

**Hydro One Networks Inc.**

8<sup>th</sup> Floor, South Tower  
483 Bay Street  
Toronto, Ontario M5G 2P5  
www.HydroOne.com

Tel: (416) 345-5700  
Fax: (416) 345-5870  
Cell: (416) 258-9383  
Susan.E.Frank@HydroOne.com

**Susan Frank**

Vice President and Chief Regulatory Officer  
Regulatory Affairs



BY COURIER

March 3, 2008

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

Dear Ms. Walli:

**EB-2008-0037 – OEB Electricity Distributor CDM Guidelines – Hydro One Comments**

Hydro One Networks ("Hydro One") is pleased to provide comments on the Ontario Energy Board ("the Board") Draft Guidelines for Electricity Distributor Conservation and Demand Management (CDM) issued by the Board on February 8, 2008.

Hydro One is supportive of the Board's intent to create a comprehensive document that consolidates the various policies and regulatory requirements articulated by the Board over the past years in relation to electricity distributors CDM activities. Hydro One has actively participated in those past proceedings and provided its comments accordingly. Hydro One notes that the Board has proposed four new policies in the current proceeding and requested specific comments on those new policies. However, at the same time the Board has provided an opportunity for distributors to comment on existing policies which the Board may consider at a future date.

Generally Hydro One is supportive of the draft guidelines proposed by the Board, including the new draft policies. Accordingly Hydro One's comments address just a few items in both the new policies as well as the existing policies that are included in the draft guidelines.

*1. New Policies*

**Inclusion of distribution and transmission losses in savings calculations**

The Board is proposing that a standard 4% distribution loss factor be included in TRC assessments and that LDC-specific loss factors should not be used. In as much as this approach may be appropriate for

the majority of LDCs in the province that are urban based and as such would be expected to have distribution losses that are generally “in the ball park” of the proposed standard, Hydro One is concerned that such an approach may be inappropriate for rural based LDCs, such as Hydro One, where the average distribution losses are generally higher reflecting the longer distribution lines and lower customer density. Consequently rural based utility CDM programs might be put at a disadvantage if the proposal for a standard distribution loss factor for all LDCs were to be adopted. Hydro One recommends that the Board consider retaining the flexibility for using LDC-specific distribution loss factors because there is a significant diversity in the characteristics of the Ontario LDCs to warrant such an approach. Where necessary, utilities seeking to use a specific distribution loss factor may be required to provide supporting evidence of a recently completed distribution loss study that has been approved by the Board.

Hydro One is supportive of the Board’s proposal to use a single factor to account for transmission losses in the TRC assessment.

The Board recommends that “losses should also be included in the calculation of SSM.” To be consistent, the Board should also extend the inclusion of losses to the calculation of LRAM.

### **Enhanced evaluation planning and reporting**

The Board proposes that LDCs provide an Evaluation Plan for any new rate-funded CDM programs. Hydro One expects that the majority of new CDM programs will be funded by the OPA in which case there would be no need for LDCs to provide an evaluation plan per se since that would be done by the OPA. However, in the event that LDCs move forward with their own CDM plans and in order to ensure that LDCs are collecting and submitting comparable information, it would be helpful if the Board were to refer to the OPA’s comprehensive Measurement and Verification Framework to ensure that evaluation standards between the two sources of funding are made on a consistent basis.

#### ***2. Existing Policies***

In general the comments provided herein pertain to the cost effectiveness of TRC calculations covered by the existing policies.

- To the extent that there is overlap in terms of technologies/measures that appear on both the Board’s Assumptions and Measures and the OPA’s Measures and Assumptions list (as filed in conjunction with the IPSP as updated from time to time), the Board should strive to ensure that TRC inputs are consistent.
- Throughout the Draft Guidelines, the document references measures that reduce load during “peak seasons.” The Board may wish to consider a more explicit definition of the period over which the peak occurs in order to ensure consistency of understanding and reduce the need for interpretation. In this respect the Board may wish to review the definition of peak demand adopted by the OPA in its Measurement and Verification Protocols.

- The Cost Effectiveness section suggests that the TRC test should exclude externalities. Given the importance of climate change and the increasing focus to reduce GHG emissions in several jurisdictions, including Ontario, the Board may wish to reconsider excluding externalities from the TRC test. The inclusion of these environmental costs would provide an extra boost to CDM initiatives that are less impactful to the environment than supply-side options.
- Along with a consistent set of Assumptions and Measures for rate funded and OPA funded technologies/measures, the Board may want to ensure that regardless of the source of funding, the cost-effectiveness of CDM initiatives are assessed using a consistent set of avoided costs.
- Hydro One believes that the matter of retrofits may have been over simplified. In most cases, CDM programs require advancing investment decisions that would normally take place sometime in the future. As such, rather than using the full installation cost for such programs, the differential between the equipment costs purchased today versus similar purchases at some point in the future should be used. To be consistent, the savings period should be reduced to coincide with the period over which the CDM investment was advanced.
- As part of the information requirements for filing an LRAM application, the Board includes the free rider rate applied to each program. For consistency, the Board should also include the free rider rate for SSM applications.

Sincerely,

ORIGINAL SIGNED BY ANDY PORAY FOR SUSAN FRANK

Susan Frank