

# Ontario Energy Board

## Regulatory Framework for Conservation and Demand Management Activities by Ontario Electricity Distributors in 2007 and Beyond

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### Ontario Power Authority Comments

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## **INTRODUCTION**

The Ontario Power Authority (“OPA”) wishes to thank the Ontario Energy Board (the “Board”) for the opportunity to provide comments on the Board Staff Discussion Paper, “Proposed Regulatory Framework for Conservation and Demand Management by Ontario Electricity Distributors in 2007 and Beyond” (the “Discussion Paper”).

## **OPA COMMENTS AND RESPONSES**

The OPA is generally supportive of Board Staff’s approach in this regard. The development of a regulatory framework will reduce duplication and streamline regulatory processes in addition to providing regulatory certainty and reducing barriers to achieving conservation goals in Ontario.

The OPA has identified four areas in the paper where it feels that further clarification would be beneficial.

### **4.1.1 CDM Funding**

1. Page 7, paragraph 1 of the Discussion Paper addresses the transitional CDM funding available to LDCs prior to the implementation of the LDC CDM fund, specifically:

*“... the OPA advised the Board in July 2006 that it was targeting October 2007 for implementation of the LDC CDM Fund. This implementation date would create a funding gap between May 1, 2007 and September 30, 2007, for those LDCs with insufficient third tranche or 2006 incremental funding. The 2007 supplemental funding process addresses this funding gap.”*

As an outcome of the Premier’s November 3, 2006 announcement, the OPA has focused its CDM efforts by accelerating the development of five province-wide programs, including the three programs addressed in the Premier’s announcement. These five programs are planned to be in market by the summer of 2007

The Ministerial Directive dated July 13, 2006 (the “Directive”) contemplates two types of programs to be funded by the OPA – those designed by the OPA and those submitted to the OPA by LDCs for approval. Due to the accelerated roll out of the five programs, the OPA will not be in a position to fund LDC designed programs by October 1, 2007. Therefore, the OPA submits that the OEB should encourage LDCs requiring funding for existing OEB-approved LDC programs to apply for such funding from distribution rates through to the end of the 2007 rate year, i.e., April 30, 2008.

2. The OPA seeks to provide more clarity regarding the division of funding between the distribution rates process and that provided through contracts with the OPA. The OPA believes that the current language of Board Staff's proposal leaves open the possibility of funding LDCs to do programs that the OPA is not funding even where it is not appropriate to fund such programs through distribution rates. In order for the reader to easily distinguish the OPA's proposed wording changes from the original Board Staff proposal at paragraph 5 on page 7, the tool Track Changes is used on the excerpt below:

*The framework that Board staff is proposing for the dual funding model implicitly encourages LDCs to seek funding from the OPA, and to rely on funding through distribution rates where it is more appropriate. To ensure effective use of OPA funding and to minimize duplication, there should be some restrictions as to the types of programs for which LDCs may apply to the Board for recovery through rates. Funding through distribution rates should be restricted generally to programs which meet the following conditions:*

**Deleted:** OPA funding is not available or where funding through distribution rates

- The program is designed to address local reliability or system improvement situations within the LDC's service area;*
- The program in question is not currently being delivered in the LDC's service area; and*
- The program in question is targeted to consumers within the LDC's service area.*

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*In addition, the proposed program should be consistent with the provisions of the Integrated Power System Plan.*

**Deleted:** initiatives targeted to consumers within the LDC's licensed service area, and to initiatives that neither the OPA nor any other entity is already delivering within the LDC's service area.

*Board staff believes that these criteria are appropriate, in that they recognize the OPA's primary responsibility for funding CDM programs in the province. As well, the criteria encourage participation in the OPA's CDM processes, while providing CDM funding continuity and preventing the cross-subsidization of one LDC's ratepayers by the ratepayers of another.*

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#### **4.1.3 Incentive Mechanisms**

3. Board Staff's proposal at paragraph 5 on page 11 states that:

*“The OPA’s procurement processes are expected to be competitive processes that may benefit from different incentive structures depending on the resource being procured or the proponent offering to provide the resource.”*

The OPA wishes to clarify that the OPA's contracting with LDCs for CDM will not result from competitive processes. Recognizing that LDCs should be key conservation delivery agents, the OPA may only directly or through a third party deliver CDM programs (under this Directive) in those areas where LDCs do not enter into contracts with the OPA or where LDCs do not deliver all necessary programs.

#### **4.3 Program Evaluation**

4. In accordance with the Directive, the OPA is responsible for the measurement and verification of program results. OPA contracts will ensure that there will be a rigorous independent third party evaluation of all programs carried out under the Directive.

Board Staff’s paper draws a distinction between evaluations and audits. The paper draws heavily on the experience in the gas sector. However, the presence of the OPA in the electricity sector changes the context for discussion of this issue. The OPA is unclear as to what will be added by an audit that is not provided by an independent third party evaluation.

Board Staff’s proposal leaves open the possibility that an LDC may rely on a separate third party assessment of its results rather than what is considered by the OPA. This approach may result in confusion and duplication. Requiring LDCs to file the evaluations developed in accordance with their contracts with the OPA when making an LRAM claim would result in less duplication of effort and improved regulatory efficiency

The OPA wishes to thank the Board for this opportunity to provide its comments on the Discussion Paper, and would be happy to provide further clarification if needed.