

NOVA SCOTIA ENERGY BOARD

IN THE MATTER OF: The *Public Utilities Act, RSNS 1989, c.380*, as amended

– and –

IN THE MATTER OF: NSEB Matter No. M12282 – EfficiencyOne – New Benefits Cost Analysis Test for Evaluating Demand Side Management (DSM) Plans

EASTWARD ENERGY – OPENING STATEMENT

Thank you for the opportunity to provide this opening statement.

Strategic Electrification

Eastward Energy has reviewed the evidence in this proceeding, and this Application is the first time that E1 has substantively referred to the potential for it to start strategic electrification, and it has provided an example of how its proposed BCA test could be used to analyze the cost effectiveness of potential gas to electric conversions.

As such, Eastward Energy has a direct interest in ensuring that the knowledge, insight and information of Eastward Energy is brought to bear in this regard, and in particular that E1 and the Demand Side Management Advisory Group (DSMAG) fully consider the potential of hybrid heating in the ongoing 2027-2031 DSM Plan development.

The Gas Distribution Act has been recently amended to include as one of its purposes to “facilitate the use of gas as a hybrid peaking resource to satisfy the integrated electricity system demand”, with hybrid peaking resources defined as “electricity and non-electricity resources used in combination to satisfy the integrated electricity system demand”.

Accordingly, Eastward Energy is legislatively mandated to pursue, as one of its purposes, hybrid peaking resource opportunities to assist in meeting the Provincial electricity demand, and is now integrally associated with issues related to the electric system demand such as strategic electrification.

Similarly, Nova Scotia Power’s most recent Integrated Resource Plan (IRP) modelling analysis shows potential savings of \$2.3 Billion for a hybrid peak scenario compared to the IRP baseline.

In response to the Board's IR-06(b) E1 specifically stated that "the upcoming five-year DSM plan for the period 2027-2031 is the first time that E1 will be exploring the inclusion of strategic electrification in its DSM Plan" and that the 2027-2031 Plan "is being developed throughout 2025 with an expected filing date in early 2026". In its Rebuttal Evidence E1 then noted that "the inclusion of specific hybrid heating measures may be considered in the 2027-2031 Plan, but program design decisions have not been finalized".

As the upcoming Plan development is already underway, and the Plan will cover a full five-year period, Eastward Energy believes it is critical for E1 to focus on the value of hybrid peaking resources in its 2027-2031 Plan development so as not to lose the opportunity available for a further five years following 2026.

Significant development is anticipated in the Halifax urban core over the coming years, with the majority of newly constructed dwelling units likely to be in close access to existing Eastward Energy infrastructure in Halifax, Dartmouth and Bedford and surrounding areas.

Eastward Energy believes the appropriate and most efficient way to participate in bringing its knowledge to bear on the ongoing development of key DSM strategic electrification opportunities is for it to be a fully participating member of the DSMAG, so that it can be a part of the necessary in-depth discussions required to fully analyze these opportunities. With the clock ticking on the development of the 2027-2031 Plan, Eastward Energy believes it is critical that the issue of hybrid peaking resources be analyzed in detail as soon as possible, and that Eastward Energy and E1 work collaboratively to carry this out in a timely manner.

Eastward Energy does not see any conflict between the ultimate aims of E1 and the DSMAG and Eastward Energy, but rather sees a need for the parties to work collaboratively to determine the most effective and efficient approach to advancing total energy supply in the Province.

Through the recent changes to the Gas Distribution Act and the creation of the Nova Scotia Energy Board with a mandate which includes supporting competition and innovation in the provision of energy resources in the Province, the Province has made clear the desire to have an integrated gas and electric system in the Province.

Eastward Energy wants to be a robust participant in the processes to determine broad solutions to the energy needs of the Province, and to do so believes it is appropriate for Eastward Energy to be a full participating member of the DSMAG, where it can work with all the other parties in a constructive manner to ensure the most cost effective and environmentally sound overall energy solutions for the Province. In this regard Eastward Energy is aligned with the goals of E1 and the DSMAG and does not have a conflicting interest.

Marginal Emissions

In response to Eastward Energy's IR-11, E1's consultant Energy Futures Group stated that "average emissions rates is an appropriate, but approximate estimate". The use of average versus marginal emissions rates is not appropriate given that going forward incremental electrical generation will be served by coal and later by heavy fuel oil and natural gas/fuel oil combustion turbines operating at low

efficiencies, versus hybrid heating systems that when utilizing natural gas infrastructure will operate at over 90 percent efficiency. Using marginal generation emissions is more appropriate.

Natural Gas to Electric Conversions

In its Rebuttal Evidence E1 states that “in the actual event that conversion of gas heating systems to electric heat pumps results, under the application of the proposed BCA yielded a negative net benefit of \$17.4 million and a benefit-cost ratio of 0.45, under existing Board directives, E1 would be required to provide justification to the Board for inclusion of these measures in any future DSM Plan”. Eastward Energy does not believe that such an eventuality could in any way be a valid strategic electrification measure, and is concerned that E1 could not confirm this.

Reliability Impacts

In response to Eastward Energy’s IR-08(e) E1 stated that “reliability impacts are assumed to be embedded in the avoided cost values provided by NS Power”. In its Rebuttal Evidence E1 stated that “NS Power’s avoided cost of capacity implicitly includes reliability impacts through a planning reserve margin adjustment”. Eastward Energy believes it is necessary to have a more explicit confirmation that peak costs and system reliability is embedded in the avoided cost values provided by NS Power.

Further, any benefit-cost analysis related to natural gas must capture the lost value of natural gas system reliability.

Again, thank you for the opportunity to provide this opening statement.