

29 February 2008

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street  
27<sup>th</sup> Floor  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2008-0037 Draft CDM Guidelines – GEC comments**

GEC is pleased to offer the following comments on the draft guidelines issued February 8<sup>th</sup>, 2008:

**New matters:**

**System improvements programs:**

GEC agrees that system loss reduction efforts are not, strictly speaking, CDM, and should be addressed in regulation as a distinct matter. In that regard, at present, there is insufficient direction provided to guide distributors in their asset management planning. The Board has indicated that consideration of the matter is part of the draft 2008-2011 business plan. GEC urges the Board to expedite this consideration as the province is in the midst of making supply commitments that could be affected by this factor. In particular, the Board should have regard to the peak reducing impacts of loss reduction efforts and the disproportionate impact that such reduction can have on commodity costs and system capital investments.

**Multi-year funding:**

GEC supports the proposal to allow multi-year CDM funding as it will better match project lead times and life and provide appropriate funding assurance to the LDCs who must staff these projects.

**Distribution and transmission losses:**

GEC agrees that system losses are a benefit that can flow from customer side efficiency and should be counted in evaluating CDM. However, use of average loss levels is often not appropriate. As losses rise with the square of the current, peak losses are significantly higher than average losses and CDM benefits for measures that are in effect at time of system peak

should include an estimate of this impact and its economic benefit with due regard to the higher commodity and wires costs at system peak.

**Enhanced evaluation planning and reporting:**

GEC has long been a proponent of evaluating SSM inputs that are outside the control of the utility on a prospective basis and evaluating all LRAM inputs on a retrospective basis.

**Other Matters:**

**OPA's Unrealistic Avoided Costs:**

GEC is concerned that the OPA has published avoided costs that are lower than the OEB approved values and that the Board may be tempted to utilize the OPA values. The Board should be aware that the OPA values are based on unrealistic assumptions for the costs and performance of nuclear generation (4% cost of capital and higher than actual capacity factors). Nuclear generation is the predominant component of OPA's IPSP. Further, GEC is concerned that OPA funding of LDC delivered CDM will be constrained by the OPA's use of these values. The Board's guidelines should encourage LDCs to engage in CDM that is cost-effective based on the OEB avoided costs whether or not the programs meet OPA's unrealistic TRC test.

Sincerely,

A handwritten signature in black ink, appearing to read "David Poch". The signature is written in a cursive style with a large, stylized "P" and "C".

David Poch