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Ontario Energy Board
27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4
ATT: Kirsten Walli, Secretary

February 26, 2008.

Dear Ms. Walli,

Re: Draft Guidelines for Electricity Distributor Conservation and Demand Management
Board File No.: EB-2008-0037

In accordance with the OEB's e-mail and web posting of February 8, 2008 ECMI submits its comments on the Draft Guidelines for Electricity Distributor Conservation and Demand Management, also dated February 8, 2008.

Three paper copies are enclosed. Electronic copies in both Adobe Acrobat and Word have been sent this date to boardsec@oeb.gov.on.ca.

Requested contact details are as follows:-

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Respectfully submitted for the Board's consideration,

Original signed by R. White

Roger White
President

**ECMI comments on
Draft Guidelines for Electricity Distributor Conservation and Demand Management
ECMI Board File No.: EB-2008-0037**

ECMI's comments focus on the proposed approach to the use of the same distribution loss values as described in the new Section 3.4.4 Distribution and Transmission losses.

ECMI is indifferent to the use of a uniform loss reduction associated with end use appliance programs such as compact fluorescents or air conditioning, because for these programs, the distribution system loss savings are already very small as a part of energy reduction program. For example, if the distribution system losses represent even 10% of the total energy use reduction, whether a distributor applies 5% of 10% or 4% of 10% the inherent error in using a uniform loss factor is not material to the credibility of the entire program. For large loads at the end of long lower voltage feeders, the use of site specific loss factors appears warranted. In fact, distribution system load locations could be used to prioritise promotion of some end use CDM programs to maximize short run societal benefit.

However, it needs to be recognized at the outset that this proposed Ontario treatment of distribution system losses is fundamentally different from the Ontario approach to the compact fluorescent light bulb program. In the case of the compact fluorescent light program, the Ontario energy use is clearly reduced as long as the light bulb is installed in Ontario. In the case of the compact fluorescents the calculation (subject to free riders) of the energy cost savings is valid.

The draft Guidelines implication appears to be that use of real loss factors in some way puts an LDC's customers at a disadvantage. Any suggestion that this is the case is wrong.

The proposed new Section 3.4.4 includes the following statement:

.....the rate of losses will also vary from year to year as infrastructure is updated and load shapes vary."

This statement recognizes that losses will vary from year to year as infrastructure is updated and load shapes vary. This fact is no different than the reality that an air conditioner use will vary depending upon the temperature and therefore the savings will vary depending upon the temperature. The fact that local distribution losses can be calculated accurately for a given year is no different from knowing that the value (energy savings) of a compact fluorescent bulb of 9W will be different from the energy savings of a compact fluorescent bulb of 23W and the energy savings value of the compact fluorescent is adjusted accordingly.

Further, to use a uniform distribution loss factor for "distribution system loss reduction CDM programs" is to throw out the value of a real calculation based on real distribution facilities. In general, if end use energy is reduced then the observation in Section 3.4.4 on page 17 of the Guidelines that associated losses will be reduced is valid.

For distribution system loss reduction CDM programs we are not talking about savings in energy use through improved technology such as an air conditioner with a better SEER rating or a compact fluorescent bulb versus an incandescent bulb, but we are talking

about a distribution system construction program whose primary benefit is driven by loss reduction. Therefore if the loss reduction isn't realized, the societal benefit is not there. This requires the use of distributor specific loss factors to assess the benefits of a distribution system loss reduction CDM program flowing from those infrastructure updates and other CDM investment.

There is also the implication that customers have not control over their location. Again, this is not the case. At least in the long term, customers can make decisions with respect to their location in the province. In the case of large customers, it is appropriate for them to locate where the resultant distribution losses on the system would be lower. The result would be that Ontario would be more competitive than would be the case with the proposed method.

Once again ECMI reminds the Board that its statutory duty is to protect customers. While the use of a single distribution loss factor may be a convenient mechanic for Board staff it does not universally serve the province's customers or the province well. The application of the same loss factor to all distributors for the purposes of a TRC test of a distribution system loss reduction CDM program is wrong. For an LDC with a distribution loss factor of 2%, a loss reduction program producing a savings of 25% of losses will only result in a 0.5% loss reduction. For another utility with a distribution loss factor of 5%, a savings of 25% of losses will result in a 1.25% loss reduction. Generally (depending upon the specific distribution system under consideration) it is probable that the cost to achieve a 25% loss reduction for an LDC with a distribution loss factor of 2% (that is, a 0.5% reduction) would be much greater than the cost of achieving a 0.5% reduction in the utility with a distribution loss factor of 5% with its "low hanging fruit" loss reduction opportunities.