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Board Secretary
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PO Box 2319
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Re: Creation of CDM Code for Electricity Distributors EB- 2010-0215

North Bay Hydro Distribution Limited (NBHDL) would like to comment on the proposed CDM Code posted by the Board on June 22, 2010. This code has significant implications to NBHDL over the entire 4 year delivery horizon.

Achieving systemic conservation results over the 2011-2014 period has primary benefits for the province and although LDC's have committed their support for delivering results, it is interesting to note LDC's are the only group with their role enshrined in directives and codes presumably with implications if results are not achieved. LDC's are almost totally dependent on both the OPA through the quality and efficiency of its programs and the OEB through the effectiveness and flexibility of the code to achieve their required targets. These roles and agencies should also be accountable for CDM results with their respective roles enshrined in directives and codes. It would seem to NBHDL that in fact a partnership is required by the Board, the OPA and LDC's if achieving conservation results is truly the objective of this initiative. LDC's are not the only group accountable for costs and results, the Board and the OPA need to step up and also be accountable for results and should have the same implications for performance.

Most recently customers have been required to pay for another provincial initiative namely smart meters. To-date there has been very little follow-up by the province to support customers transitioning to provincial time of use rates. CDM programs should be required, to the extent possible, to capitalize on customers investments in smart meters. For example, a CDM program that targets shifting of space and water heating to off peak periods would also support responding to time of use pricing enabled by smart meter investment.

NBHDL's specific comments with the Notice are as follows:

1. Page 3 of the Notice, Board-Approved CDM Programs indicates "Note that distributors can choose to rely entirely on OPA-Contracted Province-Wide CDM Programs". How does the Board know that NBHDL can rely strictly on OPA programs to achieve its targets? In 2008 and 2009, NBHDL aggressively implemented the OPA programs appropriate for its market. The performance of these programs is such that the target proposed by the OEB on June 22, 2010 will not be achieved by strictly relying on OPA programs. The OPA has not released its new suite of programs nor is there any experience with their effectiveness in NBHDL's market. NBHDL could be forced into developing Board-Approved CDM Programs to meet its target. OPA programs are typically intended for southern Ontario customers with summer peak electricity use. They do not necessarily apply nor help customers with winter peak electricity use.

2. Page 5 of the Notice outlines the Performance Incentive mechanism. The threshold for receiving the mechanism is proposed at achieving 150% of target. This threshold is too high for NBHDL given all factors including extent of penetration of previous programs, a weaker distribution channel of consultants, engineers, distributors, etc. Winter peaking utilities should have their threshold for the performance incentive set at 100% of target. The proposed methodology rewards LDC's that have not been actively involved in delivering CDM results in the past. Why should NBHDL be penalized for its active engagement in delivering CDM programs?

3. Page 8 of the Notice discusses Lost Revenues. NBHDL recommends that the recovery process be established very quickly so LDC's know how to plan around the process. Also the process for individual LDC recovery should not be subject to intervenor review as this is costly and adds time and frustration with an initiative that is already straining resources. The Board should also be aware that NBHDL has not planned its cashflow around paying for CDM programs. NBHDL will require regular access to cost recovery either from the OPA or through quarterly payments from GAM.

NBHDL's comments with the proposed Code are as follows:

1. The CDM definition on page 3 should be expanded to specify that load shifting technologies for electric space and water heating and demand response initiatives that are practical and effective for the customer are qualifying CDM technologies.

1. Page 6, item 1.7 Timeframe for the Code indicates that the code applies to CDM programs delivered between January 1, 2011 and December 31, 2014. NBHDL recommends the timeframe for the start should be January 1, 2010 as this would provide meaning and purpose to supporting OPA programs in 2010. If results from 2010 are not applied towards NBHDL's target, why should NBHDL bother with any effort in 2010?

2. Section 2 outlines reporting requirements; NBHDL's comments are as follows:

a) Developing a proper and effective CDM Strategy that will guide this 4 year initiative is an important undertaking. NBHDL will require third party expertise to assist with this process. Would the costs incurred in developing the strategy, both NBHDL's internal resources and third party resources be recovered through the Global Adjustment? NBHDL carried no costs for this work in its recent cost of service application and cannot support cashflow impacts. NBHDL would require access for recovery of this cost through a quarterly adjustment mechanism commencing the first quarter of 2011.

b) Section 2.1.1 (d) indicates that Distributors coordinate activities with "other distributors, natural gas distributors, social agencies, any level of government, government agencies and the OPA." It is only realistic and practical for NBHDL to coordinate with other LDC's. It is incumbent on the province to coordinate activities with its agencies and the entities it regulates. The provincial government should also mandate very aggressive participation in OPA programs for its facilities. Provincial facilities in North Bay have participated on a very limited basis in previous CDM programs. Local provincial staff are not involved in the financial decision making process and attempts to work with them provide little in the way of CDM results.

c) Section 2.1.3 indicates that a Distributor must file its CDM Strategy by November 1, 2010. This timeframe is not realistic unless only a superficial strategy is required. NBHDL recommends the date be changed to March 31, 2011.

d) Section 2.2.5 indicates that an Annual Report must be filed for both Board- Approved and OPA-Contracted CDM programs. As efficiency is a major theme of both the province and the Board, NBHDL recommends that the OPA be the source of information on OPA-Contracted programs as they already produce this information on an annual basis. It is not efficient or cost effective for NBHDL to report on OPA programs when they can do this at no incremental cost. The OPA should file results by LDC with the Board including an explanation for performance of their programs. This would ensure no duplication of effort or costs. NBHDL would report on costs incurred and plan modifications in the Annual Report.

3. Section 2.3.3 discusses Co-ordination with the OPA. In developing this section the Board assumes there is a level playing field and universal applicability of OPA programs. This is not true, particularly in Northern Ontario where technology costs are higher, availability of new product is problematic and the critically important distribution channel supporting CDM investments not as we developed as Toronto. Both the OPA and the Board should be open to and supportive of demonstrating flexibility with programs designed for southern markets based in the GTA. To NBHDL's knowledge, neither the OPA nor the Board has ever worked in NBHDL's market or consulted directly with NBHDL or its customers on local market conditions. If the CDM target is to be achieved cost effectively, there must be flexibility with incentive levels, pilot programs, technology specifications and budget levels.

4. Pages 8-9 section 3 specifies Board-Approved CDM Program requirements. The Board should commit to a timeline for this process and ensure the review process is very efficient and cost effective.

Also section 3.1.5 indicates that Distributors shall not apply for CDM Programs that "relate to a distributor's investment in new infrastructure or replacement of existing infrastructure;". Does this mean that upgrading lighting or HVAC systems in NBHDL's facilities does not qualify as a CDM initiative? Why should investments in more efficient infrastructure that meets the EM&V protocol not be eligible as a CDM program and apply against targets?

5. Page 12, section 5 Accounting Treatment indicates the use of variance accounts to track costs. What assurance does NBHDL have that these costs will be truly recovered and the recovery mechanism is through the Global Adjustment?

6. Pages 12- 13, section 6 Program EM&V requires third party independent review of Board-Approved CDM programs. Customers should not be burdened with this expense if interval meter data is available to support the impact of the measure or program. Using meter data to verify results is the most accurate means of assessing and quantifying results.

In summary developing CDM targets and the CDM Code are very important initiatives, however will result in new costs for customers. As an industry we should take the necessary time to work together to develop targets and codes that are practical and cost effective. NBHDL is concerned the entire process is being rushed without proper consultation and that many issues are being ignored by the Board and the OPA. This does not mean that NBHDL is not a firm supporter of CDM programs. NBHDL has provided its frontline experience from delivering CDM programs over many years for consideration by the Board.

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