

Comments on the TRC Guide

Re: OEB Guide to Total Resource Cost Analysis

Submitted by: Vulnerable Energy Consumers' Coalition (VECC)

1 Formulae for Performing TRC Test (Section 1.1)

- In the case of Ontario – where the LDC simply passes through electricity commodity and transmission costs – the LDC's avoided costs (UAC_t) are not the appropriate measure of benefits as suggested in Figure 1.2. Consistent with the earlier discussion on page 3 of the Guide, the benefits should include all avoided supply costs associated with the electricity sector as well as any other avoided resource costs.
- LDC program plus Participant costs may not capture all of the costs associated with a program. For example, there may be program costs incurred by other parties (e.g. the Federal or Provincial government or other non-rate regulated third parties - as indicated on page 16 of the Guide) that need to be reflected in the formulae. Alternatively, if not captured in the formulae such support should be reflected in the "attribution" considerations. (Note: The discussion of attribution in section 2.2 currently permits LDCs to claim 100% attribution in such instances. In such cases it critical that the full costs incurred by the non-rate regulated third party be included in the TRC calculation).
- The discussion of measure, program and portfolio screening (pages 3-4) should acknowledge that TRC is only one of a number of tests that need to be used for C&DM screening purposes. The Rate Impact Measure Test should also be used at a program and portfolio level to ensure rate impacts of the programs are on average positive.

2 Benefits: Avoided Costs (Section 1.2)

- The request for comments from the OEB indicated that it would not be receiving comments on the avoided cost reports provided by Hydro One. However, since the Guide directs LDCs to use the Hydro One values, it is important for the Board to acknowledge and deal with any shortcomings in those reports with respect to the application of the avoided cost estimates.
- To this end, the Guide does not deal with the following:
 - The Navigant Report states (page 1) that "when evaluating these avoided cost estimates one should recognize that there are uncertainties associated with the both the value of the avoided cost estimates and the savings provided by the CDM measures. These uncertainties should be evaluated and considered separately". However, the Guide does not

address the question of uncertainties. (Note: This shortcoming is particularly important if the TRC analysis is to be used to determine SSM payments and given Navigant's acknowledgement that the gas price forecast used in the base case is "relatively high" {page 31})

- The Navigant Report emphasized (page 48) that it is demand reductions at the system summer peak that lead to generation and transmission capacity savings. However, the Guide does not make this clear (page 7) by stating that its is only reductions in the summer peak demand (as opposed to capacity reductions at other times during the summer) that contribute to generation and transmission capacity savings.
- The Guide directs all LDC's to use Hydro One's estimates for avoided distribution costs despite the fact that the Hydro One Report on Avoided distribution costs clearly states that the results "are only applicable to customers supplied from Hydro One's distribution system". Given the nature of the Hydro One service area and Hydro One's higher distribution costs relative to those of other LDCs its its reasonable to conclude that the avoided costs of other LDCs in the province will be materially less. This observation is also supported by the analyses undertaken by the former Ontario Hydro regarding the avoided distribution costs for Municipal Utilities and Ontario Hydro's rural system.

3 Costs (Section 1.3)

- If, as suggested in Section 2.2, LDCs are allowed to claim 100% the benefits of programs they jointly market with non-rate regulated third parties, then the costs incurred by these third parties must also be included in the TRC calculation if it is to truly capture the program's cost effectiveness from a societal perspective. Section 1.3.2 should be revised accordingly.
- The financial contribution of partners such as NRCan should however not be included when calculating the SSM amount and an adjustment should be made to reflect the utility's cost and related benefit

4 Free Riders and Attribution (Sections 2.1, 2.2 and 2.3)

- The Guide needs to make it clear that for programs that "piggy-backed" on existing government or third party programs such as the Federal Government's Energy Star rating program, the impact of the existing program needs to be reflected in the estimate of "free riders". It is not at all clear that the free rider estimates provided by the OEB for LDC programs that utilize the Federal Government's Energy Star rating take into account the expected impact that the Federal initiative will have on its own.

- As noted above the Guide currently allows LDCs to claim 100% attribution for CDM programs that they jointly market/deliver with non-rate regulated third parties. This is totally inappropriate – particularly since the calculation of TRC does not call for the inclusion of the third party's costs.
- It is critical that attribution be correctly addressed when calculating the SSM based on total TRC benefit. The reasonable approach would use only the TRC benefit after adjustment for free ridership.

5 Persistence (Section 2.4)

- The Guide currently directs LDCs to “assume 100% persistence in assessing CDM cost effectiveness unless otherwise updated by the Board” (page 18). However, the CDM assumptions provided by the Board do not suggest less than 100% persistence for any of the over 100 measures listed. Such assumptions will clearly lead to overestimates of the TRC for some programs. For example, in the case the Refrigerator Recycling Program (Residential #1), it is unrealistic to assume that none of the households will ever “replace” the recycled fridge. Indeed, for many households, participation in the program may simply be a convenient way to dispose of the existing old fridge prior to replacement.

6 Tracking and Measuring CDM Program Results (Section 3)

- The metrics suggested in Table 3.1 of the Guide are not appropriate criteria for tracking the effects of CDM programs in terms of savings achieved. At best, they gauge the extent to which potential participants are aware of the program. The Guide should make this clear. For market support activities, statistically meaningful surveys are probably the only way of determining the savings (i.e., # of participants) achieved.

7 General

- It would be helpful if the Assumptions and Measures list indicated the sources used derive the information for each measure.
- The inclusion of other resource savings (e.g., water in the case of low flow showerheads) may be appropriate for purposes of screening measure and programs – particularly if the programs are also screened using other tests such as the RIM test. However; it is questionable as to whether other resource savings should be included in the determination of the TRC for purposes of shareholder incentives to be paid by electricity rate payers.