

Ontario Energy Board

Draft Guidelines for Electricity Distributor Conservation and Demand Management

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Ontario Power Authority Comments

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BACKGROUND

On February 8, 2008, the Board issued for comment its “Draft Guidelines for Electricity Distributor Conservation and Demand Management” (“the Guidelines”). The Guidelines represented a compilation of the Board’s policies and regulatory requirements in relation to electricity distributor CDM activities. Parties were asked to provide comment on four new policy issues, and were invited to provide comments as required on other areas within the Guidelines for future consideration.

The Ontario Power Authority (“OPA”) wishes to thank the Ontario Energy Board (the “Board”) for the opportunity to provide comments on the Guidelines. Through its mandate to coordinate electricity Conservation activities in Ontario, the OPA’s primary concern is to ensure that a positive business environment exists for all participants in Conservation in order to fulfill provincial policy objectives.

The OPA has reviewed the four new policy areas and would like to provide comments on certain aspects of the following:

1. Section 2.2: Funding Term; and
2. Section 7.0: Program Evaluation.

The OPA would also like to take the opportunity to comment on the following additional issues for future consideration:

3. Distributor’s eligibility to receive LRAM for non-distributor delivered Conservation; and
4. Consistency in input assumptions used for Conservation program design and the calculation of benefits.

1. Section 2.2: Funding Term

The OPA is in the process of completing the introduction of twenty-six programs to the market. These programs cover all customer segments and deliver on all of the types of Conservation defined in the IPSP. Among these programs is an opportunity for Local Distribution Companies (“LDCs”) to design and propose one or more custom programs that they may deliver.

To the extent that LDCs have need of a greater suite of programs than the OPA is providing, the OPA supports, in principle, the concept of providing multi-year funding to Conservation providers.

However, given the OPA’s role of coordinating Conservation programs in Ontario, it is unclear what would happen should an LDC be offering a program in its service area under Board-approved funding and the OPA decides to introduce a similar program on a provincial basis. The OPA suggests that in that situation, it would be expected that

the LDC would apply for the funding from the OPA, and further suggests that the Board consider a mechanism that would accommodate such mid-term adjustments.

OPA also recommends that the Board should be open to applications for adjustments to budgets within the multi-year framework to address unforeseen situations or opportunities as they become apparent. For example, during the term of an approved budget, the LDC may require additional funding to address an unforeseen local reliability issue. The LDC should have the opportunity, after it has examined the options available to it under the OPA's programs, to apply to the Board for additional funding.

2. Section 7.0: Program Evaluation

The OPA is committed to rigorous Evaluation, Measurement and Verification ("EM&V") of Conservation results. This is essential to determine the true value of the Conservation resource and to enhance the understanding of all potential market participants in Conservation and to build capability in the Conservation industry.

The OPA endorses the need for Evaluation Plans to be determined as part of the process of applying for funding. OPA also supports the requirement to disclose any updated assumptions that are discovered through evaluation as part of an LRAM claim. These values will assist the OPA in maintaining an up-to-date measures list that is used in the delivery of its program portfolio.

The OPA also endorses the requirement to include lessons learned and a requirement to share those lessons as an important means of enhancing the capability of the industry as a whole.

3. Distributor's eligibility to receive LRAM for non-distributor delivered Conservation

Section 5.0 (Lost Revenue Adjustment Mechanism (LRAM)) states that "LRAM applies to programs implemented by the distributor, within its licensed service area, including programs delivered by the distributor itself and/or programs delivered for the distributor by a third party...".

As discussed above, the OPA is in the process of introducing a comprehensive portfolio of twenty-six programs. These programs will be delivered by various channels, only one of which is through LDCs. The OPA is committed to developing a more robust Conservation service industry with broad program design and delivery capability. The success in development of this industry will mean that LDCs will experience volumetric reductions from programs that they did not directly participate in. It would be punitive to the LDC under the current proposal to refuse recovery of lost revenues from these

programs, particularly when it is clear that the OPA will be able to report the results, in terms of lost LDC energy delivery, of these programs.

While it is reasonable to expect LDCs to be able to forecast some Conservation impacts when establishing rates, the OPA encourages the Board to consider that actual Conservation performance can differ from the forecast and LDCs will be at risk for that difference.

The OPA recommends that LDCs be permitted to apply for LRAM from all programs with formal OPA tracking and reporting that are run in the LDC's territory, regardless of who delivered the program. As part of the LRAM application, the LDC should be able to demonstrate the difference between the Conservation forecast to occur and the actual results as reported by the program funder.

4. Consistency in input assumptions used for Conservation program design and the calculation of benefits

Section 3.2 (TRC Benefits) of the draft Guidelines addresses the calculation of Conservation program benefits. The Board states that it will provide data for avoided costs and input assumptions for a selection of typical CDM measures for electricity and demand savings. The OPA is investing considerable effort to update and maintain the input assumptions including a complete set of avoided costs that will be used to plan OPA funded programs. As discussed in several stakeholder consultations, the OPA is committed to using the best available data when maintaining these assumptions. The OPA is concerned that the possibility exists for a duplication of effort in this area should the Board decide to maintain a separate set of input assumptions.

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