LDC Costs for incentives

Several parties made submissions concerning the inclusion of LDC costs for incentives. Toronto Hydro indicated that in the case where the distributor purchases the equipment (i.e. load control device) and provides an incentive to customers for participation in the program, the incentive costs are actual and not a transfer between two potential purchasers of the equipment. Guelph Hydro indicated that it was not clear why the incentive cost is not included as a component of the TRC.

View of the Board

The Board recognizes the need to provide distributors some clarity on the issue of LDC costs for incentives. The Board has made changes to the language in the Guide to reflect the fact that incentive costs, while not included in the calculation of TRC, are included in the distributors overall budget for CDM.

Attribution of Benefits

Several parties made submissions concerning the attribution of the benefits of CDM programs. CHEC requested clarification on how distributors should treat interactions between programs where causality between the measures and benefits are not clear. Enbridge submitted that the examples in Cases 1 and 2 do not reflect how the allocation of TRC benefits from various energy forms should be treated. Enbridge submitted that, where an electric LDC partners with a gas LDC in an existing gas LDC program, the allocation of benefits should be determined by a partnership agreement. Guelph Hydro sought clarification on whether they will be able to claim 100% of the benefits of a program being delivered by a group of gas and electric LDCs. Pollution Probe submitted the attribution guidelines in the Draft Guide were contrary to the public interest and the interests of electricity consumers since the LDC would be able to claim the benefits associated with a program delivered primarily by a third party and where participation by the LDC was minimal. VECC submitted that where LDC programs "piggy back" onto the Federal Government's Energy Star program, the free rider estimates must take into account the impact the Federal initiative will have on its own. Further, VECC submitted the practice of allowing distributors to claim 100% attribution for a CDM program that they jointly market/deliver with non rate regulated third parties is "totally inappropriate" particularly because the calculation of TRC does not call for the inclusion of the third party's costs. VECC submits that the TRC benefits should be attributed to the LDC after it has been adjusted for free ridership.

View of the Board

In consideration of the submission by CHEC, the Board recognizes that it is impossible to track and measure all of the benefits of CDM programs that are designed as market support and where interactions with other programs occur in the market place. In section 3.2 of the Guide, the Board has provided some methods to assess the effectiveness of these programs. Simplifying assumptions must be made to manage the evaluation of projects practically.

With respect to Enbridge's submission, the guidelines regarding attribution of benefits are for the purposes of making a claim for lost revenue and/or a shareholder incentive. So long as the costs, lost revenue, and shareholder incentive are recovered from those ratepayers who receive the benefit of the CDM program with no-cross subsidization, parties are free to design partnership arrangements which achieve the greatest benefit. In regard to the issue addressed by Guelph Hydro, the Board feels the issue is addressed appropriately by the Guide. Collectively, the group of gas and electric LDCs will be allowed to claim 100% of the benefits of the program. Individually, each LDC will be allowed to claim the portion of the benefits that is within its service territory and of its energy type. This situation is addressed by Cases 1 and 2 in combination.

With respect to the submission by Pollution Probe and VECC, the Board recognizes there is a potential for LDCs to claim the benefits of a program in which their involvement was minimal. However, this situation would be the exception and the Board supports the development of partnerships with third parties to create efficiencies in the delivery of CDM programs. Further, the Board has the jurisdiction to make adjustments to the incentive awards to the LDCs through its rate cases.

Persistence of Measures

VECC submitted that using a 100% persistence factor will lead to overestimates of benefits since no other adjustments have been made to the measure assumptions.

View of the Board

While persistence is likely not 100% for most measures, for practicality the Board needs to make some simplifying assumptions. The assumption of 100% persistence may be revisited by the Board when better information becomes available.

Custom Project Free Rider Rate and Assessment Requirements

Many parties made submissions concerning the use of 30% as the default free rider rate for custom projects. The EDA submitted that while the Guide gives distributors flexibility to use other testing techniques or data, some distributors are concerned with the use of the default 30% free rider rate during this period of ramping up programs. BOMA submitted that since many custom projects are likely to include measures included in the Assumptions and Measures List, which have prescribed free riders, the default value of 30% appears to be inconsistent. CHEC submitted that the default value appeared high, especially where a program participant had not taken action prior to the distributors' intervention. Hydro One submitted that since the free rider rate was established from a market study conducted by Enbridge Gas Distribution Inc., it accepts the default value, but suggests it be reviewed once reliable data and information from electric utilities became available. Pollution Probe submitted that since the free rider rate is a function

While attribution is not a true adjustment to the TRC test, this issue is important for those LDCs that plan on seeking a shareholder incentive. 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.

The following discussion addresses the issue of attribution of benefits of a CDM program with respect to the potential claim of a shareholder incentive from ratepayers. In the case that a shareholder incentive is recovered, it must be paid by those ratepayers who are receiving the benefits of the program, therefore, guidelines have been established to attribute the benefits of a program along geographic and industry boundaries.

2.3.1 Attribution Guidelines for CDM Programs

The formula for determining savings associated with a CDM program is:

Savings = (UATES) x (NUD) x (1-FRR)

where;

Savings – kWh/yr and/or other resource measure;

UATES – Unit Annual Total Energy Savings

NUD – Number of Units Delivered

FRR – Free Ridership Rate

In order to estimate the savings attributable to the LDC program an attribution rate is added to the previous formula to get:

Attributable Savings = (UATES) x (NUD) x (1-FRR) x (AR)

where;

AR – Attribution Rate

In most cases, the attribution rate will be 1.0, indicating that the LDC should claim in its TRC calculation all of the benefits associated with the CDM program.

The following discussion illustrates three cases where attribution may be an issue.

Case 1- Programs delivered jointly by LDCs with single energy savings (i.e. electricity):

In this case, several LDCs work together to market and deliver a CDM program. Each participating LDC is allowed to claim the benefits associated with the program (electricity and water) in their service area. The determining factors are the location of the participants and the benefits associated with the program. Therefore, in this case, the Attributable Savings would be:

Attributable Savings = (UATES) x (NUD_{SA}) x (1-FRR) x (AR)