



# **BOMA TORONTO**

*Feedback on*

## **Ontario's Long Term Energy Plan (LTEP)**

**PRESENTED TO**

**Ministry of Energy  
(MOE)**

**December 16, 2016**



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Andrea Pastori  
Cabinet Liaison and Strategic Policy Coordinator  
Ministry of Energy  
Strategic, Network and Agency Policy Division  
Strategic Policy and Analytics Branch  
77 Grenville Street  
Floor 6th  
Toronto Ontario  
M7A 2C1

Dear Ms. Pastori,

**RE: Ontario's Long Term Energy Plan (LTEP)**

The Building Owners and Managers Association of the Greater Toronto Area (BOMA Toronto) would like to thank the Ministry of Energy (MOE) for this opportunity to comment on Ontario's Long Term Energy Plan (LTEP).

BOMA Toronto is a not for profit industry association established in 1917, representing over 80% of all commercial and industrial real estate companies across Ontario (with the exception of the Capital region that is represented by BOMA Ottawa). BOMA Toronto's membership includes leading building owners, property and facility managers, developers, corporate facility managers, leasing professionals, as well as service providers that cater to the Commercial Real Estate (CRE) Industry.

BOMA Toronto's mission is to develop, promote and advance best management practices in the CRE Industry through advocacy, education and networking.



As a major stakeholder in Ontario’s CRE Industry and as the voice of building owners and managers, we are supportive of the government’s effort to revisit its 2013 LTEP with an intention to bring more benefit to end-users and to reaffirm its policy of “putting Conservation First”. It is also encouraging to see the government’s plan to consider all sources of energy in Ontario, not just electricity. However, we don’t believe that the LTEP could achieve its fullest potential unless certain changes are implemented to make the various conservation programs and initiatives more simple, accessible and appealing to the broader building industry. There is much to be done to leverage the conservation potential within this sector.

For our part, BOMA Toronto, with its expertise and experience in managing and delivering successful CDM programs in the past, is committed to work with Ontario utilities, IESO, and the MOE, to help enhance the CDM program offerings so that it brings more value to our membership and to the broader CRE Industry.

This document covers BOMA Toronto’s recommendations arising from five main areas: Cost of Energy, Transparency & Stakeholder Engagement, Conservation & Energy Efficiency, Technology, and Consistency with Broader Provincial Environmental Objectives.

Thank you in advance for considering our feedback. We would be happy to discuss our comments with you further, or respond to any questions you may have with respect to LTEP or BOMA’s role within the broader Conservation First Framework (CFF).

Regards,

**Bala Gnanam**

Director, Sustainable Building Operations & Strategic Partnerships  
BOMA Toronto

*Email copy to:*

Susan Allen, President, BOMA Toronto

Joe Bilé, Chair, Commercial and Institutional (C&I) Working Group

Justin Rangooni, Vice President, Policy & Government Affairs, Electrical Distributors



## GENERAL COMMENTS

### 1. Cost of Energy

- a. The Global Adjustment Mechanism (GAM) cost is the biggest factor that impacts the economics of implementing energy conservation measures (ECM), from straight forward lighting retrofit, to complex HVAC systems, and behind the meter generate and storage solutions. Many of our members undertake energy efficiency projects to reduce their operating cost while also trying to minimize the environmental impact of their operation. Over the last several years, they were able to gradually achieve significant reductions in their electricity consumption, but have been experiencing an inexplicable increase in their overall electricity costs, mainly due to rapidly increasing in GAM costs. Many believe that GAM is a form of provincial tax used to offset the cost of paying for CDM. The argument of cost avoidance to rationalize conservation within their own organizations doesn't always work, especially when they have little or no confidence in the electricity pricing model. The government has to do a better job at explaining the full cost of electricity, who approves the various costs associated with GAM, and how the customers are charged.
  
- b. Continuously rising electricity price will increase the cost of leasing CRE in Ontario. This may cause some commercial tenants who may be very price-sensitive to leave Ontario and relocate to other jurisdictions where the price of electricity is more affordable.



c. The disparity in the energy price of electricity and natural gas is counterintuitive to the government’s plan to electrify certain sectors as a means to reduce GHG emissions. The reduction of carbon emissions through electrification is a worthwhile initiative, and should be pursued wherever it makes sense (e.g. transportation, where emissions reductions opportunities are material, and energy cost savings are achieved by the end user). However, heating with electricity costs 400% (five times) more than heating with natural gas, which in itself is a relatively clean-burning fuel compared to diesel, coal, and even biomass, and we are concerned that this initiative will lead to unintended consequences. We support Cap and Trade as a market-based mechanism to price carbon emissions such that businesses can make the best choices for their operations within a reasonable and practical framework. We strongly advocate against regulating against the use of natural gas, and recommend that consideration be given to the impact of energy prices on likely consumer choices when setting GHG reduction targets.

## **2. Transparency & Stakeholder Engagement**

a. Given the materiality of the GAM as a percentage of electricity costs, it is imperative that the basis for the monthly charges be transparent to the public. The Ontario electricity market was deregulated in 2002; it appears that we have come full circle, with the bulk of electricity costs now once again regulated and opaque.



- b. To ensure transparent decision-making, when the final LTEP is released, the Ministry of Energy should explain any changes between the draft and final LTEP, and the rationale for the changes.<sup>1</sup>
  
- c. Success of the CFF depends on how quickly customers adopt the various initiatives and programs to improve the energy performance of their buildings. Therefore it is critical that the policy makers listen to customer needs and address issues that are fundamental for the operation of their buildings.

### **3. Conservation & Energy Efficiency**

In order for LTEP to achieve its fullest potential, certain changes need to be implemented to make the various conservation programs and initiatives more simple, accessible and appealing to the broader building industry. Current program offerings are generally utilized by Class A (not to be confused with the Class A/B designation associated with GAM) buildings whose owners and managers are driven by corporate sustainability objectives and whose knowledge in conservation and energy efficiency are quite advanced and they have access to resources that could help achieve their objectives. But these buildings constitute only a small fraction of the total CRE building stock in Ontario. The vast majority of the buildings are classified as Class B and C whose management are generally resource constrained, lack motivation, and their rate of participation in the conservation program is estimated to be less

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<sup>1</sup> ECO: Developing the 2017 Long-Term Energy Plan - A Special Report to the Legislative Assembly of Ontario



than 2 percent. There is much to be done to leverage the conservation potential within this sector.

**a. Programs**

- i. The BOMA BEST® National Green Building Report reveals that there is no correlation between energy use intensity and the number of energy efficient features within buildings. Providing financial incentives for operational savings is a natural evolution of Conservation and Demand Management (CDM) programs and a step towards making conservation practical and more accessible. We support recent efforts with proposed programs as OPSaver® from Toronto Hydro and the IESO's Energy Performance Program (EPP), which are designed to incent persistence of savings.
  
- ii. Whole-building performance-based program would also drive innovation and persistence of savings from the installed ECMs and management best practices. The persistence factor is often overlooked, but is a critical factor to maximize ROI both for the province and for participants.

**b. Processes**

- i. Participation in the provincial CDM programs should be simple and straightforward and not onerous for landlords and their service providers.



- ii. Application, verification, and settlement processes should be simple, efficient, and effective, with adequate back office support to facilitate submission and follow-ups.
  
- iii. A complaint that is normally levied against the current saveONenergy program (from many landlords and energy services providers who assist or act on behalf of landlords) is that some LDCs do not respond to inquiries in a timely manner, and in some cases don't respond at all, despite repeated attempts. This must change, and it is hoped that the new LTEP would address this and make it easier for landlords and service providers to follow up on the status of their applications, payments, and other inquiries related to their projects.
  
- iv. The Participant Agreement should be simple and its length kept to minimum as complex agreements (akin to PSUI and DES agreements) could deter participation.
  
- v. Those who invest in capital projects to improve the performance of their buildings should be allowed to keep any environmental attributes resulting from those projects.
  
- vi. There should be a simple and effective means to resolve disputes that may arise with respect to eligibility, interpretation of program rules, M&V, settlement, etc.



- vii. A seamless way to share application, project, and verification details with LDCs is recommended.

### c. Incentives

- i. The incentive should be sufficient enough to encourage more investment in ECMs and motivate participants to be innovative and continuously improve performance and achieve a higher degree of persistence.
- ii. There should be greater incentives for those willing to invest more in capital improvements to achieve deeper energy savings.

## 4. Technologies

- a. In recent years, technology has played a significant role in transforming Ontario's electricity system, but it took many years to get to this point because of bureaucracy and market barriers. LTEP should include measures to foster innovation, support emerging technologies, and rapid adoption of proven technologies.
- b. **Green Button (GB):** Easy access to timely and accurate consumption data is critical to the effective management and control of energy use. We recommend mandating standardized electronic access to hourly consumption data for commercial customers. Green Button's 'Download My Data ®' (DMD) and 'Connect My Data ®' (CMD) standards provide a practical means of achieving this.



- c. **Combined Heat & Power (CHP):** Presently grid-integrity services such as frequency regulation, voltage support and capacity are currently provided by the large, central, gas-fired plants that generally operate with efficiencies less than 50 percent. Alternatively, the government could use CHP to complement intermittent renewables and varying electrical demand by providing the same grid-integrity services at significantly higher efficiencies, and at substantially lower GHG emission rates.
  
- d. **Energy Storage:** Energy storage solutions (including thermal storage) have been proven effective in improving grid reliability and security, as well as behind the meter as load mitigation measures. Also as renewable power sources become more important to our energy economy, so does the need to invest in technologies that allow energy producers, distributors and customers to store energy from intermittent renewable generation as well as directly from the grid during off-peak. Distributed storage also increases communities' resilience to extreme weather events, by doing so such technologies make our local economies stronger.
  
- e. **Access to Green Technologies:** BOMA Toronto is frequently approached by many green technology vendors wanting to introduce their technologies that have been proven effective elsewhere in the world (mostly in Europe and parts of Asia). BOMA Toronto neither endorses nor promotes services and products offered by for-profit entities. So it is often suggested that they approach either the IESO or LDCs for some direction. Despite many attempts, these vendors are rarely given opportunities to showcase their technology. Very few are fortunate enough to gain the attention, and then face so many contractual conditions before getting selected for



demonstration projects or pilot studies. As a result, many credible technology vendors lose hope and leave Ontario in search of better markets. This approach is not very conducive for promoting innovation and hampers progress. With ambition to significantly reduce GHG emission within relatively short span time, we need to adopt technologies that could deliver results now, not wait for three to five years to review and validate pilot project results. Ontario needs to implement a robust way to validate and expedite the approval of current technologies with demonstrated success (no matter where they are originated).

- f. As an industry association, BOMA Toronto sees itself potentially playing a role in introducing our members to emerging and proven technologies that could help improve energy efficiency and building performance. But BOMA Toronto does not have resources or capacity to undertake this initiative. However, if there were to be a government-sponsored, not-for-profit and vendor agnostic agency that could be charged with the task of testing and validating green technologies for the purpose of promoting rapid adoption in the industry, then BOMA Toronto could collaborate with that agency to not only help introduce technologies to the CRE Industry, but also could participate in this process by facilitating pilots and research.

## 5. Consistency with Broader Provincial Environmental Objectives

- a. **Consistency:** The LTEP objectives must be consistent with Ontario's broader GHG reduction objectives. Under the Climate Action Plan, Ontario has committed to reduce GHG emission significantly by 2020 and 2030

BOMA Toronto | [www.bomatoronto.org](http://www.bomatoronto.org) | [info@bomatoronto.org](mailto:info@bomatoronto.org)



compared to 1990 levels. This could be proven difficult under current LTEP when the emission from the entire energy sector is considered. It is estimated that, despite Ontario's low-carbon electricity supply, over 80%<sup>2</sup> of our total energy source is fossil fuel based and constitute 70%<sup>3,4</sup> of Ontario's GHG emissions. This means that for LTEP GHG reduction targets to be consistent with the broader provincial reduction target, it should provide proportional emission reduction from different fuel types. This would place heavier burden of conservation (and GHG reduction) on natural gas in contrast to the current LTEP which primarily focuses on electricity.

- b. **Resilience:** Reliability of power supply and higher degree of business continuity during extreme weather events is critical for operation of buildings, health and safety of occupants (including public that use buildings) and for the economy. An increased number of decentralized CHP systems and other integrated grid solutions such as storage and geothermal systems provide not only increased grid reliability (through diversified power supply) but also provide additional resiliency to allow for business continuity, including the protection of property and occupants, during weather-related and other types of utility power interruptions.<sup>5</sup>

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<sup>2</sup> NRCan – Environment & Climate Change Canada, National Inventory Report, <http://www.publications.gc.ca/site/eng/9.506002/publication.html>

<sup>3</sup> NRCan

<sup>4</sup> Fuels Technical report 2016, Navigant

<sup>5</sup> Ontario CHP Consortium



## CONCLUSION

As a major stakeholder in Ontario’s CRE Industry and as the voice of building owners and managers, we are supportive of the government’s effort to revisit its 2013 LTEP with an intention to bring more benefit to end-users and to reaffirm its policy of “putting Conservation First”. This means that the government should keep its commitment to exhaust all feasible conservation opportunities and options before investing in costly new generation.

BOMA Toronto has an excellent track record on delivering and managing CDM programs and collaborating with MOE, IESO, and the various utilities on a number of issues that impact our industry. We look forward to working with MOE to help shape Ontario’s energy future.

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