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Delivered by E-mail

Doreen Friis
Regulatory Affairs Officer/Clerk
Nova Scotia Utility and Review Board
3rd Floor 1601 Lower Water Street
PO Box 1692 Unit "M"
Halifax NS B3J 3S3

Dear Ms. Friis:

Re: **M07544 E1 - Incentive Setting Methodology (E-ENS-R-16)**

During the 2016-2018 DSM Plan hearing, the Industrial Group had questioned the appropriateness of EfficiencyOne's incentive levels. The Board directed E1 to undertake research and make recommendations on a more rigorous program for determining incentives.

EfficiencyOne did so and filed a *Revised* Incentive Setting Methodology (CLEAResult Report & EfficiencyOne Implementation Plan) with the Board on March 31, 2017.

These comments are submitted on behalf of the Industrial Group.

The CLEAResult Report set out a general approach for incentive setting but, in the view of the Industrial Group, there is a lack of financial detail in how the methodology is to be applied and the results analyzed in practice.

The sample financial simulations indicates a number of measures which, using CLEAResult's metrics, suggest a lower incentive is warranted. However, there is no recommendation in the report regarding maximum incentives. Indeed, the Industrial Group notes that CLEAResult suggests a ceiling for the customer cost-incentive generally of <u>100%.</u> It seems illogical that there would not be a lower cap on incentives, other than perhaps for certain exceptional low income measures. If the measure has any value to the customer through energy savings, there should be no reason to pay 100%.

EfficiencyOne has agreed to conduct a financial simulation on existing incentives and suggests that this will be accomplished in its two year research plan implemented through 2017 and 2018. The Industrial Group suggests that two years for implementation is not timely and supports EfficiencyOne's additional commitment to conduct an initial financial simulation prior to June 30, 2017. This would enable the results to inform any appropriate mid-course adjustments.

It is noted that CLEAResult identified the following cost-effective testing "best practice" which should be adopted by program administrators:

- Measure level screening in either program or portfolio-level cost-effectiveness testing.

- The allowance for non-cost-effective measures to be included in portfolios should the measure require a temporary cost-effectiveness relief, should it be an emergency measure which aligns with policy goals or should the measures be targeted for a specific priority sector (eg., low income).

- The use of appropriate cost-effectiveness tests for screening and threshold setting.

- The use of the average or weighted average costs of energy to determine avoided costs.[1]

The Industrial Group would support an approach to incentives that permits E1 to include only non-cost-effective measures in exceptional circumstances, consistent with best practices.

The Industrial Group reserves the right to address the appropriate level of incentives, for any individual measure or program in future once further financial information is available and the methodology is applied in practice.

Respectfully,

Nancy G. Rubin

NGR/lmc

cc All Participants

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[1] CLEAResult Report, p.38.