centre
40 YEARS OF ACTION

Reply Submission

In the past, Nova Scotian stakeholders have agreed that DSM is the better ratepayer option to pursue, not only because it offered the least cost procurement option, when compared to supply options, but also because stakeholders have consensually recognized that energy efficiency can reduce the overall costs of the electricity system, most importantly the costs associated with the fuel and capacity requirements of NSPI. In turn, this provides widespread benefits for all.

The IRP indicated that DSM was one of the most cost-effective resources and that the associated costs of the Nova Scotia electricity system operated by NSPI could be substantially reduced by procuring all energy efficiency. The IRP projections for DSM were thought be reasonably achievable at the time they were produced (2007, 2009). These projections were meant to serve as the 'guidelines' or standards through which to approach DSM at both the DSM administrator (ENSC), and the DSM regulator (UARB). The IRP targets were commonly understood to be directional and not prescriptive.

If to date, in 2011, we are over-achieving on the IRP targets for DSM then that should be proudly celebrated as indication that DSM estimates were too low in the original IRP. As well, DSM overachievement gives a very positive indication of the substantial opportunities that exist for transformative efficiency and conservation measures in Nova Scotia and the positive system benefits that can be accrued, sooner, faster and with broader economic and environmental contributions for all Nova Scotians.

At this time it is reasonable, beneficial and highly recommendable to achieve more energy savings from DSM for many compelling and justifiable reasons detailed in this Reply Submission. As such the EAC recommends that the Board approve an increased DSM budget based on the proposals put forward by Board consultant Mel Whalen, and supported Gil Peach, Tim Woolf and EAC consultant Glenn Reed.

If the IRP assumptions about DSM have changed, then an IRP Update is urgently required, given the growing volatility of the Nova Scotian electricity rate increases, driven for the most part by non-DSM factors. DSM offers a valuable service in a time of rising rates: rate-payer protection from bill impacts of rising electricity rates. This is a very relevant consideration to the Board's deliberations on the 2012 DSM plan at this time.

There are obvious and hidden dangers to not procuring all energy savings that are achievable at this time including: 1. lost momentum of contracting and the development of the nascent efficiency sector in Nova Scotia, 2. lost opportunity to not achieving more cumulative savings (particularly in lighting as noted by Glenn Reed), as well as 3. lost potential for diversifying the DSM portfolio and program offerings at ENSC and, 4. lost opportunity to improve DSM performance in the early years, to then be applied in later years and, 5. the issues associated with losing public momentum by mischaracterizing DSM as a 'rate-driver' when it clearly is of marginal impacts when compared to other factors and, 6. lastly, since DSM currently provides one of the only 'protection' services for fatigued Nova Scotian ratepayers, increasing DSM services and programs can assist in lowering ever-rising NSPI electricity bills, if done efficiently and with a transformative and timely effort.

In these proceedings ENSC itself has acknowledged that, in fact, more energy savings are achievable if the budget were increased. With eyes to the horizon and recognition of growing energy and climate uncertainties, now is the time for transformative DSM actions in Nova Scotia.

NSDOE & NSE

The EAC notes that the observation made by NSDOE and NSE is the primary matter of disagreement between stakeholders in this matter:

> After deducting energy and demand savings by others (ELI), and over-achievements from previous program plans, **energy savings from DSM programs for 2012 total 124.lGWh compared to l58.5GWh approved in the 2011 plan; and demand savings**

from 2012 DSM programs totaling 23.2MW compared to 30.9MW savings in the 2011 plan.

NPB

EAC respectfully objects to the final submission made by NPB that the "Board should reject any recommendations that would require ENSC to further increase the proposed DSM spending levels as part of its 2012 DSM Plan".

While the Board should certainly give consideration to the short-term rate impacts of increased DSM spending, the EAC points out the impacts of increasing the DSM budget in 2012 are negligible compared to other rate-drivers currently facing Nova Scotian ratepayers, most of which have nothing to do with DSM and everything to do with NSPI's unsustainable fuel importation, depreciation formulae, application for increased return on equity and so on. As such a conversation about DSM rate impacts would be better had in another forum, such as the IRP Update or GRA Application.

Furthermore the IRP, the Wheeler process and several years experience of DSM in Nova Scotia all corroborate that an aggressive schedule of implementing DSM is possible and recommended, as it provides the most cost-effective and efficient mechanism for helping to stabilize electricity rates in the province which provides tangible benefits for ratepayers.

Ultimately, DSM can contribute to the process required for meeting environmental policy goals in the medium to longer term and DSM can assist rate-payers with rising bills in the short term. Auxiliary benefits also accrue by providing economic development in the energy efficiency and conservation sector, which is also consistent with EGSPA. However, 'staying the course' is possible only through an aggressive implementation and broad-based stakeholder consensus to keep our eyes to the horizon of new energy/climate realities in Nova Scotia and the world at large.

Contrary to NPB's characterization that there is 'no compelling justification to increase the 2012 DSM budget' the EAC contends that an increased effort on DSM at Efficiency NS offers several compelling justifications, as mentioned above. Perhaps an even more compelling justification is the foreseeable specters of overcoming climate change drivers, importantly the aggressive mitigation of greenhouse gases. This is contingent and depends upon moving beyond unsustainable coal-burning electricity production and energy inefficiency especially since Nova Scotia is one of the highest per capita energy use and per capita greenhouse gas emitting jurisdictions in Canada (and the world), largely as a result of coal burning, electric space heating, old and poorly insulated building stock and so on and so forth.

As a global society we are virtually assured a future of surpassing climate thresholds within the next 30-40 years, unless there are timely and transformative actions taken by the top polluters of the world. Canada as a nation has failed to show leadership on climate change mitigation. Faced with an impending climate and energy crises, clearly our coastal and climate/energy-vulnerable province of Nova Scotia should continue to exemplify provincial leadership through innovative, job-creating, cost-saving policies and program mechanisms such as DSM, as well as other transformative energy supply options, policies and practices. Clearly, the science and timelines of climate change are compelling justifications enough for undertaking DSM, let alone the ostensible 'climate debt' and equity considerations of this global issue for which we in the First World are largely responsible. However, these matters are clearly beyond the scope of the Board.

NPB has suggested that the Board reject 'non-ratepayer class intervener consultants' suggestions for improved ambition for the 2012 DSM plan. While the EAC (the sole civil society, non-governmental, non-industry representative in this hearing) and Board consultants may not represent a particular vested interest, what they have offered is a degree of arm's length and non-partisan perspective on what is achievable and indeed in the best interests of Efficiency NS program development, on a go forward basis. As such, the Board should see the value of the opinions and perspectives presented by the expert witnesses retained for this hearing, given the breadth of experience that they bring to the table. The EAC takes note that NPB/ELI did not produce expert witnesses or testimony in this hearing.

The EAC recommends that the suggestions of Glenn Reed with regards to lighting program improvements be included in the Board's decision, and that the Board give further consideration to the benefits of a diversified portfolio of DSM programs supported by increased program budget and savings targets at ENSC.

Undertakings of Mel Whalen

According to EAC's analysis and interpretation of Undertaking 2, the ELI class is actually in a position to benefit by $500,000 in fuel cost savings from a DSM budget of 53.4 million.

ELI is expected to pay 2 million (3.7% of the DSM budget, despite using 20% of the energy). There is estimated to be 12.7 million in total fuel costs resulting in 2.5 million of fuel cost savings. In turn this results in 0.5 million in fuel cost savings overall.

As such, it is truly perplexing that ELI would oppose a more aggressive DSM ramp-up since they are in a position to benefit from fuel cost savings. Mel Whalen was correct in his 'back of the envelope' calculations that the 'big guys stand to benefit'.

However this is likely an underestimate and over-simplification of the benefits, since the benefits of avoided capacity are also not included in these calculations, or the benefits of avoiding fuel cost volatility, a major driver in increasing electricity rates in Nova Scotia.

Similarly according to Undertaking 3, since all rate classes, except ELI, will have increased costs from a potential DSM budget increase, it is perplexing the ELI would be opposed to increased DSM ambition.

This is even more perplexing, especially since ELI's unforeseen savings from projects already undertaking truly exemplifies 'early adopter' leadership on DSM. This is the type of leadership that is required for successful DSM in Nova Scotia, thus ELI should also support increased program budgets and activities at Efficiency NS. Similarly, since the system benefits accrue beyond fuel cost savings to avoided capacity and increased cost-effectiveness of electricity production, why would ELI oppose it, especially if it stands to further benefit from positive DSM drivers that support rate-stabilization and so on?

More broadly, what is not counted in Undertaking 3 or Undertaking 2 are the benefits that each ratepayer class will receive by participating in DSM programs: reducing energy usage and thus reducing bills. With maybe the exception of ELI, all ratepayers can participate in DSM programs, however as noted above ELI accrue other positive system benefits through the cost allocation formula.

What is required in terms of stakeholder dialogue at this time is not discussion about the short-term impacts of rate-increases from ambitious and aggressive DSM as ELI has suggested. Rather, there is a need for a substantial discussion around program performance and ensuring equitable program provisions among rate classes, on a go forward basis.

ENSC

The EAC respectfully objects to ENSC's suggestion that 'there is a high level of agreement with respect to the elements of the 2012 DSM Plan' for which ENSC is seeking approval. While the EAC does support the marginal increase in the DSM budget and does support prudency in the DSM ramp-up, the EAC respectfully directs the Board to the EAC's final submission with respect to the inclusion of reasonable information in Board processes and the omission of EAC from the Chair's objection and canvas of the room on Mr. Outhouse's cross-examination of Mr. Whalen. Furthermore – if there is a high level of agreement, it is amongst the industry and governmental stakeholders represented in these proceedings, but this does not include the EAC, and ostensibly the evidence presented by consultants Glenn Reed, Gil Peach, Mel Whalen and Tim Woolf.

The EAC respectfully objects to ENSC's notion that there is 'insufficient evidence and rationale at this critical time in the aggressive ramp-up of DSM programming to order a further increase in

DSM program expenditures' and directs the Board to the evidence previously filed by the EAC, by Glenn Reed and by the Board consultants detailing the opportunities and issues associated with decreased ambition on DSM activities within ENSC programs.

Certainly it is troubling to the EAC that in tabling its first DSM plan, ENSC is appearing to, perhaps, set a lowered bar and precedent with respect to how savings are procured through in-house activities, while at the same time relying heavily on unforeseen ELI savings procured from an efficiency project undertaken by ELI stakeholders in the past. In the absence of an appropriate framework to properly evaluate and develop equitable savings goals and targets for ENSC programs, the EAC is concerned that this sets a poor example for future DSM plans.

ENSC has correctly identified and characterized the argument that increased energy savings can: 1. provide greater flexibility in future years and, 2.that the primary focus of DSM programming should be to implement "all cost effective" energy efficiency measures that can reasonably be achieved and, 3. that procuring a smaller level of program-based energy savings in 2012 may be regressive and as well, 4. that "scaling back" DSM programming could interfere with established contractors and employment and threaten the ability to further ramp-up aggressive energy savings.

However, since ENSC does not actually appear to share or support this opinion in its DSM 2012 plan and the perspectives given through evidence and cross-examinations, EAC offers that ENSC may, perhaps, have lost sight of the big picture (and, perhaps, its raison d'être) if it believes that the only results of further increases to the 2012 DSM budget are an over-achievement on IRP targets and the specter of short-term rate-increases (which are negligible) when given the overall purpose and context of doing DSM in Nova Scotia in the first place: least cost procurement.

The Board and the IRP's DSM 'raisons d'etre' are to minimize system costs over the long-term for Nova Scotian ratepayers. Once again, the IRP targets were directional not prescriptive, and Nova Scotia is doing better than expected if ENSC, in tabling its first DSM plan is in a situation of over-achievement based on past on the performance at the interim administrator. However, let us not let ENSC rest on its laurels quite yet by lowering program savings ambition, or by relying on savings from outside program activities. The IRP showed that all energy efficiency that is deemed to be achievable should be pursued as it is very cost-effective and highly desirable to reduce the costs of NS's electricity system.

As highlighted above, climate change mitigation, green growth and rate-payer protection are other primary drivers for ENSC. ENSC should not be hindered by the prospective of numerical over-achievement or a pre-occupation with stakeholders' erroneous and misplaced concerns about the short-term rate impacts from DSM.

Since the residential ratepayer class stands to be impacted the most from rate-increases, but similarly stands to benefit the most from increased ENSC DSM programs that can provide protection against the sustained rise in electricity bills and rates in Nova Scotia, it actually makes the most sense, and dollars and cents, to invest early and invest often in DSM to provide rate-payer's protection against rising costs, ensuring that the principle of equitable distribution of costs is upheld.

At this time, EAC is primarily concerned with ensuring that the benefits of DSM are equitably distributed among rate-payers. Ultimately, DSM can build ratepayer confidence and resilience to new energy cost realities associated with climate mitigation and fuel supply volatility by proactively supporting the practical measures required to increase efficiency and foster an ethic of investing in conservation among the Nova Scotian public. In that regard, 'true cost accounting' on NSPI bills (or Home Energy Reports) could go a long way to building public understanding about the real drivers of rate increases, which are marginally due to DSM as compared to NSPI's cycle of general rate applications based mostly on non-DSM costs.

CA

While EAC supports the CA in its reasonable cautiousness to DSM implementation and ramp-up, the EAC offers that the CA also may have lost sight of the bigger picture (and perhaps its raison d'être), if it does not support more aggressive approaches to the implementation of DSM in Nova Scotia, in light of the non-DSM rate drivers affecting consumers of electricity. In this light, DSM is the # 1 defense for all manner of electricity consumers, as well as the 'bottom rung on the totem pole' when it comes to improving Nova Scotia's environmental performance and improving economic benefits that can be achieved through efficiency and conservation, with positive effects for all rate-payers.

Conclusion

Given the context of new global energy and climate realities, the unsustainable structure of the Nova Scotia electricity market and system and the work and the success that has been achieved to date with respect to DSM in Nova Scotia, now is ***not*** the time to take the foot off the DSM pedal. Indeed, the Board should support the expert testimony and evidence produced in this hearing showing that it is equitable, cost-effective and broadly beneficial to, at a minimum, increase ENSC's 2012 program savings targets to 2011 levels, and make the budgetary revisions required to support this amendment. Should stakeholders be concerned about DSM rate impacts, the IRP Update and GRA hearings are the better places to address this issue. At the present time, the Board should view the directional nature of the IRP targets as the compass to navigate rate-payer protection options. The IRP compass clearly points to DSM as the best option. As such, DSM in 2012 should 'stay the course' by charting an aggressive pathway that can reduce Nova Scotians' electricity usage, save Nova Scotians' money and help the environment through reduced coal-burning at NSPI. Given the present context, DSM seems to be the best option to provide rate-payers protection and broadly benefit the Nova Scotian electricity system.

Respectfully submitted by:

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