

Ontario Energy Board

IN THE MATTER OF the Ontario Energy Board Act,
1998 S.O. 1998, C. 15, Schedule B as amended;

IN THE MATTER OF a proceeding initiated by the
Ontario Energy Board to make certain determinations
respecting conservation and demand management
("CDM") by Local Distribution Companies ("LDC")
activities as described in the Electric Distribution Rates
("EDR") Handbook and Total Resource Cost ("TRC")
Guide pursuant to sections 19(4) and 78 of the *Ontario
Energy Board Act, 1998*.

**REPLY SUBMISSIONS OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

ON

**ELECTRICITY CONSERVATION AND
DEMAND MANAGEMENT ACTIVITIES**

January 16, 2006

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DEMAND MANAGEMENT ACTIVITIES**

2006 RATES HEARINGS

**REPLY SUBMISSIONS OF
ENERGY PROBE RESEARCH FOUNDATION**

INTRODUCTION

1. The Panel requested Energy Probe's comments on Board Staff's recommendations about prudence testing for projects suggested by non-utility or external parties (as distinct from the TRC test of prudence applied to projects initiated by the LDC). (TR 1, pp. 133 ll. 18-21)

RESPONSE

2. With regard to externally initiated C&DM programs, Board Staff made a number of submissions:

- externally initiated C&DM programs may be ordered by the Board (TR 1, pp. 6, ll. 4);
- a test of prudence must be applied but the LDC can be presumed to be prudent unless proven otherwise (TR 1, pp. 14, ll. 12-24 and pp. 15, ll. 5-8);
- the government has assigned to itself control over the supply mix and has delegated to the OPA, not the LDCs, the role of integrated system planner (TR 1, pp. 9); and
- "failure to invest in a CDM initiative should only be found to be imprudent where it can be demonstrated that an investment in CDM would have been a more cost-effective investment than an investment in distribution services to serve load." (TR 1, pp. 15, ll. 14-18).

3. Energy Probe supports this approach for the following reasons.
4. Board Staff is right to draw attention to the Board's legal responsibility to focus on rate protection for consumers in a context of just and reasonable rates. The mantra of "bill minimization" pressed on the Board of C&DM enthusiasts is part of the Board's legal mandate and is not a logical starting point to evaluate the overall benefits of conservation programs. To illustrate one of the logical problems with identifying bill minimization as the objective, blacking out customers minimizes their bills but is not beneficial to consumers.
5. Notwithstanding the urgings of some parties suggesting that the Board seize overall responsibility for electricity consumption control across the Ontario economy through grandiose multi-year programs, the scope of the decisions facing the Board in this case should remain limited to 2006 C&DM programs.
6. The OPA is mandated to determine the value of electricity generated or saved, not the LDCs.
7. The LDCs are currently focused on delivering their third tranche programs. The program results are not yet reported, much less validated. If the Board imposes additional programs on LDC while the third tranche results are not known, the capacity of the LDC to deliver programs may become over stretched, potentially jeopardizing programs already under way.
8. The Board should remain cautious about the expansive claims of C&DM enthusiasts. Over a decade ago, ambitious utility-subsidized electricity conservation programs became discredited. It was the leadership of an internationally recognized environmentalist, Maurice Strong, who recognized that the overall effect of subsidized conservation programs was not beneficial.

9. Limiting externally initiated C&DM to investments where C&DM would be more cost-effective than an investment in distribution services to serve load is therefore a properly cautious approach that reduces the risk of wasteful programs and helps to ensure overall benefits for consumers.

FURTHER COMMENTS ON ISSUES # 1, # 2, #3

10. Energy Probe will resist using its Reply Submissions to restate its earlier submissions, and relies on its Written Submission of December 20, 2005 and its Oral Presentation of December 22, 2005.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

December 16, 2006

Thomas Adams, Energy Probe Research Foundation