



January 26th, 2012

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

via RESS and email

Dear Ms. Walli:

**RE: Conservation and Demand Management (“CDM”) Guidelines for Electricity Distributors
Board File No.: EB-2012-0003**

On January 5th, 2012 the Ontario Energy Board (the “Board” or the “OEB”) issued a letter (the “Letter”) to electricity distributors inviting written comments on the Board’s recently developed CDM Guidelines for Electricity Distributors (the “Guidelines”). This is the submission of the Coalition of Large Distributors (the “CLD”) and Hydro One Networks Inc. The CLD consists of Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, Hydro Ottawa Limited, PowerStream Inc., Toronto Hydro-Electric System Limited, and Veridian Connections Inc.

The CLD and Hydro One appreciate the opportunity to provide comments on the Board’s proposed CDM Guidelines and have included a detailed submission as Appendix 1 to this letter. The group wishes to identify the following matters which it strongly supports and that are of particular importance:

1. The Board’s determination that Time of Use (“TOU”) pricing will be categorized as a Board-Approved CDM program for the purpose of achieving CDM targets. This fairly reflects the fact that distributor CDM targets included significant savings related to the implementation of TOU rates.
2. The Board’s view that the evaluation and allocation of savings related to TOU pricing should be undertaken by the OPA. However, the group suggests that the Guidelines also establish the timing of these savings reports by the OPA.
3. The Board’s proposal that distributor CDM targets be credited with savings related to 2011 projects that were initiated in 2010 under the OPA CDM programs that were in place at that time.
4. The proposal for the establishment of an LRAM variance account, and are pleased to provide a number of suggestions that would lend clarity to how the account would be administered.

The CLD and Hydro One appreciate the opportunity to provide further insight and comment on the Board's CDM Guidelines for Electricity Distributors. Please contact the undersigned if you have any further questions on this submission.

Yours truly,

(Original signed on behalf of the CLD and Hydro One by)

George Armstrong,
Manager, Regulatory Affairs & Key Projects
Veridian Connections Inc.

Gia M. DeJulio
Enersource Hydro Mississauga Inc
(905) 283-4098
gdejulio@enersource.com

Indy J. Butany-DeSouza
Horizon Utilities Corporation
(905) 317-4765
indy.butany@horizonutilities.com

Patrick J. Hoey
Hydro Ottawa
(613) 738-5499 X7472
patrickhoey@hydroottawa.com

Sarah Griffiths
PowerStream Inc.
(905) 532-4527
sarah.griffiths@powerstream.ca

Colin J. McLorg
Toronto Hydro-Electric System Limited
(416) 542-2513
regulatoryaffairs@torontohydro.com

George Armstrong
Veridian Connections Inc.
(905) 427-9870 x2202
garmstrong@veridian.on.ca

Ian Malpass
Hydro One Networks Inc.
(416) 345-5460
ian.malpass@HydroOne.com

Appendix 1 – CLD Response to the Board’s CDM Guidelines (EB-2012-0003)

The headings below have been numbered to correspond with the Board’s January 5th, 2012 CDM Guidelines.

3. CDM Targets

Time-of-Use Pricing

The CLD and Hydro One strongly support the Board’s position that the implementation of TOU pricing will be categorized as a Board-Approved CDM program for the purpose of achieving CDM targets, and that the Ontario Power Authority (“OPA”) should determine the Time-of-Use (“TOU”) savings achieved on a province-wide basis and then allocate these savings to distributors.

The Guidelines do not mention any distributor involvement in the evaluation process. The CLD and Hydro One identify that the establishment of the methodology for assessing and allocating TOU savings must be a collaborative exercise between distributors and the OPA, in order to ensure that the results fairly reflect the savings achieved by each distributor.

While the responsibility for TOU evaluation and reporting has been assigned to the OPA, the CLD and Hydro One submit that the Guidelines should include a timeline or schedule for the publication of these reports. It is recommended that the results be provided to distributors by no later than September 1st 2012, which is the date by which the OPA will provide distributors with CDM savings achieved during the 2011 calendar year. This timing will allow distributors to include this information in their first annual CDM reports, which are scheduled to be filed with the Board on September 30th, 2012. It will also give distributors time to adjust their CDM strategies in the event that the results significantly deviate from the OPA’s original savings projections.

Pre-2011 OPA-Contracted Province-Wide CDM Programs

The CLD and Hydro One wish to correct the Board’s statement recognizing “that some distributors entered into contracts for OPA-Contracted Province-Wide programs at the end of 2010, with little to no program activities undertaken until 2011”. In fact, distributor contracting with the OPA for 2011-14 programs did not commence until Q1 2011 and was not completed until Q2 2011.

The CLD and Hydro One understand that the Board’s intention is for distributor CDM targets to be credited with savings related to 2011 projects that were initiated in 2010 under the then current OPA CDM programs. The CLD and Hydro One fully support this proposal and recommend that the Guidelines clarify that this provision applies to all 2010 OPA CDM programs through which projects were completed in 2011. For further clarity, the CLD and Hydro One suggest that the Guidelines simply state: “All CDM projects that were initiated in 2010, but not completed until the following year(s), are to be reported (and counted towards targets) in the year of completion, provided they were not previously reported.”

7. Board Approved Program Types

7.2 Educational CDM Programs

Logistically, it is difficult for a distributor to plan programming for a Board-Approved program, when this cannot be pursued until after their portion of the OPA's Program Administration Budget ("PAB") is exhausted. Educational CDM programs are awareness-based programs that need to be run concurrently with OPA program initiatives at the start of the term and sustained through to the end of term. The CLD and Hydro One recommend that the Board review this section of the CDM Guidelines, and specifically requests that exhausted PAB funding not be a mandatory condition for a distributor seeking Board approval for an educational CDM program.

Further, the OPA's contracts with distributors include a cost efficiency incentive that encourages distributors to fulfill their obligations without exhausting their PAB funding. The Board's proposed requirement for the full use of PAB funds would require distributors to forfeit this incentive, and would thereby establish a substantial barrier to the pursuit of Educational CDM Programs.

8. Cost Effectiveness

The CLD and Hydro One request that the Guidelines establish that the Cost Effectiveness Test used by the Board to approve applications for Board-Approved CDM Programs be the same Cost Effectiveness Test that was in place at the time the program evaluation plan was developed. This is consistent with the principle that was applied by the Board concerning the use of OPA Input Assumptions by distributors when producing 3rd party evaluations for LRAM claims (EB-2008-0352). The CLD and Hydro One are concerned that changes by the OPA to their Cost Effectiveness Test may have an impact on a distributor developed program that is in the later stages of development, especially if the distributor is already in the process of seeking Board approval.

10. Program Evaluation, Measurement and Verification ("EM&V")

10.1 Use of Assumptions

The CLD and Hydro One submit that this section of the Guidelines should include a statement confirming that the assumptions to be used are to be the same ones used at the time of preparing the program evaluation plan. This would be consistent with the Cost Effectiveness assumptions above, as well as the principle of the EB-2008-0352 decision.

13. LRAM

13.2 LRAM Mechanism for 2011 - 2014

The CLD and Hydro One recommend the following changes to the description of the proposed LRAMVA, to make it clear that all savings related to OPA-Contracted Province-Wide CDM programs are eligible for this treatment. As originally written, the description does not recognize that some aspects of Province-Wide CDM programs are

delivered by third parties under contract to the OPA, even though all programs are supported and promoted by distributors.

The Board will authorize the establishment of an LRAM variance account (LRAMVA) to capture, at the customer rate-class level, the difference between the following:

i. The results of actual, verified impacts of authorized CDM activities undertaken by electricity distributors between 2011-2014 for both Board-Approved CDM programs and OPA-Contracted Province-Wide CDM programs ~~in relation to activities undertaken by the distributor and/or delivered for the distributor by a third party under contract (in the distributor's franchise area); and~~

ii. The level of CDM programs activities included in the distributor's load forecast (i.e. the level embedded into rates).

The CLD and Hydro One agree that lost revenues resulting from CDM programs should not act as a disincentive to distributors. The proposed LRAM Variance Account ("LRAMVA") could be an effective mechanism to ensure that there is no over/under-recovery of revenue associated with CDM savings.

The CLD and Hydro One recommend more flexibility with respect to LRAMVA and suggest that this variance account should be made available as a voluntary mechanism for use at the discretion of distributors who have fully included the effects of CDM in their load forecast. The CLD and Hydro One submit that a voluntary LRAMVA mechanism could potentially reduce unnecessary administrative burden for some distributors.

The CLD and Hydro One are concerned that the draft Guidelines are not clear on how the level of CDM embedded in rates will be determined for some distributors that re-based their rates prior to the introduction of the new Guidelines. The Board's filing requirements for distribution rate applications do not require the identification of a CDM component in load forecasts, and settlement agreements and/or Board decisions do not typically establish a load forecast CDM component that could be used in calculating LRAMVA entries. The CLD and Hydro One suggest that the requirement for LRAMVA entries only apply to distributors having a level of CDM embedded into rates, as determined through a prior cost of service rate proceeding.

Also, the CLD and Hydro One suggest that the Guidelines be expanded to more clearly describe when and how LRAMVA entries would be calculated. The CLD and Hydro One submit that:

- 1) The LRAMVA account would only be utilized by a distributor if the distributor had included a CDM impact in its load forecast as part of its most recent cost of service rate proceeding. Otherwise, LRAM amounts would be calculated on a retrospective basis using actual verified CDM savings.
- 2) LRAMVA entries related to a cost of service rate re-basing year would be determined by calculating the difference (positive or negative) between a distributor's CDM forecast for the test year and the verified results of CDM activity in that test year.

- 3) LRAMVA entries related to an IRM rate year would be determined by calculating the difference (positive or negative) between a distributor's CDM forecast for the IRM year and the verified results of CDM activity in that IRM year combined with any persistent savings in that IRM year from all CDM activity beginning from, and including, the rebasing year.

The Board should be aware that the proposal to establish an LRAMVA by customer rate class level will require distributors to use best efforts to allocate the CDM program results between their various customer classes, since OPA results are only made available at a program level (Consumer, Commercial & Institutional, Industrial and Home Assistance).

The Guidelines propose that the annual LRAMVA impact be calculated on a monthly basis. However, unverified OPA CDM program results are only made available on a quarterly basis (three months following the end of each quarter), so distributors would not be able to accurately report this data on a monthly basis.

Distributors are provided with verified annual results in the third quarter following the end of each program year. To ensure the highest degree of accuracy and to minimize administrative costs, the CLD and Hydro One submit that LRAMVA entries should be recorded and reported to the Board annually, in the quarter after the OPA verified results have been received by the distributor.

The Guidelines also propose that the LRAMVA amounts be determined by applying the customer class "Variable distribution charge". Clarification is requested as to whether the base rate is to be used or whether certain rate riders are to be included. The CLD is aware that the 2007 Guidelines state that Regulatory Asset Rate Riders are to be omitted, but would appreciate further clarity on other rate riders (e.g., foregone revenue, tax rate riders, etc).