RP-2004-0188

IN THE MATTER OF the *Ontario Energy Board Act 1998*, S.O. 1998, c. 15, Sched. B;

AND IN THE MATTER OF the preparation of a handbook for electricity distribution rate applications

Reply Submissions of the Green Energy Coalition:

David Suzuki Foundation, Energy Action Council of Toronto (ENERACT), Greenpeace Canada, Sierra Club of Canada

GEC has reviewed the submissions of other parties in this matter and respectfully offers the following comments in reply:

C&DM

Effect of Bill 100 changes to the Board's objectives:

VECC has noted that the reduction of seven objectives to two increases the weight to be given to those objectives. GEC agrees and notes that the new objectives specifically include promotion of "economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity...". In our submission this re-wording emphasizes that the Board's mission in the areas of conservation and generation are no less important than its role in protecting customers with respect to prices. Further, GEC sees no conflict between the objectives -- conservation lowers costs.

LRAM - CCC opposition to LRAM without load forecasts

CCC incorrectly states that Mr. Chernick indicated the need for a load forecast to support implementation of an LRAM. In fact Mr. Chernick stated he saw no need for a load forecast for C&DM purposes:

> The first step in Mr. Goulding's flow charts is a development of a load forecast, which, of course, utilities have to do load-forecasting for many reasons, including planning their distribution system. But I don't see that it's particularly important in C&DM planning; that whether you're expecting customers to -- residential customers to increase their consumption by half a percent this year or a percent is really not all that important. What's important is how many people do you think are going to be buying new refrigerators, and how are you going to reach them and make sure they buy efficient ones. (V9, para. 873)

LRAM is not calculated by comparing a load forecast to actual sales since differences could be due to any number of influences. LRAM is based on kWs and kWhs saved as determined by an evaluation of the number of program participants and engineering estimates of the savings per incremental measure installed. Accordingly, the absence of a load forecast is not a relevant concern.

LRAM - Woodstock and Energy Probe's 100% fixed charge approach:

The Board is referred to our argument in chief at page 11 where we note that the Woodstock proposal would reduce the conservation price signal at the margin, is contrary to cost causation having regard to long run marginal costs, does not in fact address the problem of lost revenues as customers migrating from one sub-class to another (or one class to another if class description is based on power used) would create large revenue losses, and does not reduce complexity (see: v. 9, p. 889 *et seq*., V.10, p. 580)

SSM - Schools' alternative:

Schools proposes an incentive that is based on two factors: TRC performance relative to other LDCs, and on the ratio of TRC benefits to C&DM budget.

As noted in GEC's argument in chief, an incentive that compares utilities will work against cooperation and information sharing, an incentive that utilizes a ratio of TRC benefits to C&DM budget spent will encourage non-comprehensive programs and thereby create lost opportunities. While we agree that the 5% incentive will reward all benefits created, not just the stellar performers, the extent of reward is slight for the benefit gained by customers, and the approach is likely temporary as the LDCs gain experience. The Schools alternative would likely see many utilities opting out of C&DM, having concluded that they are not likely to be the best. That would indeed be an example of 'perfection (or the best) being the enemy of the good'.

SSM - Industry group opposition to incentives and expanded budgets

AMPCO, CME and the industry funded CCC oppose incentives in 2006. While these parties claim to support C&DM, they resist the clear imperative embodied in the government policy goal of a 5% reduction in demand by 2007. CCC goes farther and opposes LDCs "aggressively" expanding the programs currently offered. Given the focus of most LDC third tranche funded C&DM on smart meters and utility side loss reduction, CCC is in effect arguing that customer conservation program spending be capped at what can only be regarded as a modest pilot program start up level.

CCC's opposition to expanded LDC conservation spending is consistent with their stated position that they favour a centralized approach rather than major LDC involvement in C&DM. GEC notes that the Board and parties have already invested considerable time and resources debating that issue in the Conservation and Demand Response process where the Board concluded that it preferred a hybrid approach. This is clearly consistent with government policy in favour of a strong conservation role for LDCs. That policy has already been evidenced by the initial funding provided in the third tranche initiative.

CCC also argues that incentives are not needed for publicly owned LDCs. This is not a new issue. CCC chose not to lead any evidence on the matter.

Further, all four expert witnesses, including the witness that CCC petitioned the Board to retain, stated their view that an incentive was appropriate. CCC did not cross-examine three of the four witnesses on that assertion and Mr. Goulding did not budge in response to CCC's cross (v.8, p. 288). Indeed, if publicly held corporations do not in fact respond to financial incentives beyond what they would do in response to a simple mandate, we are forced to ask why we regulate utilities and in particular why we utilize prospective rate making in Ontario? If these entities find 'ratepayer interest' a sufficient mandate, as CCC suggests, wouldn't simply telling the utilities to control costs be sufficient? No party has suggested that to be the case.

VECC support for RIM test as a limiting factor

VECC calls for C&DM to pass the RIM test on a sectoral basis. This limitation would simply ignore both savings and costs that participating customers enjoy or pay for, and it ignores savings upstream of the distribution utility, such as commodity savings, which all customers enjoy. RIM is a measure of rate impact and it is simply inappropriate to use it as a pass fail test as this would prohibit the attainment of much, if not most, cost-effective efficiency. All of the experts supported the use of the TRC as the determinative test.

Utility-side investments in loss reduction - Hydro One position

HONI argues that incentives for utility-side loss reduction or efficiency investments beyond those that would normally occur should be incented in the same manner as customer-side programs. We respectfully disagree. While the current uncertainty about cost recovery should be addressed and some level of incentive may be appropriate to encourage deeper efforts, the incentive does not need to be as strong as that required for load reducing programs. As Mr. Chernick pointed out, for loss reduction there are no similar obstacles to those facing utility investment in customer conservation which lowers load, does not generally build rate base, and which is contrary to past practice and corporate culture.

All of which is respectfully submitted this 17th day of February, 2005

David Poch
On Behalf of the GEC