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Information Bulletin For Electricity Distributors

August 30, 2004

Electricity Distributor Conservation and Demand Management Activities

On May 31, 2004, the Minister of Energy wrote to electricity distributors pursuant to section 79.6 of the *Ontario Energy Board Act, 1998* to allow them to proceed to the Board with applications to establish deferral accounts to track expenditures on conservation and demand management initiatives in advance of the distributors' ability to recover the costs through the next instalment of the allowable return on equity in March, 2005. On July 16, 2004, the Board issued its Preliminary Guidelines for Distributor Conservation and Demand Management Activities and set out the process for distributors to apply for deferral accounts.

Some electricity distributors have expressed concern over the certainty of recovering costs incurred to plan, deliver, and evaluate conservation and demand management activities. Some distributors have indicated that they do not know what kind of activities to pursue or where to find helpful information and resources.

The Board offers the following suggestions to distributors.

Conservation and Demand Management Activities

The Board has received a number of requests from distributors for deferral accounts and will post these requests on its web site for easy reference. Please look at them for ideas on potential initiatives for your company to pursue. In general, the requests received to date include activities such as:

- incentive programs to encourage consumers to purchase energy efficient equipment (e.g., ENERGY STAR® appliances);
- distributor load control programs (e.g., hot water heater, pool pump, air conditioning load control); and
- pilot programs on remote load management (i.e., for peak shaving or load shifting) that may involve the purchase of interval meters and communications equipment and development of data management and reporting systems.

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In addition, Natural Resources Canada's Office of Energy Efficiency offers a wide range of programs and services to improve energy efficiency. The Office of Energy Efficiency offers financial incentives and other resources, including workshops, data interpretation and hundreds of free publications, to help Canadians save energy and reduce greenhouse gas emissions that contribute to climate change. Programs that may be of interest to distributors to leverage and build upon, include but are not limited to:

- The *Commercial Building Incentive Program* which provides financial incentives to building owners who incorporate energy efficiency features in the design of new commercial or institutional buildings.
- *EnerGuide for Houses* offers consumers individualized professional advice on how to improve the energy performance of their houses. An energy evaluation by a certified energy advisor will show the consumer where and how she can improve her home's energy efficiency. An *EnerGuide for Houses* rating for a home could make the home owner eligible for an energy renovation grant from the Government of Canada. An evaluation service for house plans is also available to builders of new homes.
- Rebates and incentives for selected *ENERGY STAR®* qualified products in Canada. Links are provided to a number of utilities involved in the promotion and use of the *ENERGY STAR®* symbol in Canada.

All of these programs and incentives are detailed on the Office of Energy Efficiency's web site at <http://oee.nrcan.gc.ca/english/index.cfm>.

Board Review of Distributor Activities and Expenditures

It is not the Board's intent to burden distributors with uncertainty on conservation and demand management investments.

In its July 16, 2004 letter to distributors, the Board stated: "distributors should not expect approval in advance of any particular activity or expenditure." The Board has reconsidered this position and is now prepared to provide preliminary approval of planned activities, and will base its determination on the information about the planned activities that a distributor files with the Board. The Board in granting preliminary approval will confirm that the proposed activity is appropriate.

The Board will subsequently carry out a review of the prudence of actual expenditures. The Board anticipates that final approval will be given providing the money spent was in accordance with the distributor's proposal and that commitments outlined in the plan have been met. That is, did the distributor achieve what it said it would and was it done cost effectively.

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The Board hopes that this information is helpful to you. If you have any questions, please call the *Market Operations Hotline* at 416 440-7604, or e-mail us at market.operations@oeb.gov.on.ca.

Yours truly,

original signed by

John Zych
Board Secretary
Ontario Energy Board