



Cornerstone Hydro Electric Concepts Association Inc.

June 6, 2006

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Toronto, Ontario
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Attention: Board Secretary

**Re: Review of LDC CDM 2005 Annual Reports
Board file number RP-2004-0203**

This response is submitted on behalf of the Cornerstone Hydro Electric Concepts Association Inc. (CHEC) which is an association of the following sixteen (16) utilities:

Centre Wellington Hydro Ltd.
Grand Valley Energy Inc.
Lakefront Utilities Inc.
Midland Power Utility Corp.
Orillia Power Distribution Corp.
Rideau St. Lawrence
Wellington North Power Inc.
Westario Power

Collus Power Corp
Innisfil Hydro
Lakeland Power Distribution
Orangeville Hydro Ltd
Parry Sound Power
Wasaga Distribution Inc.
West Coast Huron Energy Inc.
Woodstock Hydro Services

CHEC members filed a combined CDM 2005 Annual Report representing the reports of all 16 members. From the experiences of our member utilities in delivering and reporting on CDM a number of "Lessons Learned" became evident and were expressed in the combined report.

With the "two phase" review process of the Annual Reports currently underway it was felt that reiterating these lessons would be useful to the CDM process. As noted in the CHEC Annual Report 2005 was a foundation year with all participants in the CDM market gaining valuable experience and knowledge. The knowledge gained in 2005 will serve the industry well as CDM moves forward.

The "Lessons Learned" section is summarized immediately below with the full text from the CHEC 2005 CDM Annual Report attached as Appendix 1.

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Summary of Lessons Learned:

- The Total Resource Cost Guide was an important element in the evaluation of program results. With the experience gained further development of the tool to be more encompassing would be appropriate. An expanded tool taking into account education and foundation type programs would be useful.
- Continue to refine and add to the list of assumptions contained in the TRC Manual for cost effective evaluation (Also clarify definitions used in the guide to ensure all parties are interpreting and reporting consistently)
- Cost effective customer feedback is required for education and foundation type programs
- Simplified approval process for funding outside of the “distribution rate setting process” is required
- Continued local support and branding is important to CDM success
- 2005 was a foundation year and sets the stage for the next two years (and beyond third tranche)
- Utilities will require additional resources (both internal and external) to deliver CDM over the long term
- Funding and reporting regime should be cost effective.

We trust that these comments are of assistance in the review process.

Yours truly



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Appendix 1 Excerpt From CHEC 2005 CDM Annual Report

Application of TRC: This report represents the first large scale application of TRC for the evaluation of CD&M programs in Ontario. The TRC model while forming a base, is seen to encourage “quick return” programs and does not provide any measure of foundation or education programs that are so critical to developing a “conservation culture”. **It is believed that for future year evaluation of CDM activities the TRC tool needs to be expanded to take into account education and foundation type programs.**

Familiarity has been gained with the TRC tool over the past reporting year. The OEB’s initiative to provide a set of assumptions assisted with the evaluation of programs and reporting. **The need to continue to refine and add to the list of assumptions for cost effective evaluation is evident.** The evaluation process for programs also fails to capture additional activities of customers that are driven through exposure to programs where consumers are not directly taking advantage of a particular coupon or rebate.

Experience gained in reporting the activities of 2005 also indicates the need to ensure that measures of programs are understood at the program design stage. **For education programs, in addition to some modification of the TRC model to better recognize the benefits of these programs, mechanisms for obtaining feedback from customers is required.** These mechanisms however must be cost effective.

Funding: There remains significant third tranche dollars for the continued delivery of CDM programs in 2006 and potentially 2007. However, if CDM is to continue members will be required to submit applications for additional CDM expenditures. **A simplified approval process is required to allow utilities to obtain appropriate CDM funding without being encumbered with a full rate hearing on these items.** In addition, as noted above, the TRC tool requires modification to provide value to education and foundation programs. A continued lack of recognition of the value of these types of programs will focus utilities on programs that deliver immediate positive TRC result, a condition that will not foster a “conservation culture”.

Partnerships and Sharing: CHEC by its’ very existence is about partnerships and sharing. CHEC members are working together to move forward CDM in their service territories. In addition CHEC members have been active participants in local and provincial wide initiatives to build relationships and take advantage of scale. It is believed through these types of endeavours, the “best bang for the buck” can be achieved for the customer.

Province wide initiatives are generally supported by CHEC members as a good way to enter into partnerships with the OPA, manufacturers, contractors, and retail outlets in order to deliver cost effective programming. **Within these programs the ability to provide local support and branding is important to allow the existing positive relationship that the local utility enjoys with its customers to be leveraged.**

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Foundation Year: Many of the CHEC members note in their report the “foundation building” nature of 2005. The ability of the industry to come up to speed is noted as well as the development of programs and guidelines associated with CDM. All CDM participants have been learning over 2005.

Much of the work completed in 2005 sets the stage for the next two years. With a mix of delivered savings, education and investigation of programs CHEC and the industry have prepared for continued CDM over the next two years and beyond.

Customer Readiness: The success of the residential programs offered to customers indicates the readiness of customers to take action to control their energy use and costs. **Obtaining resources for utilities to design and deliver commercial and industrial programs requires further attention.** The energy savings within these sectors can be extensive, however the lead time for design, delivery and customer implementation is much longer. Members recognize that much of the issue with this sector is the limited resources (time and money) the customers have to put on energy management. Successfully meeting the needs of this sector will require further effort and sharing of projects that have proved successful.

Utility Resources: To-date utilities have not generally increased internal resources to address the CDM portfolio. **Utilities have worked the additional CDM demands into existing work loads by placing other issues at a lower priority. Continuation of this arrangement is not sustainable over the long term.** Recognition of the impact that continued CDM programming has on resources is required in both the funding and reporting requirements. As noted above under “Funding” a simplified method for accessing CDM funding is required to ensure the appropriate resources are put in place to support the appropriate level of CDM activity.