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November 28, 2008

VIA EMAIL: Boardsec@oeb.gov.on.ca

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario
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Dear Ms. Walli:

**Re: Conservation and Demand Management Input Assumptions
Board File No. EB-2008-0352**

The Ontario Power Authority (“OPA”) supports the Board’s proposal to endorse the OPA List of Measures and Assumptions (“the List”) for use by distributors for the purposes of applications for new distribution rate-funded CDM programs, LRAM and SSM. The use of one list for these purposes will provide greater efficiency and clarity for all parties involved.

The OPA has reviewed the comments of parties in this matter, dated November 21, 2008, and is writing to provide clarification of certain matters.

Although the annual update to the List is planned to be published in early fall, the OPA has developed a “rolling” update process for its List, that allows parties to propose new measures or updates to existing measures on an ongoing basis. In this way, parties can take advantage of the knowledge base of the LDC community, manufacturers, academics and other interested parties to contribute to building and maintaining a List targeted specifically within the Ontario context.

In addition, in developing its List, the OPA has removed free ridership and all other adjustment factors. The List is used to estimate the impacts (energy and demand savings) attributable to individual conservation measures as well as providing key inputs for assessing their cost-effectiveness. Prescriptive input assumptions (“PIAs”) are composed of per-installation assumptions related to the areas of energy and peak demand savings; other

resource savings (e.g. natural gas, water); seasonal energy savings patterns; incremental cost; and estimated useful life of the equipment.

The OPA notes that there was some confusion among parties with regard to the use of free ridership rates. As noted in the submission of Pollution Probe, the OPA has stated that free ridership rates are a function of program design and delivery. Any adjustment factors to be used must be determined and maintained on a regular basis through program evaluation research. Adjustment factors should not be used as a substitute for conducting program evaluation research but rather, may be utilized for planning purposes in the absence of better information.

The OPA has been consistent in its stated intent to use a 30% free ridership rate as an initial planning assumption at a program level, with the intent to provide more specific information through the analysis of actual program results, as stated in its IPSP evidence as follows:

The 30% free rider assumption as a proxy for the baseline is a sufficiently prudent Conservation planning assumption. More specific free rider rates may emerge from research and EM&V results.

In summary, the OPA's Measures and Assumptions List does not contain free-ridership rates, nor is the OPA's 30% planning assumption meant to be used as anything more than an initial planning tool at the program level. Actual free-ridership rates for individual programs will be determined through the EM&V process, and will be used to measure the cost-effectiveness of these programs.

We trust that the Board will find these clarifications helpful in making its Decision in this matter.

Yours truly,

Michael Lyle
General Counsel and Vice President,
Legal and External Affairs