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July 21, 2010

*Via web portal and by courier*

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

Dear Ms. Walli:

**RE: Board File No. EB-2010-0215 Creation of the Conservation and Demand Management Code for electricity distributors**

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Bluewater Power is pleased to have this opportunity to provide input for the Board's consultation on the Conservation and Demand Management Code ("C&DM Code"). We have reviewed the EDA's submission with respect to the C&DM Code and we support the recommendations found therein. Our submission is provided in furtherance to our input regarding the C&DM Targets contained in our letter to the Board dated July 7, 2010 in EB-2010-0216.

We appreciate that consultations to date on C&DM Targets have focused on a generic approach wherein conservation is valued equally across the province. We understand the value of such an approach, but it is important for the Board to recognize that any time it takes a generic approach there will be exceptional circumstances that highlight the weakness of that approach. Bluewater Power's circumstances are one such example that drives home the need to consider particular circumstances, but there is no doubt other such circumstances exist in Ontario. To assume otherwise, would not be prudent and it seems incumbent upon the Board to investigate the variation that exists in the circumstances facing LDCs in Ontario.

As stated in our July 7, 2010 submission:

*"For example, by the end of 2010 Bluewater Power will play host to 87 MW of ground-mounted solar installed under the RESOP program. We will also be host to 5 MW of landfill gas generation under the RESOP program (our affiliates are directly involved in those initiatives). We have also received notice from the OPA, or consulted directly with proponents, on further generation under the Green Energy Act which will total 6.5MW of*

*further generation, if built. Accordingly, our existing load, which averages approximately 120MW (ranging from a low of 100MW and a summer peak of 209MW reached on yesterday's date) will be offset by 98.5MW of generation. Add to that a conservation target of 11MW, and Bluewater Power will have offset 90% of our current load.”*

Accordingly, we recommended in our submission that targets for LDCs ought to take into account particular circumstances of each LDC. Consideration of renewable generation in an LDC's territory is one example, which can be readily ascertained through consultations with the OPA; another consideration would be grid constraints, which would require consultation with the IESO. An approach that looks at the particular circumstances of an LDC has specifically been excluded by the OPA's allocation methodology now under consideration by the Board.

That discussion relates to today's discussion on the C&DM Code in respect of the issue of properly setting financial incentives. It ought to be clear that conservation does not have the same value across Ontario. We have already submitted that should be acknowledged in the setting of C&DM targets and we are prepared to accept that the incentives paid should likewise not be the same across Ontario.

We endorse the EDA's recommended approach to simplify the incentives to three tiers. If the OEB accepts that C&DM Targets ought to be adjusted, then we would suggest that LDCs could be divided into low priority and high priority based on whether their targets were adjusted downward or upward, respectively. The low priority LDCs would have their C&DM Targets lowered and we have labeled those LDCs "Saturated LDCs" in the table below whether they are saturated with renewable generation or electricity supply due to a lack of grid constraints. High Priority LDCs would have their C&DM targets increased and have been labeled as "Burdened LDCs" in the table below. The Board will obviously have to ensure that adjustment balance so as to achieve the overall target set out in the Minister's Directive. If such an approach were taken, then we would propose a further modification to the incentives proposed by the EDA in its submission as follows:

	Performance Incentive					
	80-100%		100-120%		120% and above	
	¢/kwh	\$/kw	¢/kwh	\$/kw	¢/kwh	\$/kw
Saturated LDCs	0.8	40	0.8	40	0.8	40
Burdened LDCs	1.0	50	1.0*	50*	1.5	60

\*This proposal effectively creates two tiers by increasing the suggested incentive for achieving 80-100% of target for Burdened LDCs; we would propose that the incentive paid to Burdened LDCs for achieving 100-120% of target ought to be increased, but we are not in a position to suggest the appropriate level of incentive.

We have taken a principled approach to setting these targets. We specifically endorse the submission of the EDA that incentives for achieving 80% to 120% of target ought to be increased. We further propose that the incentive paid to Saturated LDCs should be the same regardless of the level of achievement as there is less benefit to the system and therefore no need to incent over-achievement. In that regard, the increase to the level of incentives proposed by the

EDA is essential and we note that the proposed incentives are less than the average of the incentives proposed by the Board, being 0.95¢/kwh and \$42.75/kw. As set out in the note at the bottom of the table, we have proposed that the Burdened LDCs ought to receive a higher incentive for achieving 80-100% of target to reflect the fact that their targets have been increased thereby making it more difficult for those LDCs to over-achieve.

Accordingly, we submit the performance incentives proposed above in concert with the proposal set out in our submission on C&DM Targets dated July 7, 2010. Our position is that regulators are often prepared to accept “rough justice” in the setting of policies. The importance of conservation, as evidenced by this very dialogue resulting from the Minister’s Directive, requires the Board to get it “right”. The data is readily available to determine the appropriate level of conservation on an LDC by LDC basis and, moreover, a properly calculated Performance Incentive for Burdened LDCs ought to appropriately compensate those LDCs for the increase to their C&DM Targets. In that regard, the proposed incentives are submitted based on principle, but the Board should engage in a further dialogue to ensure the incentives achieve that balance.

In the alternative, we would propose that the Board accept that this issue ought to be left open for a later discussion. If the Board is prepared to accept “rough justice” and is not prepared to investigate and acknowledge differences that exist on an LDC by LDC basis, then we submit that the EDA’s submission for a review on C&DM Targets (as set out at page 2 of its submission in EB-2010-0216) ought to be accepted. The EDA has further suggested that such a process of review be built into the C&DM Code and we would suggest that a further ground for review ought to be “material increase in embedded generation in the LDCs service area not considered in the C&DM Target allocation methodology”.

We make these submissions in support of the Board’s dialogue concerning the C&DM Code and we would be pleased to participate further in dialogues concerning the subject of Conservation and Demand Management.

Sincerely,



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