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**Susan Frank**

Vice President and Chief Regulatory Officer  
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BY COURIER

November 21, 2008

Ms. Kirsten Walli  
Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON.  
M4P 1E4

Dear Ms. Walli:

**EB-2008-0352 Conservation and Demand Management Input Assumptions**

Hydro One Networks (“Hydro One”) is pleased to provide comments on the Ontario Energy Board’s (“the Board”) proposal to endorse the Ontario Power Authority’s (“OPA’s”) Measures and Assumptions List for use by Local Distribution Companies (“LDCs”) for the purposes of applications for new distribution rate-funded Conservation and Demand Management (“CDM”) programs, Lost Revenue Adjustment Mechanism (“LRAM”), and Shared Savings Mechanism (“SSM”).

In its letter dated November 4, 2008, the Board noted a general consensus among LDCs that there be a consistent set of input assumptions between those used by the Board and the OPA. While Hydro One Networks still agrees with this objective, we have a concern about the use of blanket assumptions to cover all CDM programs and circumstances. This concern arises especially in regard to the OPA’s assumption of a 30% free-ridership rate uniformly applied to all measures. As actual free-ridership rates will vary significantly over a range of CDM programs, we believe this assumption could distort the cost-effectiveness of many CDM programs.

To address this concern, we urge the Board to delay endorsing the OPA list until the assumptions have been subject to a formal vetting process involving the OPA and stakeholders, and in particular to substantiate free-ridership rates. There should also be a similar process in place to update assumptions in the future.

Sincerely,

Susan Frank