



Representing Ontario's Electricity Distributors

January 26, 2012

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-2012-0003 Conservation and Demand Management (CDM) Guidelines for Electricity Distributors

The EDA is the voice of Ontario's electricity distributors, the publicly and privately owned companies that safely and reliably deliver electricity to all 14 million Ontarians through 4.7 million homes, businesses, and public institutions.

The EDA appreciates the Board's initiative to launch a consultation process to allow LDCs to comment on the proposed CDM Guidelines for LDCs. The attached submission has been prepared in consultation with the EDA's CDM Caucus.

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

Yours truly,

A handwritten signature in blue ink, appearing to read 'Teresa Sarkesian', is written over a horizontal line.

Teresa Sarkesian
VP, Policy and Government Affairs

*Attached: EDA submission

EDA Submission on EB-2012-0003

The following sections are numbered in the same order as the OEB's Draft CDM Guidelines document.

3. CDM Targets

Time of Use Pricing

The EDA's LDC members are fully supportive of the Board's view that the implementation of TOU pricing is to be deemed as a Board-approved CDM program for the purposes of achieving CDM targets and that the evaluation of such savings should be conducted by the OPA in accordance with the OPA's EM&V Protocols, and then allocated to the Province's LDCs. The OPA should establish the proposed methodology of evaluation in consultation with distributors.

Furthermore, the Board should confirm through these Guidelines that as the OEB is deeming TOU implementation as a Board-approved CDM Program, LDCs will not be required to individually seek Board approval for TOU implementation. LDCs, as stated in the drafted Guidelines, will receive their allotted targets from the OPA and provide the results to the OEB as per the reporting requirements set out in the CDM Code.

It will be crucial for LDCs to receive the results of TOU measurement and evaluation in a timely manner during the 2011-2014 period so that LDCs are able to reassess their CDM delivery strategies to achieve their respective CDM targets in case the actual peak demand and energy savings achieved from TOU is lower than what was assumed by the OPA when the CDM targets were developed in 2010. Therefore, the EDA recommends that the OEB's CDM Guidelines should provide a schedule which outlines when these evaluation results should be made available to LDCs. Furthermore, the EDA recommends that, to ensure that LDCs have sufficient time to assess the results and review their CDM delivery plans if required, the TOU evaluation should be completed and made available to LDCs no later than the 3rd quarter of 2012.

Pre-2011 OPA- Contracted CDM Programs

The EDA is supportive of the view that the projects under the OPA's 2010 CDM Programs that were initiated in 2010 but were completed in 2011 should be counted towards LDCs' 2011 CDM targets. Due to the delays in finalizing the 2011-2014 OPA-Contracted CDM programs, LDCs were only able to start signing contracts and delivering these programs well into Q1 and Q2 of 2011. Also, many projects that were part of the suite of the pre-2011 CDM Programs were commenced in 2010 but were completed well into 2011. Therefore, the EDA's recommendation is for the CDM Guidelines to state that all pre-2011 CDM projects that were commenced in 2010 but have been or will be completed during the 2011-2014 period should be reported in the year of completion and therefore count towards the LDC's 2011-2014 CDM targets, provided the results were not previously counted.

4. Duplication with OPA Programs

We do not support the OEB's guidelines on duplication with OPA Programs. These guidelines are restrictive and do not provide any opportunities for LDCs to be creative and innovative in developing CDM programs based on their local needs. Therefore, the current rules on duplication do not provide any avenues for LDCs to pursue the successful development, approval and delivery of Board-approved CDM programs.

The EDA would like to point out that even though the full suite of Province-wide OPA-Contracted CDM Programs have been established, several Initiatives under those Programs have not yet been deployed and are not being delivered to the Province's customers. It is the EDA's recommendation that the assessment and corresponding decision on any Board-approved CDM Program should be based on the suite of OPA-Contracted CDM Programs that are currently deployed in the market and are available to Ontario's consumers, and not simply on the suite of designed and established CDM Programs. The OEB's Guidelines should provide more specific guidance on such Initiatives that may have been established but are currently not in market for further clarifications to LDCs.

The EDA recommends that the CDM Guidelines should provide specific assessment timelines to the OPA in their evaluation of LDCs' Board-approved CDM Programs to provide more certainty in the system and to ensure LDCs can proceed with their applications in a timely manner.

The EDA would like to point out that the current funding for the 2011-2014 OPA- contracted Province-wide CDM Programs is only sufficient for LDCs to achieve approximately 80% of their energy savings and peak reduction targets. Without greater flexibility for LDCs to develop Board-approved programs and get them approved, LDCs will find it extremely difficult to meet their targets and consequently, their license condition as set by the CDM Code. The EDA would like to reiterate that the restrictive rules on duplication will have negative impacts on the LDCs' achievement of their CDM targets.

7. Board-Approved Program Types

7.2 Educational CDM Programs

Many niche and unique educational programs are required to be delivered alongside the Province-wide Programs to bolster marketing of CDM programs to customers and to further foster the culture of conservation in the Province. Restrictions on educational program delivery will clearly deter any additional educational programs from being established.

The OPA provides a cost-efficiency incentive to the LDCs to not exhaust its full allocation of PAB funding so that LDCs are more cost-effective in delivering the 2011-2014 OPA-Contracted CDM Programs. However, the proposed CDM Guidelines state that LDCs could apply for doing additional educational programs if the PAB funding is exhausted. This implies that LDCs will have to forego the cost-efficiency incentive if they offer additional educational programs. Therefore the EDA recommends that the OEB review this set of guidelines and not make the

exhaustion of PAB funding a mandatory precondition for LDCs to apply for Board-approved CDM programs.

11. Program Development Costs

The distributors are concerned by the CDM Guidelines on recovering CDM Program development costs. In the absence of a process that will ensure that LDCs' program development costs are recovered if the program(s) is not approved, it will act as a significant deterrent for LDCs to entertain the prospect of employing time, resources and funding to develop CDM programs that are unique to its own jurisdiction.

12. Other Funding Sources

The OEB's CDM Guidelines do not make any distinction between CDM Programs that receive supplemental funding from alternative funding sources (partial funding approved by the OEB and the rest funded by other sources of finance) or those programs that are completely funded through alternate sources. The EDA and its LDC members recommend that if a CDM Program is completely funded by other sources of finance (i.e. shareholders), then there should not be a requirement for OEB's approval on duplication and cost-effectiveness as that program's costs are not borne by the electricity ratepayers. The LDC will carry out its own due diligence to ensure the effectiveness of the program and the program's impact on its own customers.

Such a program should still count towards the LDCs' CDM targets, and be eligible for LRAM consideration, as long as the results are evaluated by an independent 3rd party contractor in accordance with the OPA's EM&V Protocols (as set by the CDM Code) and be part of other reporting requirements of the LDC. Such an amendment in the CDM Guidelines will encourage LDCs to develop their own unique programs and encourage shareholders/other financing options to consider funding a CDM program.

13. Lost Revenue Adjustment Mechanism (LRAM)

All OPA-Contracted Province-wide CDM Programs and Board-approved CDM Programs should be counted towards the actual, verified results for LRAMVA purposes. The current guidelines make reference to all "activities undertaken by the distributor and/or delivered for the distributor by a third party under contract (in the distributor's franchise area)". This does not take into account OPA-Contracted Programs that are marketed and delivered directly by the OPA and/or its own 3rd party contracts, and are supported and promoted by the LDCs.

Therefore, the EDA recommends the following changes to the guidelines on the establishment of LRAMVA:

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 delivered 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).

We further request clarification on how to complete LRAMVA entries during a cost-of-service application year and an incentive regulation mechanism application year.

In the current draft of the Guidelines, LDCs are required to calculate the full year impact of CDM programs on a monthly basis. However, LDCs receive their unverified CDM savings results on a quarterly basis from the OPA which will make it extremely difficult for LDCs to report accurately on a monthly basis. LDCs receive their verified results annually in the 3rd quarter of the following year. To ensure the highest level of accuracy, it is the EDA's recommendation that the guidelines state that LDCs are required to record the annual variance once the verified results are made available by the OPA. This would remove the need for reconciling true-ups or carrying out estimations of variances between the forecast and actual results.

The EDA would also like to point out that the OEB's Guidelines require LDCs to report LRAMVA for each customer class but the OPA's results (unverified and verified) are only available at a program level. Therefore, LDCs will be using their best efforts to estimate and allocate the program level results between various customer classes.

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