

July 21, 2010

**VIA COURIER AND RESS FILING**

Ms. Kirsten Walli  
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Ontario Energy Board  
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(1934 - 2006)

Dear Ms. Walli:

**Re: Proposed Conservation and Demand Management Code for  
Electricity Distributors (EB-2010-0215)**

The Power Workers' Union ("PWU") represents a large portion of the employees working in Ontario's electricity industry. Attached please find a list of PWU employers.

The PWU is committed to participating in regulatory consultations and proceedings to contribute to the development of regulatory direction and policy that ensures ongoing service quality, reliability and safety at a reasonable price for Ontario customers. To this end, please find the PWU's comments on the Proposed Conservation and Demand Management Code for Electricity Distributors (EB-2010-0215).

We hope you will find the PWU's comments useful.

Yours very truly,

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

***Original Signed by***

Richard P. Stephenson

RPS:jr

encl.

cc: Judy Kwik  
John Sprackett

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## **List of PWU Employers**

Algoma Power  
AMEC Nuclear Safety Solutions  
Atomic Energy of Canada Limited (Chalk River Laboratories)  
BPC District Energy Investments Limited Partnership  
Brant County Power Incorporated  
Brighton Beach Power Limited  
Brookfield Power – Mississagi Power Trust  
Bruce Power Inc.  
Capital Power Corporation Calstock Power Plant  
Capital Power Corporation Kapuskasing Power Plant  
Capital Power Corporation Nipigon Power Plant  
Capital Power Corporation Tunis Power Plant  
Coor Nuclear Services  
Corporation of the City of Dryden – Dryden Municipal Telephone  
Corporation of the County of Brant, The  
Coulter Water Meter Service Inc.  
CRU Solutions Inc.  
Ecaliber (Canada)  
Electrical Safety Authority  
Erie Thames Services and Powerlines  
ES Fox  
Great Lakes Power Limited  
Grimsby Power Incorporated  
Halton Hills Hydro Inc.  
Hydro One Inc.  
Independent Electricity System Operator  
Inergi LP  
Infrastructure Health and Safety Association  
Innisfil Hydro Distribution Systems Limited  
Kenora Hydro Electric Corporation Ltd.  
Kincardine Cable TV Ltd.  
Kinectrics Inc.  
Kitchener-Wilmot Hydro Inc.  
Lake Superior Power Inc. (A Brookfield Company)  
London Hydro Corporation  
Middlesex Power Distribution Corporation  
Milton Hydro Distribution Inc.  
New Horizon System Solutions  
Newmarket Hydro Ltd.  
Norfolk Power Distribution Inc.  
Nuclear Waste Management Organization  
Ontario Power Generation Inc.  
Orangeville Hydro Limited  
Portlands Energy Centre  
PowerStream  
PUC Services  
Sioux Lookout Hydro Inc.  
Sodexo Canada Ltd.  
TransAlta Generation Partnership O.H.S.C.  
Vertex Customer Management (Canada) Limited  
Whitby Hydro Energy Services Corporation



**Ontario Energy Board**

**Proposed Conservation and Demand Management Code for  
Electricity Distributors**

***Comments of the Power Workers' Union***

**1. Introduction**

1. The Ontario Energy Board (the "Board") has issued a proposed Conservation and Demand Management Code for Electricity Distributors ("CDM Code") in order to guide the implementation of the Ministry of Energy and Infrastructure's Directive requiring the Board to specify conservation and demand management ("CDM") targets for electricity distributors. The Board is now seeking stakeholder comments on the CDM Code. The Power Workers' Union ("PWU") has reviewed the proposed CDM Code, and believes that it has numerous strengths, particularly its integration with the OPA's CDM Programs. The provisions preventing program duplication between the OPA's CDM Programs and Board approved CDM Programs, but retaining the OPA's existing cost-effectiveness tests and evaluation, measurement, and verification (EM&V) protocols will maximize efficiency and reduce the administrative burden on electricity distributors. However, the PWU believes that the proposed CDM Code would be improved by a stronger emphasis on the following two issues:

- a. Ensuring that reported reductions have actually been achieved; and
- b. Ensuring that both forecasted and actual electricity consumption and peak demand reductions and program costs are reported in a transparent manner, so that each CDM Program can be evaluated against its expected performance, and against other electricity system supply and CDM options.

Increasing the emphasis on these issues will lead to a number of benefits, including:

- a. Ensuring that delivered CDM Programs are cost-effective and the amount of funding that must be recovered under the Global Adjustment Mechanism (“GAM”) is minimized;
- b. Allowing the most successful and efficient CDM Programs to be identified so that they can be expanded;
- c. Allowing under-performing CDM Programs to be identified so that they can be adjusted or eliminated;
- d. Providing full cost and benefit information that can be used to monitor and continuously improve the overall provincial CDM program, and that will allow CDM Programs to be accurately evaluated against other electricity system supply and CDM options in planning processes;
- e. Ensuring that all electricity distributors’ CDM Programs must meet equivalent standards; and
- f. Improved transparency of CDM Programs’ achievements.

2. In order to address these issues, and help to achieve these benefits, the PWU has several specific recommendations for strengthening the CDM Code, as detailed in the following section.

## **2. Recommendations**

- a. **The Board should require distributors to provide complete program details, projected electricity consumption and peak demand reductions, and forecasted budgets for all planned CDM Programs.**

3. The PWU is concerned that in some cases the proposed CDM Code does not require distributors to identify projected electricity consumption and peak demand reductions and forecasted project costs in advance of implementing CDM Programs. Without a strict requirement for distributors to analyze the potential for each program in advance, and have a clear understanding of the target market and estimated electricity demand reductions and program costs, the cost efficiency of a program cannot be ensured, and the data required to compare the forecasted and actual program performance may not be available. While the Board and the OPA’s CDM Program

approval and development protocols include a thorough cost efficiency analysis, each distributor's implementation of an approved program may differ in scale, scope, and local circumstances from the originally assessed program. In order to be thorough, the CDM planning process needs to include an assessment of the projected costs and electricity use reductions resulting from each planned CDM Program. To address this issue, the PWU recommends the following changes to the proposed CDM Code:

- a. When approving CDM Programs, the Board should ensure that pilot and educational CDM Programs, which are not required to be cost effective, are held to the same standards as other CDM Programs. A strong likelihood of future cost effectiveness should be required for approval of pilot and educational CDM Programs that do not currently demonstrate cost effectiveness. While the additional criteria that pilot programs must meet (Section 4.2) are strong, the additional criteria for educational CDM Programs (Section 4.3) should include a requirement for distributors to estimate the demand reductions that will be achieved through implementation of the program. Prior experience with educational CDM Programs in Ontario and other jurisdictions, as well as market research with the targeted groups could help distributors to develop these estimates. If a general forecast of an educational program's impact on electricity consumption and peak demand cannot be developed, the program likely requires additional planning and development before it will be ready to be implemented, in order to ensure that concrete results are achieved. Without an estimate of the program's desired results, it will be impossible to evaluate the program after it has been implemented, and determine if it achieved its objectives. The PWU proposes the addition of the following subsection to address this issue:

4.3.3. A distributor must estimate the demand reductions that the educational CDM program will achieve.

- b. The Board should require each distributor's CDM Strategy to include projected budgets and electricity demand reductions for each proposed CDM Program. If this information is not yet available for later years in the period covered by the CDM Strategy, the Board should require distributors to submit the appropriate projections before implementing a CDM Program. Without this information, a distributor's CDM Strategy provides no assurance that its CDM targets will be achieved, and that its CDM Programs will be cost effective. The Board then has no way to assess the effectiveness and sufficiency of each distributor's plan to meet its CDM targets, or to ensure that the most cost effective CDM programs are implemented.

Currently, the CDM Strategy Template (Appendix B, Sections 5 and 6) requires distributors to describe the CDM Programs that they plan to undertake between 2011-2014 "to the extent known", and to include projected budgets and results "where the information is available". The PWU recommends that this language be removed and replaced with an alternative option for distributors to file program details, projected budgets, and projected reductions in electricity consumption and peak load in a separate submission or in one of their Annual Reports if the information is not available at the time the CDM Strategy is filed. The Board should require that any projections that are filed separately from the CDM Strategy are submitted sufficiently in advance of program implementation that the Board and stakeholders are able to adequately review the information.

- b. The Board should require electricity distributors to separately track the revenues and expenses attributed to each CDM Program, in order to allow them to be evaluated independently.**

4. The PWU supports the Board's fully allocated costing approach, and the separation of CDM Program revenues and expenses from those related to distribution operations. However, the proposed CDM Code currently only requires distributors to separately account for Board-Approved versus OPA-Contracted CDM Programs. The

PWU recommends going further and accounting for each CDM Program separately, in order to ensure that the information necessary to evaluate the cost effectiveness of each program is available. This is critical in order to ensure that the full costs and electricity consumption and peak load reductions resulting from each CDM Program are known, so that the most effective programs can be identified and expanded, and programs that are not cost effective can be modified or discontinued. Without such a requirement, some CDM Programs will end up subsidizing other CDM Programs, and the overall costs that need to be covered by the GAM will be higher than necessary.

- c. Steps should be taken to ensure that independent third-party reviewers are not susceptible to conflicts of interest or other issues that could reduce the accuracy of reported electricity consumption and peak load reductions.**

5. The PWU supports the requirement for distributors to have each CDM Program's results evaluated and verified by an independent third party, in order to ensure that all reported electricity consumption and peak demand reductions have actually been achieved. However, third-party review procedures are susceptible to conflict of interest issues if those procedures are not carefully designed. If distributors contract with third party reviewers directly, over time a situation can develop where the third party reviewer has a financial interest in retaining the business of its long-time client, and the reviewer consciously or unconsciously avoids raising issues that it feels could damage the business relationship. Reviewers can also become too familiar with the client's employees, procedures, and systems, leading them to instinctively make assumptions based on previous experiences, rather than thoroughly reviewing each program component. In order to avoid these issues, the incentives need to be set in a way that it is in the third party reviewers' best interests to verify program results in a thorough and unbiased manner. Two mechanisms that can achieve this include:

- a. Having the Board and the OPA select and hire third party reviewers for each CDM Program, rather than the distributors; or
- b. Limiting the number of consecutive years that a third party reviewer can be contracted by the same distributor.

**d. The PWU supports the creation of a cost efficiency performance incentive.**

6. The PWU is of the opinion that cost efficiency (i.e. cost per kW saved) should be a requirement of all CDM Programs funded through the GAM. In order to drive continuing improvements in the design and implementation of cost effective CDM Programs however, the PWU supports the inclusion of a cost efficiency performance incentive in the CDM Code. The PWU does not have a specific recommendation for the design of the cost efficiency incentive, but believes that incentives should be awarded based on relative cost efficiency compared to other electricity system supply and CDM options implemented in Ontario, rather than on achievement of a specified cost efficiency benchmark. This will promote continual improvements in the efficiency with which CDM Programs are implemented, rather than simply setting a standard beyond which further cost efficiency improvements are not incentivized.

**3. Conclusion**

7. CDM Programs can play a valuable role in reducing the environmental impacts of Ontario's electricity sector, and the requirements for new infrastructure. However, CDM Programs can vary greatly in their effectiveness at reducing electricity consumption and/or peak demand, and in their implementation costs. With the costs of Board and OPA approved CDM Programs passed on to customers through the GAM, it is critical that the CDM Programs selected for implementation are cost efficient, result in real and verified electricity use reductions, and are regularly evaluated to ensure that each program's desired results are being achieved, so that programs and strategies can be adjusted if necessary. In order to achieve these objectives, the PWU recommends that the Board require electricity distributors to report the predicted electricity consumption and peak load reductions and budgets for each planned CDM Program, and to separately account for the expenses and revenues associated with each CDM Program, so that every program's cost effectiveness can be assessed. Incentives should be offered to those distributors that implement the most cost effective CDM Programs. Mechanisms to prevent independent third party reviewers from experiencing conflicts of interest are also recommended.

8. The PWU appreciates the opportunity to provide comments to the Board on this matter, and hopes that these recommendations will help the Board to strengthen the CDM Code and ensure that the province's CDM targets are achieved in a cost-effective and transparent manner.

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