

**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*.

---

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

**ELECTRICITY CONSERVATION AND**  
**DEMAND MANAGEMENT ACTIVITIES**

**December 20, 2005**

---

**RP-2005-0020  
EB-2005-0523**

**ELECTRICITY CONSERVATION AND  
DEMAND MANAGEMENT ACTIVITIES**

**2006 RATES HEARINGS**

**SUBMISSIONS OF  
ENERGY PROBE RESEARCH FOUNDATION**

**INTRODUCTION**

1. In the RP-2004-0188 Proceeding which developed the 2006 EDR Handbook, it was the decision of the Board that it would not mandate a minimum conservation and demand management (CDM) expenditure target for local electricity distribution companies (LDCs).
2. It was further the decision of the Board that individual LDCs could apply for CDM spending approval, incremental to established 3<sup>rd</sup> tranche CDM spending levels, on their own initiative in their 2006 distribution rates applications. The applied for spending was required to meet the Total Resource Cost (TRC) test established in the TRC Guidelines.
3. These decisions were reached after the issues had been well canvassed, with opposing parties to the proceeding calling evidence and submitting argument to the Board.
4. The TRC Guidelines provided free-rider *a priori* rates for 103 different CDM programs and provided the ability of LDCs to claim 100% of the benefits associated with a CDM program in which they jointly market and deliver with a non –regulated third party.

5. On October 14, 2005, Pollution Probe filed a Notice of Motion seeking to rescind the TRC Guidelines list of *a priori* free-rider rates, and require LDCs to provide evidence to support the level of free-rider rate that it was seeking in its rates application.

6. As a result of the Pollution Probe Motion and certain submissions made in the forward test year 2006 rates applications, wherein some intervenors submitted that the Board should direct additional amounts to be spent on CDM notwithstanding its own 2006 EDR Proceeding decisions, the Board initiated this proceeding.

**Issue 1. – “whether the Board should order an LDC to spend money on CDM programs in an amount that is different from the amount proposed by an LDC in a test year and, if so, under what circumstances?”**

7. The position of Energy Probe is no. There should be no forced spending directed by the Board beyond the 3<sup>rd</sup> tranche programs or those incremental programs volunteered by the LDCs.

8. Energy Probe is mindful of the Board’s ruling that it does not have a mandate to order additional spending. Energy Probe is not in a position to address the legalities of this decision, but accepts the decision as logical clarification.

9. Even if it is later determined that the Board does have a mandate to order CDM spending, most of the LDC programs funded by 3<sup>rd</sup> tranche dollars are spread over three years. The Board’s initial review of the program results from 3<sup>rd</sup> tranche funded programs is not yet completed, but will happen in the spring of 2006. There appears to be no quantified evidence at hand that the LDCs have the capacity to expand their C&DM programs effectively.

10. The OPA is planning to clarify its role and that of the LDCs with respect to CDM. This clarification is likely to come also next spring.

**Issue 2. – “whether the Board should require LDCs to demonstrate freeridership levels for all CDM programs on a program by program basis?”**

11. The Energy Probe position is that given the timing challenges faced by the LDCs in developing and implementing 3<sup>rd</sup> tranche programs, Energy Probe recommends acceptance of the use of the TRC Guidelines a priori free rider rates in the current rate applications. Further, Energy Probe recommends against retroactive adjustment of free-rider rates for 3<sup>rd</sup> tranche or for 2006 incremental programs.

12. The Board’s TRC Guidelines states: “Costs and benefits associated with free ridership should be assessed as part of the TRC analysis.” (OEB, TRC Guide, October 2005, section 2.1) Energy Probe suggests that this statement does not assist or clarify the Guidelines. Costs or benefits of free ridership are not a direct concern for the purposes of TRC analysis. Rather, the free ridership “rate” is a direct concern. Energy Probe recommends that the above statement be truncated to read: “Free ridership should be assessed as part of the TRC analysis.”

13. In the evaluation of the 3<sup>rd</sup> tranche and incremental 2006 program results, the Board should undertake or sponsor independent economic research that can improve the accuracy of free ridership estimates and the methodological options for tracking and measurement of free ridership.

14. For spending beyond the 2006 rates, parties to the proceeding should have the opportunity to present evidence on free-ridership and its appropriate estimation.

**Issue 3. – “whether the Board should order that an LDCs should only be entitled to claim incremental benefits associated with its participation in a CDM program with a non-rate regulated third party?”**

15. Energy Probe recommends revision to the statement in the TRC Guidelines which now reads: “The Board advises LDCs that they are allowed to claim 100% of the benefits associated with a CDM program in which they jointly market and deliver the program with a non-rate regulated third party.” (OEB, TRC Guide, October 2005, section 2.2)

16. In place of this statement, Energy Probe recommends:

LDCs are allowed to claim 100% of the incremental benefits associated with a CDM program in which they jointly market and deliver the program with a non-rate regulated third party.

LDCs are allowed to claim any percentage of the benefits associated with a CDM program in which they jointly market and deliver the program with any other rate regulated third party subject to the OEB jurisdictions, conditional on the sum of all of the benefits claimed by all parties does not exceed 100%.