



July 7, 2010

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

Via web portal and by courier

Dear Board Secretary,

RE: Board File No. EB 2010-0216; Electricity Conservation and Demand Management Targets

The Electricity Distributors Association (EDA) is the voice of Ontario's local distribution companies (LDCs). The EDA represents the interests of the over 80 publicly and privately owned LDCs in Ontario.

The EDA appreciates the Board's initiative to launch a consultation process to allow LDCs to comment on the proposed Conservation and Demand Management Targets. The attached submission has been prepared in consultation with the EDA's CDM Caucus and the EDA Board's CDM sub-committee.

The EDA would like to thank the Board for giving the opportunity to provide comments on this important initiative and looks forward to working with Board members and staff in this regard.

Yours truly,

"Original Signed"

Guru Kalyanraman
Policy Director

Attached: EDA Submission

EDA's comments on CDM Target Allocation for Ontario LDCs

The OPA's recommendation on allocating the LDC provincial peak demand savings target of 1330 MW and the LDC provincial energy savings target of 6000 GWh to each LDC was submitted to the Ontario Energy Board on June 21, 2010. The EDA has been advocating for a 'bottom-up' CDM market potential assessment that is based on end-use CDM potential for each LDC/service territory to inform the establishment of individual CDM targets. In the absence of 'bottom-up' assessments of CDM potential for individual LDCs, and given that the achievement of individual energy savings and peak demand savings targets will be added as a condition of the distributor's license, the EDA strongly supports the need to ensure that there is a reasonable, fair and equitable allocation of province-wide peak demand and energy reduction targets to all LDCs.

EDA recommends that there be a further round of stakeholder discussions and comments on the CDM target allocation before these targets are added as a condition of LDC license so that LDCs have the means of testing and assessing the validity of the proposed methodology. Further, there is also a clear need for providing LDCs with further clarification on some issues, as outlined in details below.

1. Ability for LDCs to request a review/re-assessment and/or modification of CDM targets

Given that the achievement of energy consumption and peak demand reduction (i.e. LDC CDM targets) will be added as a condition to the LDCs' licenses, it is essential that LDCs be provided the opportunity during the multi-year CDM period to request a review and/or modification of CDM targets. Extenuating circumstances under which LDCs would be faced with a reduction in their CDM potential and therefore the ability to achieve the CDM targets could include a loss of load in the LDCs service territory due to economic impacts such as an LDC's commercial/industrial customer winding up its operations.

This issue could be addressed by setting up processes for LDCs to seek a review/re-assessment of allocated CDM targets before the OEB. In cases of material load loss within a LDCs service territory, a process should be set up for LDCs to seek relief from the resulting unrealistic target. Specifically, where the load loss is sufficiently large to significantly impact CDM market potential in the LDC's service territory within the four year CDM period, the portion of the CDM target lost due to the load /CDM potential loss should be deemed to have been achieved by the LDC.

The EDA will provide further details on this particular issue in its submission on the OEB CDM Code EB-2010-0215.

2. Derivation of individual LDC Energy Savings targets and peak demand savings targets

Underpinning the need for a fair and equitable allocation of CDM targets is the need for a transparent methodology- one that would allow LDCs to derive their CDM targets (both energy savings and peak reduction targets) in a clear, consistent and logical manner and thus validate the methodology used to allocate targets. To that end, the EDA notes and supports Principle 2 as

stated in OPA's Report to the OEB, i.e. *"There should be a consistent and transparent methodological framework for target setting and allocation across all LDCs"*.

The EDA notes that while the methodology for allocating targets has been provided in the OEB document, the data set required to apply the methodology to derive individual LDCs target has not been made available. As a result, LDCs do not have the means of testing or assessing the validity of the proposed methodology. We strongly recommend that a process be put into place where LDCs have access to the required datasets and be given the opportunity to provide further comments before issuance of amended LDC licenses. Key concerns around the requirement for datasets to derive LDC targets and to confirm the validity of the methodology include the following:

Energy savings targets

- (a) On page 3 of its report, OPA notes that the most recently available data on annual energy consumption i.e. the 2008 OEB Yearbook of Distributors has been used in the development of CDM targets. We note that the energy savings target provided in Appendix D of the OPA report, suggests that changes/updates have been made to the data in the 2008 Yearbook. For example data for Algoma Power Inc.; Attawapiskat Power Corporation; Fort Albany Power Corporation; Kashechewan Power Corporation; have been included in deriving their CDM targets (Appendix D) but have not been provided in the version of OEB Yearbook as posted (accessed June 30,2010) on the OEB website. We recommend that updates/revisions to the Yearbook used in the OPA's derivation of the LDC CDM target be provided.
- (b) Footnote on page 4 of the OPA report refers to an adjustment made to HONI data in the yearbook and in particular to exclude embedded non-wholesale market participants and include wholesale market participants. EDA members have reported that similar adjustments are necessary to the data for other distributors. We recommend that similar adjustments be made to the data of all/other LDCs, wherever applicable. To that end, providing a definition/explanation of the adjustment to HONI data as a reference/illustrative example is recommended.
- (c) Page 4 of OPA's report provides the formula used to derive individual LDC savings target. The specific source for the annual energy consumption for residential and non-residential customers used in the formula has not been provided although it is likely that the data has been sourced from 'Kwh billed' pages 83-96 of the 2008 Yearbook. The term 'Kwh billed' needs to be defined and further, to specifically state whether it is net of transmission and distribution losses.
- (d) The OPA report does not clarify whether data related to embedded distributors (including short term load transfers between LDCs) have been correctly adjusted. Where an LDC has an embedded distributor, adjustments may be necessary to 'Kwh billed' of the concerned LDCs to ensure that CDM targets are set fairly and equitably. A few LDC members have noted that embedded distributor consumption may have been reported within commercial customer annual energy consumption data. Therefore, if an embedded distributor is part of an LDC's service territory, there is a need for further review and adjustment of the calculation of individual LDC Energy Savings Targets. We recommend that LDCs be provided with a clear definition of

'Kwh billed' and then be allowed to update their RRR submission to correctly reflect the data used for CDM target allocation.

Peak Demand Reduction Targets

- (e) Data required for LDCs to derive their peak demand reduction targets so as to confirm the validity of the proposed methodology has not been provided. To that end, to confirm the validity of the target allocation methodology, LDCs should be provided with the datasets required for deriving the peak demand reduction targets. Such a dataset would include, among others, the top 10 system peak hours used for 2008 and 2009 calculations; sum of demand of all LDCs that have CDM target at top 10 system peak hours both for year1 (2008) and year 2 (2009); etc.
- (f) Definition of "CF2" coincidence factors used for deriving peak reduction target (page 5 of OPA report) should be provided to ensure consistency in application of that definition for establishing targets and for measuring the achievement of the established target (i.e. EM&V process).
- (g) Page 6 of the OPA report notes that the information related to LDC demand at the time of system peak has been used for deriving peak demand reduction targets. Further, the report notes that information includes LDCs fully or partially embedded within HONI's distribution system. As noted earlier in this letter, some LDCs are embedded within LDCs other than HONI. As a result, unless peak demand for LDCs that are embedded within all LDCs are accurately adjusted, CDM targets could be incorrectly overstated. We recommend that in addition to providing LDCs with the dataset required to derive their peak demand reduction target as noted at (e) above, a process should be set up to allow LDCs to report and review information related to embedded LDCs within their service territories. This will allow targets to be established in a fair and equitable manner.

3. Basis for split of Residential/Non Residential Ratio used to Allocate Energy Savings Targets

Page 4 of the OPA report notes that the total LDC provincial aggregate energy savings target of 6000 GWh is split between total projected residential sector contribution of 1150 GWh and total projected non-residential sector of 4850 GWh. Assuming that the split is based on OPA projected energy savings from OPA-Contracted-Province-Wide (a.k.a. tier 1 programs), we note that the split would be impacted by the actual take up of residential and non-residential tier 1 programs by LDCs. We recommend that the rationale for the split of energy savings into contributions from residential sector and non-residential sector be provided. This key piece of information should be provided to LDCs for verification of their individual CDM targets and further comments should be tabled before issuance of LDC license amendments.

4. Usage of Historical Datasets for Target Allocation

The OPA, in its report to the OEB, recommends using the most recent years of energy consumption data available. The EDA concurs with this statement and proposes the usage of both 2008 and 2009 datasets to arrive at the LDC CDM targets i.e. both the energy savings target and the peak reduction target. This will also ensure that the economic, financial and structural impact of the financial downturn in the province is reflected in the target allocation. If the usage

of a single year's data is more viable, then the EDA strongly recommends that the 2009 dataset be used for CDM targets, as that is the most recent information available pertaining to the Province's energy usage and peak demand, and it also best reflects the recent macro-economic condition.

5. Consistency of Allocation Data in Appendix D

We note that the targets for LDCs, barring a few, are rounded up to the next whole number of GWh and MW. For few LDCs, we note that their targets are provided accurate to the first place of decimal. Rounding up targets to the nearest whole number could result in a material increase in the CDM target for few LDCs. We recommends that for purposes of consistency and materiality, the numbers established for individual LDCs for Energy Savings targets and Peak Demand Reduction targets in Appendix D of the report be made available accurate to the first place of decimal.

6. Impacts of finally approved OPA province-wide program designs on LDC CDM targets

EDA supports the need for stakeholders to benefit from the knowledge of the finally approved assumptions and forecast energy savings & peak reduction underpinning OPA-Contracted programs (tier 1 program). For example, as noted in point 3 above the OPA's projection of contribution to LDC provincial aggregate energy savings from the residential and non-residential sectors could impact the derivation of individual LDC energy savings target. Further, premium DR payments for specific transmission constrained areas as proposed in the Industrial province-wide program design could result in a higher uptake of demand reduction programs in certain service territories, thus providing an advantage to some LDCs in meeting their peak reduction targets.

We recommend that key pieces of information relevant to assessment of CDM targets including the projection of contribution to LDC provincial aggregate energy savings from the residential and non-residential sectors, finalized key assumptions and forecast energy savings & peak reductions through tier 1 program be provided to LDCs and provisions made for further comments to be tabled and considered by the OEB before issuance of LDC license amendments.