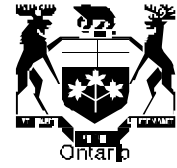


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## **BY E-MAIL AND WEB POSTING**

January 27, 2009

**To: All Licensed Electricity Distributors  
All Participants in Consultation Process EB-2008-0037  
All Other Interested Parties**

**Re: Conservation and Demand Management (“CDM”) Input Assumptions  
Board File No.: EB-2008-0352**

The purpose of this letter is to provide parties with the Board’s policy for CDM input assumptions.

### **Background**

On November 4, 2008, the Board issued a letter putting forward the Board’s approach for updating CDM input assumptions to be used by distributors and requesting comments on that approach. Specifically, the Board asked:

Are there issues or concerns with the Board’s plan to endorse the Ontario Power Authority (“OPA”) List (“OPA List”) for use by distributors for the purposes of applications for new distribution rate-funded CDM programs, Lost Revenue Adjustment Mechanism (“LRAM”) and Shared Savings Mechanism (“SSM”)?

In the letter, the Board stated that it intended to endorse the OPA List unless parties presented compelling reasons to the contrary.

The Board also stated that the OPA has already undertaken significant work to develop the OPA List and the Board is of the view that endorsing the OPA List would reduce duplication of effort, and support consistency in the measurement of the cost effectiveness of CDM programs.

### **Comments from Interested Parties**

The Board received 8 comments from interested parties.

Some parties supported the Board's approach of endorsing the OPA List for use by distributors. Three parties recommended that there be a formal process involving the OPA and stakeholders. Other parties expressed concern about the OPA's assumption of a 30% free-ridership rate uniformly applied to all measures.

The OPA commented that the OPA 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. The OPA stated that the free-ridership rates are a function of the program design and delivery and must be determined and maintained on a regular basis through program evaluation research. The OPA commented that adjustment factors should not be used as a substitute for conducting program evaluation research but rather, may be utilized for planning purposes in absence of better information.

Toronto Hydro Electric System requested clarification on LRAM and third party assessments. At this time, the Board would like to clarify that the estimates of savings and adjustment factors used for the calculation of LRAM should be the best available at the time of the third party assessment referred to in section 7.5 of Guidelines for Electricity Distributor Conservation and Demand Management ("Guidelines").

### **Board Determination and Distributor Implementation**

The Board has determined that it will endorse the OPA List for use by distributors for the purposes of applications for new distribution rate-funded CDM programs, Lost Revenue Adjustment Mechanism ("LRAM") and Shared Savings Mechanism ("SSM") at this time.

The Board expects that its policies will evolve in the future, and the policy for input assumptions will be updated accordingly. The Board may at any time direct distributors to use input assumptions other than the OPA List for rate-funded CDM programs.

Distributors should use the OPA List in accordance with the policy set out in section 7.3 of the Guidelines which states, in part:

*The timing at which changes in assumptions become effective will differ depending on the use of the assumption, as follows:*

#### ***Program Design and Implementation***

*Distributors should design, screen and evaluate programs using the best available information known to them at the relevant time. Therefore, it is expected that distributors will incorporate new information into program design and implementation as soon as feasible, subject to relevant operational considerations. In considering the prudence of any spending in excess of an approved budget that has been tracked in a CDM variance account, the Board will consider the information available to the distributor at the time the program was implemented. That is, when amounts in a CDM variance account are being*

*reviewed for the purposes of disposition, the Board will consider the information available to the distributor at the time the spending decision was made by the distributor. This will apply even if the input assumptions have changed since that time.*

**LRAM**

*The input assumptions used for the calculation of LRAM should be the best available at the time of the third party assessment referred to in section 7.5.*

*For example, if any input assumptions change in 2007, those changes should apply for LRAM purposes from the beginning of 2007 onwards until changed again.....*

**SSM**

*Assumptions used from the beginning of any year will be those assumptions in existence in the immediately prior year. For example, if any input assumptions change in 2007, those changes should apply for SSM purposes from the beginning of 2008 onwards until changed again....*

The Board is not proposing to review the avoided cost data that is currently used by distributors for distribution rate-funded CDM programs. The avoided costs in relation to CDM programs are a component of the OPA's Integrated Power System Plan, which is subject to review and approval by the Board. Until that review is completed, distributors should continue to use the avoided cost data that is posted on the OEB's website.

The issuance of this letter concludes this consultation. The Board wishes to thank all participants for their thoughtful contributions.

All materials related to this consultation are posted on the "OEB Key Initiatives" portion of the Board's web site at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca). The material will also be available for public inspection at the Board's office during normal business hours.

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary