

Ontario Energy
Board

Commission de
l'énergie
de l'Ontario



CONSERVATION AND DEMAND MANAGEMENT CODE FOR ELECTRICITY DISTRIBUTORS

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Conservation and Demand Management Code for Electricity Distributors

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1. GENERAL AND ADMINISTRATIVE PROVISIONS

1.1 The Purpose of this Code

1.1.1 The purpose of this Code is to set out the obligations and requirements that licensed distributors must comply with in relation to the CDM Targets set out in their licences. This Code also sets out the conditions and rules that licensed distributors are required to follow if they choose to use Board-Approved CDM Programs to meet the CDM Targets.

1.2 Definitions

In this Code:

"Act" means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

"Allocable Costs" means indirect costs (i.e., costs that would be incurred regardless of whether or not the Non Rate-Regulated Activities were undertaken);

"annual milestones" means the forecasted electricity savings (kWh) and peak demand savings (kW) that a distributor hopes to achieve each year in order to meet its CDM Targets;

"Annual Report" means the report that a distributor shall file with the Board each year that shows the distributor's progress in meeting the CDM Targets set out in its licence;

"attribution" means the division of CDM benefits between a distributor and another person;

"Board" means the Ontario Energy Board;

"Board-Approved CDM Programs" means a distributor's CDM Programs that have been approved by the Board in accordance with this Code and for which the IESO will make payments in accordance with section 78.5(1) of the Act; ~~the distributor has received approval to recover the costs of the CDM Programs from the GAM;~~

"business day" means any day that is not a Saturday, a Sunday, or a legal holiday in the Province of Ontario;

"CDM" means conservation and demand management;

"CDM Programs" means programs that are designed to reduce electricity consumption and/or provincial peak electricity demand behind customers' meters, ~~are GAM funded,~~ and are either Board-Approved CDM Programs or OPA-Contracted Province-Wide CDM Programs;

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"CDM Strategy" means the strategy that a distributor files with the Board that outlines how a distributor will meet the CDM Targets set out in their licences;

"CDM Targets" means the targets for reductions in provincial peak electricity demand and electricity consumption established in a distributor's licence;

"Code" means this Conservation and Demand Management Code;

"customer type" means a customer class, a customer sub-class, or a specific group of customers, including but not limited to, residential, commercial, industrial, or institutional customers;

"distribution system" means a system for distributing electricity, and includes any structures, equipment or other things used for that purpose;

"distributor" means a person who owns or operates a distribution system;

"Electricity Act" means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

"electricity savings (kWh)" means the reduction in electricity consumption associated with the implementation of CDM Programs;

"EM&V" means Evaluation, Measurement and Verification;

"Environmental Attributes" means any certificates, credits, reduction rights, allocated pollution rights, emission reduction allowances, or any other benefit that relate to or result from a distributor's Board-Approved CDM Programs;

~~"GAM" means the Global Adjustment Mechanism;~~

"Marginal Costs" means direct costs (i.e., costs that would be eliminated or reduced if the Non Rate-Regulated Activities were no longer undertaken);

"Non Rate-Regulated Activities" means activities that are carried out by a distributor but are not rate-regulated by the Board, including but not limited to, OPA-Contracted Province-Wide CDM Programs, Board-Approved CDM Programs, billing and collection for water and sewage, and distributor-owned generation;

"OPA" means the Ontario Power Authority;

"OPA-Contracted Province-Wide CDM Programs" means province-wide CDM programs that a distributor may undertake through a contract with the OPA;

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"OPA EM&V Protocols" means the protocols and framework that the OPA has adopted for the evaluation, measurement and verification of OPA-Contracted Province-Wide CDM Programs;

"OPA's Cost Effectiveness Tests" means the cost effectiveness tests that the OPA has adopted for OPA-Contracted Province-Wide CDM Programs, including all related assumptions and avoided cost assessments;

"OPA's Measures and Assumptions Lists" means the OPA's collection of prescriptive and quasi-prescriptive input assumptions for electricity CDM measures;

"peak demand savings (kW)" means the reduction in a distributor's peak electricity demand [persisting at the end of the four-year period](#) that coincides with the provincial peak electricity demand that is associated with the implementation of CDM Programs; and

"service area" means the area in which a distributor is authorized by its licence to distribute electricity.

1.3 Application and Interpretation

1.3.1 All appendices attached to this Code form part of the Code.

1.3.2 Unless otherwise defined in this Code, words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act, as the case may be. Headings are for convenience only and shall not affect the interpretation of this Code. Words importing the singular include the plural and vice versa. Words importing a gender include any gender. Words importing a person include (i) an individual, (ii) a company, sole proprietorship, partnership, trust, joint venture, association, corporation or other private or public corporate body; and (iii) any government, government agency or body, regulatory agency or body or other body politic or collegiate. A reference to a person includes that person's successors and permitted assigns. A reference to a body, whether statutory or not, that ceases to exist or whose functions are transferred to another body is a reference to the body that replaces it or that substantially succeeds to its powers or functions. Where a word or phrase is defined in this Code, the Act or the Electricity Act, other parts of speech and grammatical forms of the word or phrase have a corresponding meaning. A reference to a document (including a statutory instrument) or a provision of a document includes any amendment or supplement to, or any replacement of, that document or that provision of that document. The expression "including" means including without limitation.

1.3.3 If the time for doing any act or omitting to do any act under this Code expires on a day that is not a business day, the act may be done or may be omitted to be done on the next day that is a business day.

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1.4 To Whom this Code Applies

- 1.4.1 This Code applies to all licensed distributors that have CDM Targets as a condition of their licence.

1.5 Coming into Force

- 1.5.1 This Code comes into force on the date on which it is published on the Board's website after it has been issued by the Board.
- 1.5.2 Unless expressly provided otherwise, any amendments to this Code shall come into force on the date on which they are published on the Board's website after they have been issued by the Board.

1.6 Requirements for Board Approvals

- 1.6.1 Any matter under this Code requiring an approval, consent, or determination of the Board may be determined by the Board without a hearing or through an oral, written or electronic hearing, at the Board's discretion.

1.7 Timeframe for the Code

- 1.7.1 This Code applies to CDM Programs that start on January 1, 2011 and end on December 31, 2014 or occur anytime in between those two dates. All electricity savings (kWh) and peak demand savings (kW) resulting from CDM Programs must also occur within that timeframe.

2. CDM STRATEGY AND ANNUAL REPORTS

2.1 CDM Strategy Requirements

- 2.1.1 A distributor's CDM Strategy must provide a high level description of how a distributor intends to achieve its CDM Targets. The CDM Strategy must include:
- (a) a high level description of a distributor's year by year plan, including annual milestones, for achieving its CDM Targets;
 - (b) a description of each of the CDM Programs, divided into OPA-Contracted Province-Wide CDM Programs and potential Board-Approved CDM Programs, that the distributor plans to undertake to achieve its CDM Targets including, where the information is available, a description of:
 - (i) the program name;
 - (ii) the year(s) the program is intended to be in operation;
 - (iii) the purpose of the program;
 - (iv) the target customer type(s); and

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- (v) where the information is available, projected budgets and projected results;
- (c) confirmation that CDM Programs will be offered for all customer types (~~residential, commercial, institutional, industrial~~) in a distributor's service area, as far as is appropriate and reasonable having regard to the composition of the distributor's customer base; ~~and~~
- (d) a section that details how, where applicable, the distributor will pursue administrative efficiencies and co-ordinate its CDM activities with other distributors, natural gas distributors, social service agencies, any level of government, government agencies, ~~and~~ the OPA, and any other organizations; and
- (e) a statement as to whether the distributor will offer CDM program(s) to low-income customers and the rationale for that decision.

2.1.2 Distributors shall file their CDM Strategy in the manner set out in Appendix B.

2.1.3 A distributor shall file its CDM Strategy with the Board by November 1, 2010.

2.1.4 After receiving an acknowledgement letter from the Board confirming that the CDM Strategy is complete, a distributor shall make its CDM Strategy available for public review at the distributor's offices. If the distributor has a website, the distributor shall also post its CDM Strategy on its website.

2.2 Annual Reports

2.2.1 A distributor shall file an Annual Report with the Board by September 30 of each year. The Annual Report shall cover the period from January 1 to December 31 of the previous year. The first Annual Report shall be filed by September 30, 2012 and shall cover the period from January 1, 2011 to December 31, 2011.

2.2.2 Distributors shall file their Annual Reports in the manner set out in Appendix C.

2.2.3 A distributor shall make its Annual Report available for public review at the distributor's offices. If the distributor has a website, the distributor shall also post its Annual Report on its website by September 30 of each year for the previous calendar year.

2.2.4 The Annual Report shall provide an overall review of the activities undertaken by the distributor in the calendar year in order to achieve its CDM Targets.

2.2.5 The Annual Report shall consist of the following sections for both Board-Approved CDM Programs and OPA-Contracted Province-Wide CDM Programs:

- (a) an introduction that provides a general overview of the CDM Programs that the distributor offered in its service area;

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- (b) a description of the CDM Programs that the distributor offered in its service area, the targeted customer type ~~(s) or group~~ for each of the CDM Programs, the objectives of each of the CDM Programs, and any activities associated with the CDM Programs;
- (c) a section that details the participation levels (i.e., the number of participants by customer type) for each of the CDM Programs that the distributor offered in its service area;
- (d) a section that describes and details the funds the distributor spent on each of the CDM Programs offered in its service area;
- (e) a section that describes and details the verified electricity savings (kWh) and peak demand savings (kW) based on the OPA EM&V Protocols;
- (f) a section that states the balance in the distributor's CDM variance account that shows the distributor's total spending on all of its Board-Approved CDM Programs for the year applicable to the Annual Report;
- (g) a section that summarizes the distributor's progress towards meeting its CDM Targets, an explanation of any significant variances between the annual milestones contained in the distributor's CDM Strategy and the verified results achieved by the distributor for the reporting year, and an explanation of the potential impact that the aforementioned significant variances may have with respect to the distributor meeting its CDM Targets;
- (h) a section that details any changes or planned modifications to the distributor's CDM Strategy; ~~and~~
- (i) a section that provides any additional information the distributor feels is appropriate, including but not limited to, recommending any improvements to its Board-Approved CDM Programs that could enhance program design, performance, and uptake by customers; ~~and~~
- (j) if the distributor has a pilot CDM program or an educational CDM program, a section that provides an explanation of the results of the program and describes how the data or information from the program may be used in the operations of, or planning frameworks for, future CDM initiatives.

2.3 Co-ordination with the OPA

2.3.1 Prior to applying for Board approval of any CDM Programs, a distributor must review the existing OPA-Contracted Province-Wide CDM Programs.

2.3.2 Distributors shall not apply for Board approval of CDM Programs that duplicate existing OPA-Contracted Province-Wide CDM Programs.

2.3.3 CDM Programs that will be considered duplicative of OPA-Contracted Province-Wide CDM Programs include, but are not limited to, CDM Programs that have:

- (a) different customer incentive levels on products or services already offered through the OPA-Contracted Province-Wide CDM Programs;

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- (b) different qualification requirements to receive customer incentives or services already offered through the OPA-Contracted Province-Wide CDM Programs;
- (c) different technology specifications for technologies already incentivized or utilized through the OPA-Contracted Province-Wide CDM Programs;
- (d) different marketing approaches for promoting customer incentives or services already offered through the OPA-Contracted Province-Wide CDM Programs; and
- (e) different budgets for delivering customer incentives or services already offered through the OPA-Contracted Province-Wide CDM Programs.

3. BOARD-APPROVED CDM PROGRAMS

3.1 Requirements

- 3.1.1 A distributor shall not apply for Board-Approved CDM Programs until the OPA has established its first set of OPA-Contracted Province-Wide CDM Programs.
- 3.1.2 Subject to the restrictions in sections 2.3.3 and 3.1.5, a distributor may apply to the Board for approval of CDM programs that are designed to assist the distributor in meeting the CDM Targets set out in its licence.
- 3.1.3 Board-Approved CDM Programs must end by December 31, 2014.
- 3.1.4 A distributor's application for a proposed Board-Approved CDM Program must include the following:
 - (a) a program evaluation plan, based on the OPA's EM&V Protocols, for each program;
 - (b) a benefit-cost analysis of each program which shall be completed by using the OPA's Cost Effectiveness Tests;
 - (c) a detailed explanation of the program's objective(s) and method of delivery;
 - (d) the types of customers targeted by the program;
 - (e) a forecasted number of participants that the distributor expects will participate in the program;
 - (e) the total projected peak demand savings (kW) and electricity savings (kWh) per year, or if the program is for less than one year, the total projected peak demand savings (kW) and electricity savings (kWh) for the duration of the program;
 - (f) a complete projected annual budget for each of the distributor's CDM Programs, including the following information:

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- (i) projected expenditures incurred on an annual basis, for each year of the CDM Programs, separated into customer incentive costs and program costs;
 - (ii) a division of program costs into ~~direct~~ Marginal Costs and ~~indirect expenditures~~ Allocable Costs incurred as a result of program implementation;
 - (iii) information on the allocation of total expenditures incurred by targeted customer types for each direct projected expenditure; and
 - (iv) total projected expenditures for each program evaluation conducted; and
- (g) a statement that confirms that the distributor has used the OPA's Measures and Assumptions Lists or if the distributor has varied from the OPA's Measures and Assumptions Lists, the distributor must: ~~the following information must be provided:~~
- (i) ~~a distributor must~~ appropriately justify the reason for varying from the OPA's Measures and Assumptions Lists in the application;
 - (ii) provide the technical assumptions and substantiating data that the distributor used; and
 - (iii) provide a statement that the distributor has followed the OPA's EM&V Protocols for custom measures not included in the OPA's Measures and Assumptions Lists.

3.1.5 Distributors shall not apply for CDM Programs that:

- (a) relate to a distributor's investment in new infrastructure or replacement of existing infrastructure;
- (b) relate to any measures a distributor uses to maximize the efficiency of its new or existing infrastructure; or
- (c) are associated with the OPA's Feed-in Tariff Program or the OPA's Micro Feed-in Tariff Program.

Any initiatives that are captured in (a), (b) or (c) above will not be considered CDM initiatives and are therefore not eligible for approval under this Code.

3.2 Re-Allocation of Funding Among Existing Board-Approved CDM Programs

3.2.1 A distributor must apply to the Board for cumulative fund transfers among the distributor's Board-Approved CDM Programs that exceed 30% of an approved budget for an individual CDM Program. An application to transfer more than 30% of a distributor's funds from an approved budget for an individual CDM Program shall include:

- (a) current and proposed budgets for programs affected by the re-allocation;

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- (b) a description of the programs from which, and to which, funds are being re-allocated [and the rationale for the re-allocation](#);
- (c) confirmation that CDM Programs will still be offered for all customer types (~~residential, commercial, institutional, industrial~~) in a distributor's service area, as far as is appropriate and reasonable having regard to the composition of the distributor's customer base; and
- (d) cost effectiveness calculations for all programs where re-allocation of funding has occurred and confirmation that the program receiving the additional funding is still cost effective.

3.3 CDM Programs for Low-Income Customers

- 3.3.1 A distributor may meet a portion of its CDM Targets through the delivery of CDM Programs targeted to low-income customers.

3.4 [Board Approval](#)

- 3.4.1 [The Board will consider any application filed under section 3.1 and make any determinations that it considers appropriate. If the Board approves a CDM program pursuant to an application filed under section 3.1, such approval will include a determination regarding the amount and timing of payments to be made by the IESO under section 78.5 of the Act in relation to the Board-Approved CDM Program.](#)

4. COST EFFECTIVENESS

4.1 Cost Effectiveness Tests

- 4.1.1 A distributor may only apply to the Board for the approval of CDM programs that are cost effective. Cost effectiveness shall be measured by using the OPA's Cost Effectiveness Tests.
- 4.1.2 Despite section 4.1.1, a distributor may apply to the Board for approval of CDM programs where cost effectiveness cannot be demonstrated if the program is:
 - (a) a pilot program; ~~or~~
 - (b) [a low-income program; or](#)
 - (c) designed for educational purposes.
- 4.1.3 A distributor shall use the OPA's Measures and Assumptions Lists to conduct the cost effectiveness tests. If the distributor is using custom measures that are not included in the OPA's Measures and Assumptions Lists, the distributor must appropriately justify the reason for varying from the OPA's Measures and Assumptions Lists in the application and provide a statement that the distributor has followed the OPA EM&V Protocols for the custom measures that are not included in the OPA's Measures and Assumptions Lists.

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- 4.1.4 Although there is no requirement that pilot or educational CDM programs be cost effective, distributors shall provide, in addition to the requirements set out in section 3.1.4, adequate evidence (as described in sections 4.2 and 4.3) that the CDM programs will likely result in peak demand savings (kW) and/or electricity savings (kWh). The Board will take into consideration the cost and the number of pilot and educational CDM Programs that a distributor already has undertaken or plans to undertake when approving these CDM programs.
- 4.1.5 While low-income CDM programs do not have to be cost effective, distributors will have to run the OPA's Cost Effectiveness Tests for the low-income CDM programs and report the results to the Board as part of the application for Board approval of the low-income CDM program. Distributors shall also provide, in addition to the requirements set out in section 3.1.4, adequate evidence that the low-income CDM program will likely result in peak demand savings (kW) and/or electricity savings (kWh). The Board will take into consideration the cost and the number of low-income CDM Programs that a distributor already has undertaken or plans to undertake when approving the low-income CDM program(s).

4.2 Pilot CDM Programs

- 4.2.1 A pilot CDM program will only be eligible for approval by the Board if:
- (a) it involves the testing, or evaluation of methodologies and/or technologies that are not **already generally** in use in Ontario and that may serve as a model for other distributors or the OPA to use in future CDM development;
 - (b) it does not duplicate existing CDM pilot programs being undertaken by the OPA or other distributors; and
 - (c) the distributor has already applied to the OPA for CDM program funding and was not approved by the OPA.
- 4.2.2 A distributor shall provide a detailed description of the costs and benefits of the proposed pilot program and demonstrate how the pilot program will increase the collective understanding of the methodology and/or technology and its benefits as a CDM activity.
- 4.2.3 A distributor shall file with the Board a report on the expected outcome(s) and benefits of the pilot program (i.e., projected data or information to be produced by the program and how the data or information will be used in the operations of, or planning frameworks for, future CDM initiatives).
- 4.2.4 A distributor must specify the customer type(s) and the number of participants that will be targeted by the pilot program.

4.3 Educational CDM Programs

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- 4.3.1 A distributor must demonstrate how the educational CDM program will promote the understanding of energy issues and lead to behavioural changes that result in the overall reduction of electricity demand and or consumption.
- 4.3.2 A distributor must:
- (a) identify the customer type(s) that will be targeted;
 - (b) specify the number of participants that will be targeted;
 - (c) explain why the educational CDM program is needed (i.e., why there is a need to educate the specified customer type(s) on the specified energy issues);
 - (d) articulate the educational approaches that will be utilized by the distributor (i.e., brochures, seminars, etc.);
 - (e) provide estimates of costs of the educational CDM program; and
 - (f) describe the anticipated benefits of the educational CDM program.

5. ACCOUNTING TREATMENT

- 5.1 A distributor shall follow all the Board's accounting policies and procedures specified for CDM activities.
- 5.2 A distributor shall use a fully allocated costing methodology for all CDM Programs. The fully allocated costing methodology that distributors must use for the CDM Programs it delivers is set out in Appendix A.
- 5.3 A distributor's ~~earned revenues~~ program funding and ~~incurred expenses~~ program expenditures from all Board-Approved CDM Programs are to be kept separate from a distributor's ~~earned revenues~~ program funding and ~~incurred expenses~~ program expenditures from all OPA-Contracted Province-Wide CDM Programs.
- 5.4 A distributor's ~~earned revenues~~ program funding and ~~incurred expenses~~ program expenditures from all Board-Approved CDM Programs and all OPA-Contracted Province-Wide CDM Programs are to be kept separate from the distributor's distribution operations and shall not be included in the distributor's distribution revenue requirement.
- 5.5 A distributor shall track spending for its Board-Approved CDM Programs in a Board-Approved CDM variance account, which will be used to record the difference between the funding awarded for Board-Approved CDM Programs and the actual spending incurred for these programs. The disposition of the balance in this account shall be made at the time specified by the Board and in the manner specified by the Board.
- 5.6 A distributor shall not be the ~~owner of~~ beneficiary of any Environmental Attributes that are related to or result from Board-Approved CDM Programs. Distributors

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shall hold any Environmental Attributes arising in relation to electricity savings from Board-Approved CDM Programs. Disposition of the benefits of the Environmental Attributes arising in relation to electricity savings from Board-Approved CDM Programs shall be determined by the Board at a later date.

6. PROGRAM EM&V

6.1 Independent Review

- 6.1.1 A distributor's results for its Board-Approved CDM Programs must be evaluated through an independent third party review. The review of a distributor's results for its Board-Approved CDM Programs must be done by an independent third party selected from the OPA's third party vendor of records list. The third party reviewer must use the OPA EM&V Protocols when conducting EM&V on Board-Approved CDM Programs.
- 6.1.2 The independent third party reviewer's report on the distributor's Board-Approved CDM Programs must be filed by the distributor with the Board at the same time the distributor's Annual Report is filed with the Board (i.e., by September 30 of each year). The independent third party reviewer's report shall cover the period from January 1 to December 31 of the previous year.
- 6.1.3 The distributor shall co-operate with any Board initiated audits and shall provide documentation as requested.

7. PERFORMANCE INCENTIVE

7.1 Eligible Programs

- 7.1.1 A distributor may apply for a performance incentive for its CDM Programs.
- 7.1.2 A distributor may only claim a performance incentive in relation to its contribution to the CDM Programs. In order for a distributor to claim 100% attribution of benefits, the distributor shall demonstrate that its role was central to the CDM Programs. Centrality is established by the distributor if its budgetary contribution was greater than 50% of program funding or, where the distributor's budgetary contribution was less than 50% of program funding, the distributor initiated the partnership, initiated the program or initiated the implementation of the program. If the distributor's budgetary contribution was less than 50 percent, the distributor shall provide supporting documentation outlining its role in the CDM Programs.
- 7.1.3 If a distributor's role does not meet the test for centrality set out in section 7.1.2, the distributor shall then submit a proposal for an attribution of benefits to the

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Board for approval and the Board will determine whether the proposal is acceptable.

7.1.4 If more than one distributor applies for an attribution of benefits for the same CDM Program, the total applied for between the distributors cannot exceed 100%.

7.1.5 [A distributor will be deemed to meet the test for centrality when it is providing OPA-Contracted Province-Wide CDM Programs.](#)

7.2 Calculation of the Performance Incentive

7.2.1 Performance incentive payments shall be made on the basis of a distributor's achieved verified results in meeting its CDM Targets. A distributor must provide verified results for both electricity savings (kWh) and peak demand savings (kW) at the time of its application to the Board for a performance incentive. The verification must have been completed by an independent third party selected from the OPA's third party vendor of records list.

7.2.2 A distributor may accrue a performance incentive once it meets 80% of each of its CDM Targets. Performance incentives shall not [accrue for performance that exceeds](#) 150% of each CDM Target.

7.2.3 A distributor's performance incentive shall be calculated across the distributor's entire portfolio of Board-Approved CDM Programs and OPA-Contracted Province-Wide CDM Programs. A distributor's performance incentive shall be calculated in the manner set out in Appendix D.

7.3 [Board Approval](#)

7.3.1 [The Board will consider any application filed under section 7.1 and make a determination on the appropriate performance incentive based on the methodology established by this Code, including Appendix D. Performance incentives approved by the Board will include a determination regarding the amount and timing of payments to be made by the IESO under section 78.5 of the Act.](#)

APPENDIX A

Fully-Allocated Costing Methodology for Non Rate-Regulated Activities

1. DEFINITIONS

In this Appendix:

~~"Allocable Costs" means indirect costs (i.e., costs that would be incurred regardless of whether or not the Non Rate-Regulated Activities were undertaken);~~

"Cost Driver" means a measure used to allocate, to a Non Rate-Regulated Activity, the costs of any functions performed within the distribution company to undertake that Non Rate-Regulated Activity; [and](#)

"Fully Allocated Costs" means the sum of Marginal Costs and Allocable Costs; ~~and~~

~~"Marginal Costs" means direct costs (i.e., costs that would be eliminated or reduced if the Non Rate-Regulated Activities were no longer undertaken); and~~

~~"Non Rate-Regulated Activities" means activities that are carried out by a distributor but are not rate-regulated by the Board, including but not limited to, OPA-Contracted Province-Wide CDM Programs, Board-Approved CDM Programs, billing and collection for water and sewage, and distributor-owned generation.~~

2. COST ALLOCATION PROCESS

- 2.1 Marginal Costs can be directly assigned to Non Rate-Regulated Activities. Allocable Costs must be allocated, using a Cost Driver, to determine the proportional share of the Allocable Costs attributable to Non Rate-Regulated Activities.
- 2.2 In order to determine the costs associated with Non Rate-Regulated Activities, a distributor shall use an activity analysis to assess the nature and extent of the functions being performed throughout the distribution company to undertake the Non Rate-Regulated Activities. The analysis must include the identification of all activities performed within the distribution company regardless of whether or not these activities directly or indirectly support Non Rate-Regulated Activities.
- 2.3 The activity analysis referred to in section 2.2 must include the following Marginal Costs and Allocable Costs, where applicable:
 - (a) all salaries and labour costs including benefits;
 - (b) contractor expenses;

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- (c) billing and collection;
- (d) customer care, advertising, and marketing;
- (e) administration and general expenses;
- (f) IT costs;
- (g) office equipment; and
- (h) any other cost that a distributor can show is relevant and necessary for the program analysis.

2.4 A distributor must determine an appropriate Cost Driver for each Allocable Cost. Cost Drivers must be:

- (a) representative of how costs are being incurred;
- (b) implemented in a cost effective manner; and
- (c) verifiable and justifiable.

The types of Cost Drivers that distributors may use are included below in sections 2.5 to 2.7.

2.5 A distributor may use headcount as a Cost Driver for the allocation of salaries, other labour related costs, administration and general expenses, and IT costs. This Cost Driver is based on the number of full-time equivalents needed to support the Non Rate-Regulated Activities. A distributor shall calculate full time equivalents in accordance with the following examples:

- (a) if six employees each devoted 25 percent of their time to Non Rate-Regulated Activities, the full-time equivalent for those employees would be 1.5; and
- (b) if six part-time employees each devoted 25 percent of their time to Non Rate-Regulated Activities, the part-time positions would first need to be translated into a full-time position (i.e., if an employee works 3 days per week, the full-time position would be 0.6) and then apply the percentage (i.e., $6 \times 0.6 = 3.6$ and 25 percent of 3.6 = 0.9) so the full-time equivalent would be 0.9.

2.6 A distributor may use time as a Cost Driver for the allocation of executive and administrative functions, legal services, and financial analysis because these functions are typically project specific. A distributor shall calculate the percentage of time to be allocated to Non Rate-Regulated Activities by using the base hours per employee. A distributor shall calculate the percentage of time in accordance with the following examples:

- (a) if an employee's base hours are 40 hours per week and the employee actually worked 40 hours that week, which included 4 hours of his/her time on Non Rate-Regulated Activities, the allocation would be 10 percent; and

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- (b) if an employee's base hours are 40 hours per week and the employee actually worked 60 hours that week, which included 4 hours of his/her time on Non Rate-Regulated Activities, the allocation would still be 10 percent.
- 2.7 A distributor may use the frequency of an activity as a Cost Driver for the allocation of call centre costs and accounts payable processing because these activities can be repetitive in nature and consistent over time in terms of the level of effort required to provide the service. Call centre costs shall be allocated based on number of calls received in relation to Non Rate-Regulated Activities and accounts payable processing costs shall be allocated based on the number of invoices processed for Non Rate-Regulated Activities.

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APPENDIX B

CDM Strategy Template

1. **Distributor's Name:**
2. **Total Reduction in Peak Provincial Electricity Demand (MW) Target:**
3. **Total Reduction in Electricity Consumption (kWh) Target:**
4. **CDM Strategy**
 - 4.1 Provide a high level description of how the distributor plans to meet its CDM Targets over the 4-year period. The description must include the following elements:
 - (a) a division of the CDM Strategy into a year by year plan; and
 - (b) a statement of the annual milestones the distributor ~~hopes~~ plans to achieve.
5. **OPA-Contracted Province-Wide CDM Programs**
 - 5.1 Describe, to the extent known, the OPA-Contracted Province-Wide CDM Programs the distributor plans to undertake from 2011-2014. The following information must be provided for each program:
 - (a) program name;
 - (b) year(s) of operation for the program;
 - (c) program description (i.e., purpose of the program, target customer type(s));
 - (d) where the information is available, the projected budget;
 - (e) where the information is available, the total projected reduction in peak provincial electricity demand (kW); and
 - (f) where the information is available, the total projected reduction in electricity consumption (MWh).
6. **Potential Board-Approved CDM Programs**
 - 6.1 Describe, to the extent known, the potential Board-Approved CDM Programs the distributor plans to undertake from 2011-2014. The following information must be provided for each program:
 - (a) program name;
 - (b) year(s) of operation for the program;
 - (c) program description (i.e., purpose of the program, target customer type(s));

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- (d) where the information is available, the projected budget;
- (e) where the information is available, the total projected reduction in peak provincial electricity demand (kW); and
- (f) where the information is available, the total projected reduction in electricity consumption (MWh).

7. Program Mix

- 7.1 Provide a description of how the distributor will ensure that CDM Programs will be offered for all customer type(s), including low income customers, ~~(i.e., residential, commercial, institutional and industrial)~~ in the distributor's service area, as far as is appropriate and reasonable having regard to the composition of the distributor's customer base.

If the distributor will not offer any CDM Programs to a particular customer type, the distributor must provide the rationale for why it is appropriate and reasonable not to have CDM Programs for that type of customer.

8. CDM Programs Co-ordination

- 8.1 Describe, where applicable, how the distributor will pursue administrative efficiencies and co-ordinate its CDM activities with other distributors, natural gas distributors, social service agencies, any level of government, government agencies, and the OPA.

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APPENDIX C

Annual Report Template

1. BOARD-APPROVED CDM PROGRAMS

1.1 Introduction

1.1.1 Provide a general overview of all of the Board-Approved CDM Programs that are being offered in the distributor's service area.

1.2 Program Description

1.2.1 Provide a detailed description of each of the Board-Approved CDM Programs that are being offered in the distributor's service area. For each program, include the targeted customer type(s) ~~or group~~ for the Board-Approved CDM Program, the objectives of the Board-Approved CDM Program, and any other activities associated with the Board-Approved CDM Program.

1.3 Participation

1.3.1 Include the detailed participation levels (i.e., the number of participants by customer type) for each of the Board-Approved CDM Programs that the distributor offered in its service area.

1.4 Spending

1.4.1 Describe and detail the funds the distributor spent, both cumulatively and in the one year period applicable to the Annual Report, on each of its Board-Approved CDM Programs that the distributor offered in its service area.

1.5 Evaluation

1.5.1 Provide a detailed discussion that reports on the EM&V results for each of the distributor's Board-Approved CDM Programs using the OPA EM&V Protocols for peak demand savings (kW) and electricity savings (kWh).

1.6 CDM Variance Account

1.6.1 The distributor shall provide the Board with the balance in its CDM variance account that shows, as of December 31 of the year applicable to the Annual Report, the total spending on all of its Board-Approved CDM Programs.

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1.7 Additional Comments

- 1.7.1 The distributor shall provide any additional information the distributor feels is appropriate, including but not limited to, recommendations for any improvements to its Board-Approved CDM Programs that could enhance program design, performance, and uptake by customers.

2. OPA-CONTRACTED PROVINCE-WIDE CDM PROGRAMS

2.1 Introduction

- 2.1.1 Provide a general overview of all of the OPA-Contracted Province-Wide CDM Programs that are being offered in the distributor's service area.

2.2 Program Description

- 2.2.1 Provide a detailed description of each of the OPA-Contracted Province-Wide CDM Programs that are being offered in the distributor's service area. For each program, include the targeted customer type(s) ~~or group~~ for the OPA-Contracted Province-Wide CDM Program, the objectives of the OPA-Contracted Province-Wide CDM Program, and any activities associated with the OPA-Contracted Province-Wide CDM Program.

2.3 Participation

- 2.3.1 Include the detailed participation levels (i.e., the number of participants by customer type) for each of the OPA-Contracted Province-Wide CDM Programs that the distributor offered in its service area.

2.4 Spending

- 2.4.1 Describe and detail the funds the distributor spent, both cumulatively and in the one year period applicable to the Annual Report, on each of the OPA-Contracted Province-Wide CDM Programs that the distributor offered in its service area.

2.5 Evaluation

- 2.5.1 Provide a detailed discussion that reports on the EM&V results for each of the distributor's OPA-Contracted Province-Wide CDM Programs using the OPA EM&V Protocols for peak demand savings (kW) and electricity savings (kWh).

2.6 Additional Comments

- 2.6.1 Provide any additional information related to the OPA-Contracted Province-Wide CDM Programs that the distributor feels is appropriate.

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3. COMBINED CDM REPORTING ELEMENTS

3.1 Progress Towards CDM Targets

3.1.1 Provide a summary of the distributor's progress towards meeting its CDM Targets, an explanation for any significant variances between the annual milestones contained in the distributor's CDM Strategy and the verified results achieved by the distributor for the reporting year, and an explanation of the potential impact that the aforementioned significant variances may have with respect to the distributor meeting its CDM Targets.

3.2 CDM Strategy Modifications

3.2.1 Detail any changes or planned modifications to the distributor's CDM Strategy.

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APPENDIX D

Performance Incentive Calculation

The performance incentive has six (6) ranges, as shown in the table below:

Performance Tiers			Performance Incentive	
Range	Range Begins	Range Ends	¢/kWh	\$/kW
1	80%	up to 100%	0.30	13.50
2	100%	up to 110%	0.45	20.25
3	110%	up to 120%	0.75	33.75
4	120%	up to 130%	1.05	47.25
5	130%	up to 140%	1.35	60.75
6	140%	up to 150%	1.80	81.00

A distributor is only eligible for a performance incentive when it has reached 80% of **both** of its CDM Targets (i.e. the distributor has achieved 80% of its electricity (kWh) target **and** 80% of its peak demand (kW) target). Once a distributor has achieved 80% of both of its CDM Targets (i.e. the distributor has achieved 80% of its electricity (kWh) target and 80% of its peak demand (kW) target), the performance incentive will be calculated based on the range the distributor achieves in either of its electricity (kWh) target or peak demand (kW) target.

For example, if a distributor has achieved 145% of its peak demand (kW) target but only 100% of its electricity (kWh) target, the distributor will earn a performance incentive from Range 6 for its peak demand (kW) target and a performance incentive from Range 2 for its electricity (kWh) target.

Electricity (kWh) Target Performance Incentive

Range 1

Range 1 begins when a distributor has reached 80% of ~~both of its CDM Targets (i.e., the distributor has achieved 80% of~~ its electricity (kWh) target. Range 1 is applicable to all kWh ~~and kW~~ up to 100% of a distributor's electricity (kWh) target. For each kWh ~~and kW~~ saved from 80% of a distributor's electricity (kWh) ~~each~~ target up to, but not including 100% of a distributor's electricity (kWh) ~~each~~ target, a distributor will earn 0.30¢/kWh, ~~and \$13.50/kW, respectively.~~

Range 2

Range 2 begins when a distributor has reached 100% of ~~both of its CDM Targets (i.e., the distributor has achieved 100% of~~ its electricity (kWh) target. Range 2 is applicable

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to all kWh ~~and kW~~ up to 110% of [a distributor's electricity \(kWh\)](#) target. For each kWh ~~and kW~~ saved from 100% of [a distributor's electricity \(kWh\)](#) ~~each~~ target up to, but not including 110% of [a distributor's electricity \(kWh\)](#) ~~each~~ target, a distributor will earn 0.45¢/kWh, ~~and \$20.25/kW, respectively.~~

Range 3

Range 3 begins when a distributor has reached 110% of ~~both of its CDM Targets (i.e., the distributor has achieved 110% of~~ its electricity (kWh) target. [Range 3](#) is applicable to all kWh ~~and kW~~ up to 120% of [a distributor's electricity \(kWh\)](#) target. For each kWh ~~and kW~~ saved from 110% of [a distributor's electricity \(kWh\)](#) ~~each~~ target up to, but not including 120% of [a distributor's electricity \(kWh\)](#) ~~each~~ target, a distributor will earn 0.75¢/kWh, ~~and \$33.75/kW, respectively.~~

Range 4

Range 4 begins when a distributor has reached 120% of ~~both of its CDM Targets (i.e., the distributor has achieved 110% of~~ its electricity (kWh) target. [Range 4](#) is applicable to all kWh ~~and kW~~ up to 130% of [a distributor's electricity \(kWh\)](#) target. For each kWh ~~and kW~~ saved from 120% of [a distributor's electricity \(kWh\)](#) ~~each~~ target up to, but not including 130% of [a distributor's electricity \(kWh\)](#) ~~each~~ target, a distributor will earn 1.05¢/kWh, ~~and \$47.25/kW, respectively.~~

Range 5

Range 5 begins when a distributor has reached 130% of ~~both of its CDM Targets (i.e., the distributor has achieved 110% of~~ its electricity (kWh) target. [Range 5](#) is applicable to all kWh ~~and kW~~ up to 140% of [a distributor's electricity \(kWh\)](#) target. For each kWh ~~and kW~~ saved from 130% of [a distributor's electricity \(kWh\)](#) ~~each~~ target up to, but not including 140% of [a distributor's electricity \(kWh\)](#) ~~each~~ target, a distributor will earn 1.35¢/kWh, ~~and \$60.75/kW, respectively.~~

Range 6

Range 6 begins when a distributor has reached 140% of ~~both of its CDM Targets (i.e., the distributor has achieved 110% of~~ its electricity (kWh) target. [Range 6](#) is applicable to all kWh ~~and kW~~ up to 150% of [a distributor's electricity \(kWh\)](#) target. For each kWh ~~and kW~~ saved from 140% of [a distributor's electricity \(kWh\)](#) ~~each~~ target up to, but not including 150% of [a distributor's electricity \(kWh\)](#) ~~each~~ target, a distributor will earn 1.80¢/kWh, ~~and \$81.00/kW, respectively.~~

Peak Demand (kW) Target Performance Incentive

Range 1 begins when a distributor has reached 80% of its peak demand (kW) target. Range 1 is applicable to all kW up to 100% of a distributor's peak demand (kW) target. For each kW saved from 80% of a distributor's peak demand (kW) target up to, but not

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including 100% of a distributor's peak demand (kW) target, a distributor will earn \$13.50/kW.

Range 2 begins when a distributor has achieved 100% of its peak demand (kW) target. Range 2 is applicable to all kW up to 110% of a distributor's peak demand (kW) target. For each kW saved from 100% of a distributor's peak demand (kW) target up to, but not including 110% of the peak demand (kW) target, a distributor will earn \$20.25/kW.

Range 3 begins when a distributor has achieved 110% of its peak demand (kW) target. Range 3 is applicable to all kW up to 120% of a distributor's peak demand (kW) target. For each kW saved from 110% of a distributor's peak demand (kW) target up to, but not including 120% of the peak demand (kW) target, a distributor will earn \$33.75/kW.

Range 4 begins when a distributor has achieved 120% of its peak demand (kW) target. Range 4 is applicable to all kW up to 130% of a distributor's peak demand (kW) target. For each kW saved from 120% of a distributor's peak demand (kW) target up to, but not including 130% of the peak demand (kW) target, a distributor will earn \$47.25/kW.

Range 5 begins when a distributor has achieved 130% of its peak demand (kW) target. Range 5 is applicable to all kW up to 140% of a distributor's peak demand (kW) target. For each kW saved from 130% of a distributor's peak demand (kW) target up to, but not including 140% of the peak demand (kW) target, a distributor will earn \$60.75/kW.

Range 6 begins when a distributor has achieved 140% of its peak demand (kW) target. Range 6 is applicable to all kW up to 150% of a distributor's peak demand (kW) target, where the performance incentive is capped. For each kW saved from 140% of a distributor's peak demand (kW) target up to 150% of the peak demand (kW) target, a distributor will earn \$81.00/kW.