Comments on proposed changes to the *DSM Regulation*

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Dear Katherine,

We write to provide comment on proposed amendments to the *Demand-Side Measures (DSM) Regulation*.

Broadly speaking, we support the intent of the proposed amendments to the *DSM Regulation*, including the phasing out of incentives for traditional gas-fired heating equipment. This measure, while insufficient to ensure that fossil gas heating and hot water are phased out of the market, would eliminate a highly counterproductive policy signal that encourages lock-in of gas infrastructure.

We also support the proposal to remove the current non-energy benefits adder from Indigenous and low-income DSM programs, and to consider such programs as specified DSM. However, we note that further measures must be taken to ensure that such programs are evaluated based on appropriate metrics that drive meaningful impact to customers, including performance targets for energy savings on a per-customer basis.

Finally, we note that amending the *DSM Regulation* alone will not be sufficient to bring utilities in line with BC's climate and equity goals. A systematic review of the *Utilities Commission Act* (UCA) is needed, to bring the Act in line with a modern understanding of equity and the urgency of the climate crisis, and to ensure consistency with the *Declaration on the Rights of Indigenous Peoples Act* (DRIPA). Further detail on these points follows.

On discontinuing incentives for conventional gas-fired equipment

BC continues to make weak progress on reducing carbon emissions.[i] Meanwhile, there has never been clearer direction to policymakers that new fossil fuel infrastructure is incompatible with a livable climate.[ii] Incentivizing gas-fired equipment of any kind runs counter to the crystal-clear urgency to phase out fossil fuel use. Furthermore, gas equipment

and appliances present dangers to human health, including higher incidences of childhood asthma.[iii]

Our community project experience has shown that electric heat pumps and heat pump water heaters are a viable option in nearly all BC households, with the largest barriers being those of cost and contractor capacity, rather than technology. Cold-climate electric heat pumps have proven feasible and effective in nearly all climate zones[iv], with electric resistance heat a reasonable backup option for the coldest days. There is little need to incentivize "hybrid" systems or gas heat pumps that encourage new and maintained gas connections to homes.

Furthermore, it is not appropriate to justify further gas connections on the promise of so-called renewable natural gas (RNG). This campaign is little more than a greenwashing scheme to justify the continued lock-in of gas infrastructure, and given current supply and price outlooks should be reserved for the most exceptional cases where there is no viable alternative to combustion fuels. The vast majority of homes and buildings do not fall into this category.[v] [vi]

In 2021 alone, FortisBC connected ten thousand new customers to fossil gas, demonstrating their clear disregard for BC's climate targets, climate justice for vulnerable customers, or compliance with clear policy direction from the BC Government to electrify homes and buildings wherever possible.[vii]

It is well past time for a managed wind-down of gas infrastructure in homes and buildings. Incentivizing its further expansion is unconscionable, and risks sacrificing the success of BC's climate leadership for the sake of a private gas utility's shareholders. BC is out of step with leading jurisdictions on this matter, including Washington state, which recently mandated that all new homes must use electric heat pump equipment by mid-2023.[viii]

Maintaining gas hot water incentives as a default option for low-income and Indigenous programs is not appropriate, and exposes these households to a number of risks. In addition to health and safety concerns, these customers may risk exposure to future price increases due to commodity prices of gas, carbon levies, or the already relatively high cost of RNG.

Electric heat pump water heaters are increasingly available (including 120V options), and such equipment should be subsidized at a higher level for these households. In the interest in advancing equity, low-income and Indigenous customers should be the first ones supported to adopt clean and efficient technologies, rather than disadvantaging them further by saddling them with outdated, polluting and dangerous fossil fuel-burning equipment.

On changes to cost-effectiveness tests for low-income programs

Regarding proposed changes to resource cost tests, we find that there are likely merits to shifting from the Total Recourse Cost (TRC)/Modified Total Resource Cost (mTRC) tests to the Utility Cost Test (UCT). The UCT makes it easier to compare demand-side to supply-side resources and capture a wider scope of benefits - including when evaluating the impact of a program on emissions.[ix]

We note, however, that there are alternative cost-effectiveness tests used in other jurisdictions that likely capture health, social and emissions reductions benefits still more effectively – for example the Societal Benefits Cost Test (SBC) utilized in five US states: Arizona, Vermont, New York, Iowa and Minnesota.[x] [xi]

We find it appropriate to define Indigenous and low-income programs as Specified DSM. These programs have been subject to a largely arbitrary "adder" to the TRC/mTRC tests in order to account for non-energy benefits. However, the merits of such programs in reducing energy insecurity and improving climate resilience in Indigenous and low-income homes are far greater than a resource cost test can adequately capture. Furthermore, it is not appropriate to evaluate such programs based on their impact to ratepayers as a whole (even with an adder included), as these programs are specifically designed to address equity and access gaps that the average ratepayer does not face.

Programs such as the Energy Conservation Assistance Program (ECAP) should go further still, with clear performance targets tied to the program's objectives. For example, since the purpose of ECAP is to reduce energy costs and improve home health and comfort for households experiencing energy insecurity, the program should be evaluated against these metrics on a per-home basis, rather than aggregating reported savings across the entire program. Significant energy bill savings on the order of several hundred dollars per year are necessary in order to justify most households' participation in ECAP, and this should be considered the measure of success for ECAP and other low-income programs.[xii]

On the need for reform of the *Utilities Commission Act*

We assert that fundamental changes to the UCA are required beyond the *DSM Regulation*, for a number of reasons.

Firstly, we believe that structural changes to the UCA will be necessary to bring it in line with DRIPA. In particular, the ability of Indigenous communities to achieve energy sovereignty and to develop clean energy generation assets on their traditional territories is severely restricted by the current lack of a market for generated or excess power.[xiii] Allowing Indigenous-led power projects access to a broader market beyond BC Hydro should be considered a necessary component of economic reconciliation and consistency with the *Declaration Act.*[xiv]

A systematic review of the UCA is also needed to bring the act in line with a modern understanding of equity and the urgency of the climate crisis. Amending the *Regulation* is not a sufficient signal to utilities to align their business models with BC's climate and equity goals. The failure of utilities to file resource plans that are compatible with legislated climate targets in their default demand scenarios is clear evidence of the UCA's deficiencies.[xv] [xvi]

Indigenous and low-income programs should be fundamentally rooted in advancing equitable and affordable access to clean energy for basic services like heating, cooking, lighting and communication. It is our view that access to such services is a human right, and these programs should therefore be evaluated on their impact at a household level, rather than at the ratepayer or aggregated portfolio level.

The current interpretation of the UCA makes it extremely challenging to justify utility expenditures on the merit of supporting a basic standard of living for British Columbians. This issue impacts not just DSM programs, but rate applications and revenue requirements as well, for example the ability to provide a basic energy allowance or discounted rate for customers experiencing energy insecurity: the oft-discussed and currently disallowed 'lifeline rate'.

The "Bonbright principles" that utilities and regulators take for granted are the product of an antiquated era marked by systems of colonialism and white supremacy. Much of what was once considered "discriminatory" or "unduly preferential" is now known as "equity", "climate justice" and "reconciliation" and is entirely appropriate to mandate of modern-day utilities.[xvii]

Summary

In closing, we find the proposed amendments to the *DSM Regulation* to be a positive, but insufficient step toward ensuring that utilities are contributing to BC's climate, energy efficiency and equity goals. Clear and ambitious performance metrics are needed for utility low-income and Indigenous programming. The continued lock-in of fossil gas infrastructure must be halted and reversed with urgency. Finally, a systematic review of the *Utilities Commission Act* is necessary to bring this legislature in line with BC's equity and climate goals, as well as to ensure consistency with the *Declaration on the Rights of Indigenous Peoples Act.*

Best Regards,

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