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Vice President and Chief Regulatory Officer
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ONTARIO ENERGY BOARD

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BY COURIER

February 9, 2007

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

EB-2006-0266

OEB BOARD SECRETARY	
File No:	Sub File: <i>S</i>
Panel	<i>AE, MH, KS</i>
Licensing	<i>AC, MB, TP</i>
Other	<i>PN, EC</i>
00/04	<i>3ffc.</i>

Dear Ms. Walli: *park*

EB-2006-0266 – Regulatory Treatment of Conservation and Demand Management Activities by Electricity Distributors – Hydro One Network’s Comments

In response to the Ontario Energy Board staff discussion paper issued January 25, 2007 and entitled "Proposed Regulatory Framework for Conservation and Demand Management by Ontario Electricity Distributors in 2007 and Beyond", Hydro One Networks Inc. is pleased to provide the attached comments. If you would like to discuss our comments further please contact Allan Cowan at 416 345-6219.

I am providing three (3) copies of written comments on behalf of Hydro One Networks Inc. Electronic copies in searchable Adobe Acrobat (PDF) and MS Word are being filed by email to Boardsec@oeb.gov.on.ca.

Sincerely,

Susan Frank

Attach. (1)

Hydro One Networks Inc.
Comments Respecting Ontario Energy Board Staff Discussion Paper Re:
Regulatory Treatment of Conservation and Demand Management Activities by
Electricity Distributors
Board File No. EB-2006-0266

1.0 Introductory Remarks

Hydro One Networks Inc. (“Hydro One”) commends Board staff on their comprehensive discussion paper entitled “Proposed Regulatory Framework for Conservation and Demand Management by Ontario Electricity Distributors in 2007 and Beyond”, which was issued for comment on January 25, 2007.

Hydro One has reviewed the discussion paper and is generally supportive of the guiding principles and positions adopted by Board staff. Assuming distributor participation in future conservation programs remains voluntary, the views put forth by Board staff should provide the necessary framework for the implementation of future Conservation and Demand Management (“CDM”) programs either through the Ontario Power Authority (“OPA”) and/or through utility specific programs funded through rate applications.

Hydro One strongly supports Board staff’s aim of administrative efficiency to minimize regulatory burden and the avoidance of duplication of requirements on Local Distribution Companies (“LDCs”) by the Board and the OPA.

Hydro One will provide brief comments respecting each of the Board staff’s suggestions.

4.1.1 CDM Funding

In general Hydro One supports the flexibility offered by the dual funding model proposed by Board staff whereby LDCs are encouraged to seek funding from the OPA with the option to fund unique utility specific programs through distribution rates where such programs will not be funded via the OPA.

However, moving forward beyond 2007 Hydro One’s preference would be to rely more on OPA driven CDM programs given the OPA’s accountability for CDM initiatives in Ontario. There is potential for tailoring programs to fit the LDCs unique requirements through the contractual arrangements between LDCs and the OPA for the delivery of the programs. This should simplify the regulatory process for the LDCs and the Board.

4.1.2 Revenue Protection

Hydro One welcomes the opportunity to explore alternative lost revenue mechanisms as part of the 3rd Generation IRM development process to ensure lost revenues from all

CDM sources including OPA funded programs, LDC rate funded programs and any third party participant programs are effectively captured on an ongoing basis.

4.1.3 Incentive Mechanisms

Any incentives associated with OPA administered initiatives should be handled within the negotiated LDC/OPA contract. For programs funded through LDC rates, Hydro One would support the investigation of other incentive mechanisms as part of the 3rd Generation IRM development process.

4.2.1 Cost Allocation

Hydro One supports Board staff's recommendation that a fully allocated costing methodology be applied to all LDC delivered CDM initiatives.

4.2.2 Revenue Allocation

Hydro One accepts Board staff's recommendation that revenues earned from CDM activities be kept separate from an LDC's distribution revenue requirement.

4.3 Program Evaluation

Hydro One supports the Board staff recommendation that when LRAM claims are filed for any CDM programs, that CDM audit results be limited to confirming that the LDC participation level is accurate and that current OPA energy savings assumptions are used in lost revenue calculations.

4.4 Program Reporting Requirements

Hydro One supports Board staff's recommendation that the Board limit its reporting requirements for OPA funded CDM programs to only that information required by the Board to assess a LRAM claim at the time such a claim is filed by an LDC. Information filed should be at an aggregated level to ensure participant privacy rights are respected. Where a program is OPA funded and an LDC does not submit an LRAM claim, Hydro One understands that there are no OEB reporting requirements of the LDC.

5.2 Service Quality Regulation

Hydro One agrees that CDM related activities and their relationship to SQI's should be addressed as part of the Board's planned SQR review. However, LDCs need clarity as to how they will be required to report on SQIs that are related to OPA funded activities, versus those that are related to rate funded activities.

In summary, Hydro One believes Board staff's attempts to provide effective guidelines for the regulatory treatment of CDM initiatives in Ontario have been captured successfully in the draft document.