

07 November 2006

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

By mail and e-mail

Dear Ms Walli:

Re: EB-2006-0267 – GEC initial comments on EDA Revenue Stabilization Proposal

Pursuant to the Board's memo of November 2nd inviting comment on the EDA proposal we can advise that GEC has not had the opportunity to retain expert assistance on this matter but our initial reaction is that the proposal is a positive one. We offer the following comments in answer to the questions posed in the Board's memo:

The advantages of the proposal are as set out in the EDA paper: removal of the disincentive to both LDC conservation and formal and informal cooperative conservation initiatives as well as regulatory simplicity.

The possible disadvantage is that with a narrow LDC-CDM-specific LRAM the LDCs would have an incentive to be formal participants in OPA sponsored programs since they would not be made whole for non-forecast losses that result from OPA programs where the LDC is not a formal participant. However, such an incentive could also encourage inappropriate or inefficient participation motivated solely by the desire to minimize lost revenue. For example, an LDC may elect to offer a 'program in a box' even though it is ill equipped to do so for fear that OPA direct delivery would hurt revenues.

GEC does not have a firm position on the inclusion of weather risk but notes that there appears to be no efficiency to be gained by continuing to place LDCs at risk for weather and the current practice presumably increases the cost of capital.

Finally, the EDA simplified revenue stabilization mechanism (the broad LRAM) option is more consistent with an OEB hands-off approach to CDM. The OEB would still retain some oversight of CDM through its regulation of the OPA, but at a much more aggregated level.

Sincerely,



David Poch