



July 7, 2010

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

Dear Ms. Walli:

**RE: Electricity Conservation and Demand Management Targets
Board File Number EB-2010-0216**

I am pleased to provide the enclosed comments of the Coalition of Large Distributors ("CLD") on the proposed electricity conservation and demand management targets for electricity distributors, as detailed in the Ontario Energy Board's (the "Board") correspondence of June 22nd 2010.

Do not hesitate to contact any of the CLD representatives referenced below should you have any questions on this submission.

Yours truly,

(Original signed on behalf of the CLD by)

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Introduction

The Coalition of Large Distributors (CLD) is pleased to respond to the Board's June 22nd 2010 invitation to comment on the proposed Conservation and Demand Management (CDM) targets for electricity distributors. The CLD consists of Enersource Hydro Mississauga, Horizon Utilities Corporation, Hydro Ottawa, PowerStream, Toronto Hydro and Veridian Connections.

Given that this consultation will directly impact the licenses of all electricity distributors, the CLD believes that due process is required to ensure the fair and equitable apportionment of province-wide peak demand and energy reduction targets. Accordingly, the CLD suggests that a further iteration of stakeholder review and comment on the allocation of CDM targets is required, as detailed in some of the following comments and suggestions.

Comments on the Proposed Allocations of CDM Targets

1. General

In the absence of distributor-specific "bottom-up" CDM market potential data, the CLD believes that the allocation methodologies proposed by the OPA provide for a reasonably equitable apportionment of targets. Subject to the comments and suggestions provided in the balance of this submission, the CLD supports the proposals that the provincial energy reduction target be allocated based on a distributor's share of provincial energy consumption by customer account type, and that the provincial demand reduction target be allocated by each LDC's average contribution to the top 10 system peak hours.

2. Definitions of the Targets

The documents provided as part of this consultation do not clearly define the province-wide and the distributor-specific CDM targets. Specifically, it is not clear whether the targets are to reflect gross energy and demand reductions, or reductions net of free ridership and other adjustments stemming from the Ontario Power Authority's ("OPA's") EM&V protocols.

For clarity, the CLD suggests that the pending amendments to distributors' licenses should stipulate that the targets reflect gross energy and demand reduction expectations. In the event that net targets are established, free ridership rates by program should be established prospectively for each operating year and not be subject to retroactive revision. If retroactive revision of free ridership rates is allowed, it would effectively disable the management by a utility of a portfolio of programs, since retroactive revision would effectively change the program targets the utility was managing to after the fact.

3. Historical Datasets Used for Target Apportionment

The CLD agrees that most recently available data should be included in the datasets used to allocate targets. This is particularly important at this time, as the impacts of the recent economic recession were not uniformly distributed across the province. It is appropriate to use an average of 2008 and 2009 data as recommended by the OPA for the allocation of the peak demand savings target, as this will best capture the impacts of what may be structural economic changes that have occurred during the course of the recession. Using the same logic, the CLD suggests that the energy savings target should also be allocated based on an average of 2008 and 2009 data.

4. Transparency of Datasets Used for Target Apportionment

Page 10 of the OPA's report to the Board includes an outline of the 'Overarching Principles' used to guide the development of its target setting and allocation advice. Principle number 2 states that: *"There should be a consistent and transparent methodological framework for target setting and allocation across all LDCs"*. The CLD strongly supports this important principle.

At present, distributors do not have access to the complete datasets needed to validate that targets have been accurately allocated based on the methodologies described. To comply with the above principle, it is imperative that a process be put into place to provide all distributors with access to these datasets, and that there be a subsequent opportunity for further stakeholder comment on targets prior to the issuance of amended licenses.

5. Basis of Projected Residential/Non-Residential Energy Savings Used to Allocate Energy Targets

On page 4 of the OPA's report to the Board, the allocation methodology used for energy savings is based on the premise that, on a province-wide basis, 1150 GWh of savings will be obtained through the residential sector and 4850 GWh through the non-residential sector. While this savings split may be reasonable, there is no reference to the data source. The CLD presumes that the projected residential/non-residential contribution split is taken from the most recent savings projections for OPA province-wide CDM programs.

It is not yet known by the CLD whether the business cases for the OPA's province-wide programs have received final approval by the OPA Board, and final program details and planning assumptions have not been made available to all distributors. In the interest of transparency, the CLD suggests that the proposed energy savings allocation formula be re-visited once these steps have been completed. If the final approved business cases provide for a residential vs. non-residential savings split that differs from that referenced in the OPA report, the allocation formula should be updated to reflect the change.

In any event the basis for any sector splits for the purpose of target setting should have no bearing on the achievement of the total targets for each utility. Each utility should have complete flexibility to allocate funds and efforts across sectors as may be appropriate for its circumstances, with regard to existing and historical programs

and saturation rates, and prospective potential penetration. There should be no requirement that the achievement of load reductions by sector be in the same proportions as were used to establish the targets.

6. Accuracy and Comparability of OEB Yearbook Data

The use of OEB Yearbook billed energy consumption data for the allocation of the provincial energy savings target makes it critical that this dataset accurately reflects the end-use energy consumption by the customers of each distributor. It is evident that this may not be the case. On page 4 of its report, the OPA discloses that it has adjusted the yearbook data for Hydro One to add consumption by wholesale market participants and remove consumption related to embedded, non-wholesale market participants.

The CLD does not take issue with the Hydro One adjustments. On the contrary, it appears that they are appropriate and required to provide an accurate indication of the CDM market potential within Hydro One's service area. However, similar and perhaps additional adjustments are required for other distributors as well. For example, one CLD member has determined that its yearbook data submissions for billed kWh include short term load transfers to adjacent distributors and amounts related to de-registered wholesale meter points. The inclusion of these billed kWh amounts result in an overstatement of the distributor's CDM market potential, and should be removed.

The CLD suggests that for the purpose of CDM target setting, the Board should more clearly define the term "kWh Billed" and provide all distributors with an opportunity to identify adjustments that should be made for these purposes to their 2008 and 2009 RRR load data. It is further suggested that "kWh Billed" be defined as "kWh billed related to distribution services provided to end use customers of the distributor, unadjusted for system losses".

7. Consistent Design and Funding Structure for Province-wide CDM Programs

Note: For the purpose of this section 7, Toronto Hydro abstains from comment.

As stated in section 1 of this submission, the CLD believes that the allocation methodologies proposed by the OPA provide for a reasonably equitable apportionment of targets, given the limited information available. However, this determination is based on the premise that the design and funding structure of the OPA's province-wide CDM programs is consistent for all distributor service areas.

To be clear, the CLD does not advocate the adoption of a more complex target allocation methodology. Rather, it seeks to highlight the importance of a key provision of the Minister of Energy and Infrastructure's April 23rd 2010 Directive to the OPA which states that "*OPA-Contracted Province-Wide CDM Programs will offer consistent conservation measures and incentives to consumers across all LDC service areas*". Deviation from this key principle by way of programs that target enhanced energy or demand savings in certain geographic areas (for example, transmission constrained areas) could significantly and negatively impact the fairness of the proposed allocation methodology.

The four year province wide CDM targets and thus the distributor targets are very aggressive. Distributors must be provided with adequate and equal access to the program funding necessary to achieve success in reaching their targets.

8. Impacts of Extraordinary Events

Despite stakeholder best efforts to fairly allocate provincial CDM targets across distributors, it is likely that extraordinary events will occur that will impact a distributor's ability to meet its mandatory targets. For example, one or more of a distributor's large customers may reduce or cease business operations, resulting in a material reduction in CDM market potential.

This issue could be addressed through a periodic re-assessment of distributor targets, using up-to-date allocation datasets. Alternatively, it could be dealt with through the Board's proposed Conservation and Demand Management Code, with portions of the energy and demand reductions associated with extraordinary load loss recorded as contributions to the distributor's targets. The CLD suggests that this latter approach be adopted, as the former approach would create uncertainty with regard to the four year CDM targets for all distributors. Certainty of targets will be important for efficient and effective program planning and execution.