

June 15, 2006

Peter H. O'Dell  
Assistant Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> Floor PO Box 2319  
Toronto ON M4P 1E4

Dear O'Dell:

**Re: Review of LDC CDM 2005 Annual Reports (RP-2004-0203) - Correction**

The Electricity Distributors Association ("EDA"), the voice of Ontario's almost 90 public and private local distribution companies, is pleased to offer comments in response to the Ontario Energy Board's public review of the LDCs' CDM Annual Reports.

Since the OEB approved the ability of LDCs to recover the third instalment of MARR "third tranche" for CDM, LDCs have played an integral role in the fostering and delivery of government's 'culture of conservation' message. The \$163 million from the third tranche for CDM funding provided LDCs with the means to begin the implementation and to set the foundations for CDM in the province.

The LDC CDM annual reports demonstrate the important role LDCs play in conservation. As the primary billing agent for electricity, LDCs deal directly with the residential and business customers of this province. Through this first point of contact, LDCs have an early knowledge of new development and customer expansion. This close relationship provides LDCs with a unique understanding of the local needs of their customers and their service territories.

The information provided in the annual reports demonstrates the hard work LDCs are doing on CDM.

- 83 LDCs received approval for CDM funding from the third tranche.
- 71 utilities filed annual reports displaying their spent CDM monies.
- 5 utilities had not begun spending but are looking forward to 2006.
  - One was still collecting money in a variance account because they did not have the cash flow or the ability to borrow money.
  - One did not receive approval for its CDM plan until late 2005.
  - One has now appointed a CDM Officer to lead 'the charge for 2006'.

Approximately \$35,955,749 was spent on CDM in 2005 by LDCs. This represents 22% of the approved third tranche funds (\$163,000,000) and over 155,500,000 kWh saved in total in year. Many LDCs referenced in their annual reports that 2005 was a building year for them and that a majority of their CDM funds would be spent in the 2<sup>nd</sup> and 3<sup>rd</sup> years (2006, 2007).

The annual reports demonstrate the momentum LDCs have gained in the first year of the third tranche spending. Although some LDCs have only begun their program development, other LDCs have already spent their approved funds and/or applied for further funds in the 2007 rate hearings. The lack of certainty and long-term policy for CDM in Ontario is a reason for the hesitation of some LDCs to begin their CDM spending.

A long-term vision for CDM needs to be established so all participants in CDM understand their roles – especially their future roles. The lack of stability and clarity in who will be administering and delivering CDM in the province is of great concern for LDCs. One such concern involves the loss of revenues for LDCs due to conservation activities. With the increased involvement of the Conservation Bureau and third parties in CDM delivery, this concern is heightened. In order for distributors to support the province's culture of conservation, it is appropriate to hold LDCs harmless with respect to the success of this effort. Therefore, it is necessary to have a LRAM that takes into account the impact of all CDM initiatives, whether or not the LDCs are involved.

During the March 22<sup>nd</sup> meeting with the OEB Chair Howard Wetston, the EDA agreed to provide the OEB with a proposal that addresses the attribution issue. The EDA has retained John Todd of Elenchus Research Associates, to aid in the development of an alternative adjustment mechanism that will take into account the lost revenues associated with all CDM programs. Following the review of the policy by our Board of Directors, the EDA will be sharing the report with the OEB.

Thank you again for the opportunity to review and comment on the LDC CDM annual reports.

Yours truly,

A handwritten signature in black ink, appearing to read 'S. Griffiths', with a stylized flourish at the end.

Sarah Griffiths  
Regulatory and Legislative Analyst