



Low-Income Energy Network

July 21, 2010

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

Re: Creation of the Conservation and Demand Management Code for Electricity Distributors (EB-2010-0215)

Dear Ms. Walli,

Enclosed are LIEN's comments on the proposed Conservation and Demand Management Code for Electricity Distributors prepared by the Board.

Thank you for the opportunity to make this submission to the Board.

Sincerely,

Zee Bhanji
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EB-2010-0215 – Creation of the Conservation and Demand Management Code for Electricity Distributors

Submission of the Low Income Energy Network (LIEN) on the Proposed CDM Code

The Low-Income Energy Network (LIEN) represents more than 40 member groups across Ontario. As a network representing the intersection of interests related to low-income consumers and energy and sustainability, LIEN's focus is on reducing the energy bills of all low-income consumers. This helps to ensure that all low-income consumers across Ontario have access to conservation programs, technologies and services as well as conservation education, and realize the environmental, energy and economic benefits associated with the more efficient use of energy. To achieve these objectives, low-income consumers require a comprehensive array of assistance that includes: aggressive conservation and demand management/demand side management (CDM/DSM) defined as providing deep energy savings per low-income consumer and broad consumer participation across the province, consumer protection policies and education, bill assistance, and emergency financial assistance.

In its June 22nd Notice of Proposal to issue a new code the Ontario Energy Board (Board) requested written comments on a proposed Conservation and Demand Management Code for Electricity Distributors (proposed CDM Code) prepared by the Board. This submission represents LIEN's comments on the Board's proposed CDM Code. This submission is organized by the major sub-headings used in the proposed CDM Code.

LIEN's submission herein is provided without prejudice to the more specific provisions that may apply to low-income consumers with respect to electricity CDM programs as both the Board and the OPA consult and implement the low-income conservation and demand management programs in the gas and electric sectors going forward.

1. General and Administrative Provisions

1.1 The Purpose of this Code

LIEN has no comments on this section

1.2 Definitions

LIEN has no comments on this section

1.3 Application and Interpretation

LIEN has no comments on this section

1.4 To Whom this Code Applies

LIEN has no comments on this section

1.5 Coming into Force

LIEN has no comments on this section

1.6 Requirements for Board Approvals

LIEN has no comments on this section

1.7 Timeframe for the Code

LIEN agrees with the start date being on January 1, 2011 to correspond to the start date of the CDM programs, however, LIEN does not agree that there should be an end date. The Minister's Directive of March 31st 2010 sets December 31, 2014 as the end date for meeting the targets set by the Board. However, the Directive does not state that the CDM Code, CDM programs or electricity savings must end by December 31, 2014. Since the Province has set provincial CDM targets to 2025¹, LIEN anticipates that consistent with the Green Energy Act's mandate for electricity distributors (LDC's) related to conservation, LDCs can expect to have a continuing and leadership role in CDM in Ontario. Therefore, the Board should treat the CDM Code in the same manner as it does the Board's other electricity codes, such as the Distribution System Code and Affiliate Relationships Code. Each of those Codes does not have a set end date, and can be updated at any time by amendments in accordance with amendment procedures set out by the Board.

LIEN recommends that the CDM Code should remain in place as do the other electricity codes and that the Board conduct a review process of the CDM Code in the fall of 2014, with the intent of updating it by January 1, 2015. LIEN also recommends that the Board require all electricity distributors to file a new CDM Strategy, by June 30, 2014, for the subsequent four-year period (January 1, 2015 - December 31, 2018). This approach allows the electricity distributors to plan for the long-term, does not require CDM programs to stop and start (which limits their effectiveness) and is consistent with process used by the natural gas distributors for developing demand-side management (DSM) plans.

LIEN also does not agree with the statement in this section of the Code that all electricity savings (kWh) and peak demand savings (kW) resulting from the CDM programs must also occur within that timeframe (between January 1, 2011 and December 31, 2014). Having the CDM programs and savings come to an abrupt end on December 31, 2014 restricts the electricity distributors ability to plan for the long-term. Requiring that all electricity savings resulting from the CDM programs occur before December 31, 2014 further shortens the duration of the programs as the electricity distributors will stop running programs long before the December 31,

¹ The Province set the following provincial conservation targets: 1350 MW by 2007, 2700 MW by 2010, and 6,300 MW by 2025.

2014 deadline so that savings are not achieved after that date. Requiring electricity savings and CDM programs to end by a certain date is counter-intuitive to the culture of conservation that is trying to be created in Ontario. Therefore, this statement should be removed from the CDM Code.

In summary, LIEN recommends that the:

- CDM Code should remain in place and that the Board conduct a review process of the CDM Code in the fall of 2014, with the intent of updating it by January 1, 2015;
- Board require all electricity distributors to file a new CDM Strategy, by June 30, 2014, for the subsequent four-year period (January 1, 2015 - December 31, 2018); and
- Statement, “All electricity savings (kWh) and peak demand savings (kW) resulting from CDM Programs CDM must also occur within that timeframe” be removed from the CDM Code.

2. CDM Strategy and Annual Reports

2.1 CDM Strategy Requirements

LIEN agrees with the requirements for the CDM Strategy laid out in the proposed CDM Code. However, LIEN recommends that the Ontario Power Authority (OPA) also file a CDM Strategy that provides the same level of information about their OPA-Contracted Province-Wide CDM programs and any other OPA CDM programs. This information needs to be available to the electricity distributors, to intervenors and to the public so that electricity distributors can prepare their CDM Strategies with more complete information and therefore, prepare more informed strategies and so that intervenors and the public can appropriately review electricity distributors’ CDM Strategies, which under the proposed CDM Code will be made available for public review.

To ensure that the OPA files a similar CDM Strategy at the same level of detail, LIEN recommends that the Board require the OPA to file such a CDM Strategy as part of the OPA’s filing for its revenue requirement approval from the Board.

LIEN believes that the November 1, 2010 deadline for electricity distributors to file their CDM Strategy is appropriate (Section 2.1.3). However, whether or not electricity distributors can file meaningful strategies by this date depends in large part on when the OPA makes available the Schedules for OPA-Contracted Province-Wide CDM Programs. Without this information the electricity distributors do not know what portion of their CDM target they still have to meet by Board-Approved Programs and what types of Board-Approved programs they should plan to undertake (to fill in gaps left by the OPA programs). The extremely short (and decreasing) timeline between the receipt of the OPA information and the submission of the CDM Strategy limits the quality of the strategy that electricity

distributors can produce. It also limits the extent to which LDCs can provide Board-Approved programs that specifically address their customers' particular needs and thereby biases CDM strongly towards the delivery of OPA programs, which may or may not effectively meet the needs of particular LDCs.

The intent of the Minister's Directive was to provide electricity distributors with a major role in CDM, not merely to be delivery agents of OPA programs, unless the LDC with proper time and consideration, determines that limiting its customers to OPA programs will adequately address their customers' needs and meet their CDM targets. LIEN recommends that if the OPA does not provide final schedules for each of their OPA-Contracted Province-Wide CDM programs for registration by the electricity distributors by August 15, 2010 then the electricity distributors should be able to file a CDM Strategy (by the November 1, 2010 deadline) that allows them to meet the needs of their customers with their own Board-Approved programs, complemented by OPA programs as they become available.

In summary LIEN recommends that the:

- Board require the OPA to file a CDM Strategy comprised of all of the OPA CDM programs, with similar content and at the same level of detail as LDC CDM strategies, as part of the OPA's filing for its revenue requirement approval from the Board; and
- If the OPA does not provide final schedules for each of their OPA-Contracted Province-Wide CDM programs for registration by the electricity distributors by August 15, 2010, then the Board should permit electricity distributors to file a CDM Strategy (by the November 1, 2010 deadline) that allows the LDC to meet the needs of their customers with their own Board-Approved programs, complemented by OPA programs as they become available.

2.2 Annual Reports

Section 2.2.5 of the proposed CDM Code provides a description of the required sections of the Annual Report. Specific comments on these sections are provided below. These comments also apply to the corresponding sections of the Annual Report Template in Appendix C. In general, LIEN recommends that the Board provide more specific guidance on the information required, provide standard definitions to ensure that "apples to apples" comparisons and calculations can be made, and provide clear direction on how to apply the OPA protocols for EM&V for Board-Approved programs.

Section 2.2.5 (b) requires that for each Board-Approved program, the LDC provide a description of the CDM programs that the LDC will offer, the targeted customer group, the program objectives and associated activities. LIEN recommends that the Board provide a consistent nomenclature with standard definitions for each of the named targeted customer groups so that the electricity distributors are using consistent terminology to describe their customer groups and whom their programs

are targeted at. This nomenclature should be more specifically defined than just listing the targeted groups as residential, commercial, institutional and industrial, also similarly described elsewhere in the proposed CDM Code (e.g. Section 2.1.1 (c)), to ensure that savings can be added appropriately within customer groups across LDCs. This will facilitate analysis of the savings achieved by a LDC and across customer groups, province-wide. This nomenclature should be used consistently throughout the CDM Code (e.g. CDM Strategy, Board-Approved program applications, Annual Report).

Section 2.2.5 (d) requires that distributors describe and detail the funds spent on each of the CDM programs offered in their service area. LIEN recommends that the Board provide more specific guidance on how these costs should be itemized. This will ensure consistency in reporting and the ability to compare different types of costs across programs and LDCs.

Section 2.2.5 (e) requires that distributors describe and detail their verified electricity savings (kWh) and peak demand savings (kW) based on OPA EM&V protocols. It is unclear how LDCs are to apply the OPA protocols to particular programs, measures or technologies as these protocols were not designed with this purpose in mind. LIEN recommends that the Board provide greater clarity and explanation on how these savings should be verified by the distributors including how to apply the OPA EM&V protocols.

Section 2.2.5 (h) requires that distributors detail any changes or planned modifications to their CDM Strategy. In order for LDCs to be able to do this effectively, the OPA must provide information about any modifications to their OPA-Contracted Province-Wide CDM programs in a timely fashion so that distributors can make the appropriate adjustments to their Strategy. This information about modifications to the OPA-Contracted Province-Wide CDM programs must also be made public to allow intervenors to appropriately review the Annual Reports of the distributors, which will be made available for public review. To assist both LDCs and the public as described above, LIEN recommends that the Board require the OPA to file any modifications to the OPA-Contracted Province Wide programs for the upcoming year as part of the OPA's filing for its revenue requirement approval from the Board.

Section 2.2.5 (i) requires that the distributors provide any additional information the distributor feels is appropriate that could enhance program efficacy. LIEN recommends that in addition to providing these recommendations, a similar provision should be added to Section 2.2.5 (i) to provide distributors with the opportunity to make recommendations on how to improve the OPA-Contracted Province-Wide CDM programs that they are delivering so that the OPA programs can be more responsive to LDC needs and the needs of their customers, thereby increasing the effectiveness of these programs in meeting LDC targets.

In summary, LIEN recommends that the:

- Board provide a consistent nomenclature with standard definitions for each of the named targeted customer groups (Section 2.2.5 (b));
- Board provide more specific guidance on how to itemize CDM expenditures for Board-Approved programs (Section 2.2.5 (d));
- Board provide greater clarity and explanation on how the electricity and peak demand savings should be verified by the distributors including how to apply the OPA EM&V protocols (Section 2.2.5 (e));
- Board require the OPA to file any modifications to the OPA-Contracted Province -Wide programs for the upcoming year as part of the OPA's filing for its revenue requirement approval from the Board (Section 2.2.5 (h)); and
- Board require distributors to provide any additional information the distributor feels is appropriate that could enhance the program efficacy of any of the OPA-Contracted Province-Wide CDM programs that the distributor delivers (Section 2.2.5 (i)).

2.3 Co-ordination with the OPA

As alluded to in the section on Annual Reports above, it is important that the Board and OPA coordinate efforts regarding the provision of information to LDCs, intervenors and the public regarding OPA-Contracted Province-Wide programs. LIEN has recommended that this coordination take place formally through filing requirements in the OPA revenue requirement proceeding.

LIEN agrees with Section 2.3.1 that prior to applying for Board-Approved programs distributors must review the existing OPA-Contracted Province-Wide CDM programs. However, LIEN reiterates that this provision should only be applicable when the OPA has made public in a timely way for LDC, intervenor and public review, the Schedules for all OPA-Contracted Province-Wide CDM programs. This issue is also discussed in the section on CDM Strategy Requirements above.

LIEN agrees that distributors should not apply for Board approval of programs that duplicate existing OPA-Contracted Province-Wide CDM programs, with the proviso that the definition of duplicative must be appropriate. It is LIEN's position that the definition of duplicative presented in Section 2.3.3 (a) – (e) of the proposed CDM Code is not appropriate because it is far too restrictive. Specific details are provided below:

- Section 2.3.3 (a). It is LIEN's position that considering programs that have different customer incentive levels on products or services already offered through OPA-Contracted Province-Wide CDM programs as duplicative is not appropriate. This provision does not reflect geographic differences in cost and availability of products and does not take into consideration that

different market segments (e.g. hard to reach customers) may need different incentive levels in order to overcome market barriers and participate in a CDM program.

- Section 2.3.3 (b). LIEN has a similar objection to this provision as certain customer groups – hard to reach customers such as seniors or the infirm – may require different eligibility requirements in order to uptake the same services/measures.
- Section 2.3.3 (c). LIEN does not agree that different technology specifications for technologies already incentivized or utilized through OPA-Contracted Province-Wide CDM programs should be considered duplicative, as this is too restrictive. For example, as it stands the custom stream of the Electricity Retrofit Incentive Program (ERIP) allows most, if not all, measures that result in verified electricity savings to be considered under the program. This would essentially constrain LDCs from providing Board-Approved programs to their business customers such as social housing. This provision in the proposed CDM Code also does not take into consideration that different geography may require different specifications for a measure, for example, general practice for insulation may be different in northern Ontario compared to southern Ontario.
- Section 2.3.3 (d). It is LIEN's position that considering programs that use different marketing approaches for promoting customer incentives or services already offered through the OPA-Contracted Province-Wide CDM programs duplicative is not appropriate. The term marketing approaches is too broad and needs to be more clearly defined by the Board. Different marketing approaches are required to remove different market barriers. The OPA states that there are four consumer segments in Ontario (Green Champions, Pragmatic Conservers, Budget Driven and Live for Today) and that how one markets to these groups may differ. OPA-Contracted Province-Wide CDM programs may target one of these consumer segments more than another and so an individual distributor may require alternative marketing approaches if they have a greater proportion of one of these types of consumer segments in their service territory. In order to fully appreciate whether a Board-Approved program is duplicative, distributors also need to know whether the OPA allows for flexibility in the marketing of their OPA-Contracted Province-Wide CDM programs. For example, are distributors allowed to add elements such as a referral program, a financing option, or direct install provision to existing OPA-Contracted Province-Wide CDM programs as part of the marketing approach or would the addition of these elements be considered a new (and possibly duplicative) program?
- Section 2.3.3 (e). LIEN agrees with the provision that different budgets for delivering customer incentives or services already offered through OPA-Contracted Province-Wide CDM programs should be considered duplicative

as long as there is flexibility for the electricity distributors to negotiate with OPA regarding the budget required to meet their specific local needs. The distributors know their customers and so should be able to negotiate what marketing budget is required to meet the needs of their customers and overcome their unique market barriers in order to achieve their CDM targets.

It is not known whether the OPA Schedules will permit the flexibility described above in each of their program offerings for LDCs. If such flexibility is permitted, then much of what is needed can be accommodated within the OPA programs. However, historically this type of flexibility has not been permitted by the OPA in the delivery of the programs by LDCs. Therefore, instead of having these restrictive provisions in the CDM Code for determining which programs are duplicative, LIEN recommends that the test for whether a program is duplicative should be market barrier based. A Board-Approved program should not be considered duplicative of an OPA-Contracted Province-Wide CDM program if the Board-Approved program addresses different market barriers or concentrates more effectively on addressing the needs of particular market segments in their service territory (e.g. farmers, hard to reach consumers, customers on electric heat) from the OPA-Contracted Province-Wide CDM program.

In summary, LIEN recommends that the:

- Board eliminate the proposed provisions for determining what is duplicative and replace them with provisions that are based on addressing different market barriers than those addressed by the OPA-Contracted Province-Wide CDM programs or that concentrate more effectively on addressing the needs of particular market segments in their service territory.

3. Board-Approved CDM Programs

3.1 Requirements

LIEN agrees that electricity distributors should not apply for Board-Approved CDM programs until the OPA has established its first set of OPA-Contracted Province-Wide CDM programs. However, as indicated by LIEN above (in comments on Sections CDM Strategy Requirements and Coordination with the OPA) this is only appropriate if the OPA provides adequate information in a timely manner.

LIEN agrees that electricity distributors should submit applications to the Board for approval to design and deliver Board-Approved programs (Section 3.1.2). However, the Board should provide more clarity, in the CDM Code, regarding the relationship between the CDM Strategy and the application for Board-Approved programs and the types of approvals that are provided for both. The proposed CDM Code does not provide any timeframe for distributors to file their applications for Board-Approved programs (beyond that it must be after the OPA has established its first set of OPA-Contracted Province-Wide CDM programs). LIEN recommends that the CDM Code provide some guidance for when distributors are permitted to submit their

applications for Board-Approved programs. This may also help to provide some clarity around the relationship between the CDM Strategy and these program applications.

Section 3.1.3 of the proposed CDM Code indicates that Board-Approved CDM programs must end by December 31, 2014. As referenced in LIEN's comments above (on Section 1.7 Timeframe for the Code) it is LIEN's position that Board-Approved programs should not be required to end on this date and that instead distributors should be required to file a new CDM Strategy, by June 30, 2014, for the subsequent four-year period (2015-2018).

LIEN's recommendations on the proposed application content are provided below:

- Section 3.1.4 (a). LIEN agrees that distributors should be required to prepare a program evaluation plan as part of their application, however as mentioned previously, the Board should provide greater guidance on how the OPA protocols for EM&V should be applied.
- Section 3.1.4 (b) states that the results of a benefit-cost analysis must be provided for each program and that these benefit-cost analyses must be conducted using the OPA's Cost Effectiveness Tests. It is LIEN's position that the Board should provide more detailed guidance on what these OPA Cost Effectiveness Tests are, and what information/inputs are required to complete these Tests. The rules for applying these tests also should be clarified.
- Section 3.1.4 (f). LIEN recommends that standard definitions need to be provided for the following terms: customer incentive costs, program costs, direct and indirect expenditures. LIEN also recommends that the information presented in (i) –(v) of this section should be the same information that is reported by the distributors in their Annual Report.

In summary LIEN recommends that the:

- Board should provide more clarity and guidance on: the relationship between the CDM Strategy and the LDC's application for Board-Approved programs and the types of approvals that are provided for both, when distributors are permitted to submit their applications for Board-Approved programs, what the OPA Cost Effectiveness Tests are, what information/inputs are required to complete these Tests, and the rules for applying the Tests; and
- Board should set standard definitions for all the terms in the Code related to costs (e.g. customer incentive costs, program costs, direct and indirect expenditures) and that the approach to costs should be consistent between the requirements for Board-Approved programs and the reporting for the Annual Report.

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

LIEN does not agree that distributors should have to apply for cumulative fund transfers that exceed 30% of their approved budget (for Board-Approved programs) for an individual program.. It is LIEN's position that the distributors should be allowed to move budget within and between programs as they see fit to maximize the effectiveness of their programs, provided that they continue to offer CDM programs for all customer types as far as is appropriate and reasonable, having regard to the composition of the distributor's customer base, and that the programs continues to meet the cost-effectiveness requirements.

Distributors are already required (Section 2.2.5 (f)) to track their variances in a CDM variance account. LIEN also recommends that the electricity distributors have access to a Conservation and Demand Management Variance Account (CDMVA), which allows them to overspend on their approved budget by up to 20% for Board-Approved programs to maximize the benefits from successful programs. The introduction of a CDMVA is consistent with the overspend DSM mechanism available to the natural gas distributors (DSMVA).

In summary LIEN recommends that the:

- Proposed requirements related to cumulative fund transfers that exceed 30% of an approved budget for an individual CDM program be eliminated;
- Board permit LDCs to move budget within and between programs provided that the LDC continues to offer CDM programs for all customer types as far as is appropriate and reasonable, having regard to the composition of the distributor's customer base, and provided that the programs continues to meet the cost-effectiveness requirements; and
- Board establish a Conservation and Demand Management Variance Account (CDMVA) for LDCs to allow them to overspend on their total budget for Board-Approved programs by up to 20% of this total budget.

3.3 CDM Programs for Low-Income Customers

LIEN is pleased with the renewed government policy support for low-income CDM expressed in the recent Minister's letters to the Board and to the OPA. LIEN looks forward to the opportunity to participate in the forthcoming processes that the Board and the OPA have each indicated will be established with respect to implementing the Minister's directives. LIEN's submission provided here is without prejudice to the more specific provisions that may apply to low-income consumers with respect to electricity CDM programs as both agencies consult and implement the low-income conservation and demand management programs in the gas and electric sectors going forward.

4. Cost Effectiveness

4.1 Cost Effectiveness Tests

LIEN agrees that distributors should only apply to the Board for the approval of CDM programs that are cost effective. However, it is LIEN's position that the Board should specify and make public which cost effectiveness test(s) should be used to determine cost effectiveness along with the inputs, outputs and the expected methodology for calculation including the determination of avoided costs.

LIEN agrees that distributors should not have to demonstrate cost effectiveness for pilot programs and programs designed for educational purposes (Section 4.1.2). However, LIEN does not agree that the distributors should have to provide adequate evidence that educational programs will likely result in peak demand savings (kW) and electricity savings (kWh) as these metrics are not appropriate for measuring educational programs (Section 4.1.4).

LIEN also does not agree with the provision that the Board will take into consideration the cost and number of pilot and educational programs that a distributor has already undertaken or plans to undertake when approving these programs. LIEN does not understand the relevance of past pilot programs and educational programs unless they directly relate to the proposed new ones. Should any previous programs be relevant, then the LDC should include a discussion of them – description and results – in their applications.

In summary, LIEN recommends that the:

- Board should specify and make public which cost effectiveness test(s) should be used to determine cost effectiveness;
- Board eliminate the requirement for distributors to provide adequate evidence that educational programs will likely result in peak demand savings (kW) and electricity savings (kWh) as these metrics are not appropriate for measuring educational programs; and
- Board eliminate the requirement for the LDC to provide information on past LDC pilot programs unless they are directly relevant to the proposed new programs of the LDC.

4.2 Pilot CDM Programs

LIEN disagrees with the requirement that the distributor must have already applied to the OPA for CDM pilot program funding and was not approved by the OPA, in order to apply for a Board-Approved pilot program. This requirement is too onerous, as it requires distributors to go through two application processes just to implement a CDM pilot. As well, given that the CDM Strategy and targets cover a four-year period, a two- step approvals process for a pilot will take too long and discourage LDCs from doing piloting. In addition it is difficult for distributors to

know whether their application for a pilot will be accepted or rejected by the OPA as information on what pilots the OPA has implemented or plans to implement is not readily available.

It is not clear what distinction the Board is making between Sections 4.2.2 and 4.2.3, with the former requiring a description and the latter a report. This should be clarified.

In summary, LIEN recommends that the:

- Board eliminate the requirement to seek approval and be turned down by the OPA before applying to the OEB for a Board-Approved pilot program; and
- Board clarify the distinction between the requirement for a description in Section 4.2.2 and a report in Section 4.2.3 of the proposed CDM Code

4.3 Educational CDM Programs

LIEN agrees with the requirements for implementing an educational program laid out in Section 4.3 of the proposed CDM Code. However, greater clarity is required regarding how the requested information is provided to the Board (e.g. as an application similar to or the same as the application submitted for other Board-Approved programs).

LIEN notes that the Board refers to both customer and consumer in the CDM Code. Educational CDM programs may be targeted at consumers of electricity rather than electricity customers (e.g. the tenants of buildings rather than the landlord that pays the bills). In this Section, and throughout the proposed CDM Code, the term customer should be changed to refer to target audience to be more inclusive of all end users that may participate in the programs.

In summary, LIEN recommends that the:

- Board provide greater clarity regarding the filing of information for the approval of the education program; and
- Board refer to target audience instead of customer or consumer throughout the CDM Code.

5. Accounting treatment

LIEN has no comments on this section

6. Program EM&V

6.1 Independent Review

LIEN agrees that an independent review of distributors results for their Board-Approved programs should be conducted, however, it is not clear in the proposed CDM Code (Section 6.1.1) which results are being independently reviewed, beyond

the energy and demand savings. This relates to how the OPA protocols for EM&V are to be applied to Board-Approved programs. More detailed guidance is required.

In summary, LIEN recommends that the:

- Board provide greater clarity on what is to be covered by the independent third party review so that it is clear how the OPA EM&V protocols are to be applied

7. Performance incentive

7.1 Eligible Programs

LIEN has no comments on this section

7.2 Calculation of the Performance Incentive

The proposed CDM Code includes both targets for individual LDCs, and incentives that are related to those targets.

LIEN recognizes that it is important to set targets to indicate to the public and to LDCs where CDM should be heading. LIEN would like to see it more clearly stated that these targets are minimums that the province would like to see.

We understand that the Minister has set the framework for the incentive mechanism for the 2011-2014 period in the Directive to the Board. We caution the Board that basing the incentive on the targets, as we have seen with gas DSM, may lead to considerable controversy in future regulatory proceedings, and an understandable sense on the part of the LDCs that superior performance in this implementation period will result in higher expectations and higher targets in subsequent implementation periods. LIEN recommends that the relationship between targets and incentives in multiple implementation periods be addressed now to give LDCs an understanding of how investing now in CDM-delivery capacity relates to their long-term license expectations, and their pecuniary interests.

A cap on the incentive for savings could discourage superior performance by an LDC. Therefore, LIEN recommends that at a minimum, the Board permit 'banking' of savings in excess of the 150% for credit in the post-2014 implementation phase.

LIEN does not agree that once the target is met, that incentives for energy should be constrained by progress in reducing demand, or vice-versa, as is suggested by the tiered incentive structure. If a utility maxes out their demand reduction capability at 105% of target, there is no reason why their incentives for energy reductions should be capped at 110%.

The proposed incentive does not consider long-term benefits to the consumer and the province of CDM measures; it only considers impacts until 2014. As an alternative for the future beyond 2014, LIEN suggest a framework based on the following:

- LDCs are expected to meet or exceed the energy and demand targets, as a condition of their license
- LDCs are expected to address the CDM needs and opportunities of identifiable sub-groups of their customers, not just by rate class, but also including explicitly identifiable groups by income within the residential sector (i.e. low-income customers)
- LDCs are rewarded for each unit of energy or demand savings realized
- LDCs are also rewarded based on additional scorecard metrics (e.g. net societal benefits, geographic uptake, total customer uptake).

In summary, LIEN recommends that the:

- Board refer to the targets set as being minimum targets for the LDCs to meet;
- Board permit 'banking' of savings in excess of the 150% for credit in the post-2014 implementation phase;
- Board modify the tiered structure so that achieving a maximum savings below the 150% level for a particular target does not cap the amount of incentive that can be achieved regarding the other target (e.g. If a utility maxes out their demand reduction capability at 105% of target, their incentives for energy reductions should not be capped at 110%); and
- Board seek stakeholder input on and clarify the relationship between targets and incentives in multiple implementation periods now to give LDCs an understanding of how investing now in CDM-delivery capacity relates to their long-term licence expectations, and their pecuniary interests.