

January 26, 2012

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

Dear Ms. Walli:

**Re: Guelph Hydro Electric Systems Inc. (Guelph Hydro) Comments on draft Guidelines for Electricity Distributor Conservation and Demand Management EB-2012-0003**

In accordance with the OEB's letter dated January 5, 2012, re: draft **Guidelines for Electricity Distributor Conservation and Demand Management**, please find accompanying this letter Guelph Hydro's comments regarding EB-2012-0003.

Should there be any questions, please contact me at the number below.

Respectfully Submitted,



Cristina Birceanu

Manager of Regulatory Affairs  
Guelph Hydro Electric Systems Inc.

395 Southgate Drive,  
Guelph, ON N1G 4Y1  
Telephone - 519-837-4735  
Mobile - 226-218-2150  
Email - [cbirceanu@guelphhydro.com](mailto:cbirceanu@guelphhydro.com)

## **Preamble**

On January 5, 2012 the Ontario Energy Board (OEB) issued a letter to all electricity distributors including a draft Conservation and Demand Management Guidelines for Electricity Distributors (the “CDM Guidelines”), which provide more specific guidance on certain provisions of the CDM Code. In this letter the OEB has invited LDCs to provide written comments on these Guidelines, due January 26, 2012.

## **Guelph Hydro’s Comments regarding EB-2012-0003:**

### ***Section 3 - CDM Targets – Time of Use Pricing***

Guelph Hydro supports the Board’s proposed approach in having the OPA undertake a province-wide analysis of TOU pricing impact on both demand reduction through the shifting of energy use, as well as the potential for energy conservation benefits. Guelph Hydro understands that one of the elements leading to the large province-wide investment in smart meters and related infrastructure, including the Meter Data Management/Repository (MDM/R), was to educate electricity consumers on how the electricity system works, and to support the building of a “culture of conservation” through wise energy use.

Smart meters along with TOU pricing has this potential, leading Guelph Hydro to include this element in its November 1, 2010 EB 2010-0215 CDM Strategy document submission, and requesting that demand and energy savings resulting from this implementation would be counted towards Guelph Hydro’s CDM targets, once available.

### ***Section 7.2 - Educational CDM Programs***

With respect to CDM Guideline 7.2, Guelph Hydro notes that the Master CDM Program Agreement and related Program Initiative Schedules do not speak to the use of the OPA’s Program Administration on Budget (PAB) for “educational purposes”, but do speak to the

need to use the PAB Funding to deliver and report on the marketing undertaken to achieve and/or exceed the CDM targets.

Guelph Hydro would like to see a clear differentiation of “marketing” and “education” under the guidelines, in the sense that an education program designed for grade 5 elementary students should not be misconstrued as “marketing efforts” to “sell” OPA Tier 1 programs to these students. It would be inappropriate for an LDC to “market” programs to this age group, and also inappropriate to identify the activity to educate Ontario’s young students in an effort to build a “culture of conservation” as a “marketing” exercise.

Guelph Hydro believes that the PAB was not intended to fund this type of educational activity, that is, one which does not have a direct bearing on or linkage to the delivery of a well-defined OPA Tier 1 program. As such, Guelph Hydro recommends that the development and delivery of a true educational program should not be funded through PAB, but rather through a separate Tier 2 / Tier 3 application to the OEB.

### ***Section 13 – LRAM Mechanism***

Guelph Hydro would like to highlight a concern around the interpretation LRAM with respect to OPA CDM Program delivery, and the calculation and reporting of verified CDM results. The OEB has defined and written into each electric LDC energy and demand conservation targets to be achieved and / or exceeded by each LDC over the period 2011-2014. Guelph Hydro has recently completed a Cost of Service rate filing, and as part of this process, included a load forecast that accounted for the expected impact of CDM activities, using the assumption that Guelph Hydro would achieve 20% the target energy and demand savings (15.9 GWh and 3.34 MW) in 2012. This is the level of the expected CDM load reduction embedded into 2012 to 2015 approved rates. Guelph Hydro did not include CDM adjustments (i.e. load reductions due to CDM activities) in its 2008 load forecast which is the basis for the 2008 to 2011 rates; therefore, at the time of disposition of the LRAMVA (e.g.

next Cost of Service application), Guelph Hydro will have one year (i.e. 2011) without CDM adjustments, and three years (i.e. 2012, 2013 and 2014) with only one approved CDM adjustment of 20% of the target energy and demand savings.

According to the CDM Guideline, Section 13.4 – Disposition of the LRAMVA, distributors may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of their ICM rate application, if the balance is deemed significant by the applicant.

The LRAMVA balance of the year without CDM adjustment embedded in rates (i.e. 2011), could be deemed significant, whereas the next three years balances (i.e. 2012, 2013 and 2014) could appear non-significant. Guelph Hydro's opinion is that a better definition of the "significance level" would help distributors evaluate the LRAMVA disposition request, and avoid costs associated with third party evaluation when the application is not successful before the Board.

Further, the CDM Guideline – Section 13.4, states that, at a minimum, distributors must apply for disposition of the balance in the LRAMVA at the time of their Cost of Service rate application. Many distributors will have a Cost of Service rate application before the ending of the CDM 4-year period (i.e. before 2014). How should these distributors apply for disposition when the CDM target period did not end, and how the Board would assess their CDM targets at that time?

Guelph Hydro has recently come to understand that the verified results attributed to LDCs, following the OPA's Evaluation, Measurement and Verification (EM&V) process, will reflect only CDM results that are attributable to the LDC where it can be demonstrated that OPA Tier 1 program delivery had a direct impact on the end outcome, and that these energy and demand reductions would not have occurred without influence and incentives directed to the customer through the OPA and LDC. All other energy and demand reductions are deemed that they would have occurred without the customer incentive, and are therefore

cannot be identified as a contribution towards the LDC target. Guelph Hydro notes that for many of the program measures, the estimated “free-ridership rate” is as high as 50%, with a resultant corresponding “Net-Gross” reduction of allocated results achieved by 50%. For illustration, assuming this scenario holds true across the portfolio of CDM programs, Guelph Hydro would need to pursue over 33MW of demand savings with the end result of being credited with close to 17 MW against target, again under the assumption that 16 MW of the demand reductions identified through Guelph Hydro’s completed customer projects, have occurred, but are not eligible for credit against the target.

Guelph Hydro is having difficulty reconciling the OPA calculated prorated results against actual as-built and measureable/metered energy and demand reductions.

### ***Section 13.2 - LRAM Mechanism for 2011-2014***

With respect to the entries in the LRAMVA, the CDM Guideline specify that distributors must calculate the full year impact of CDM programs on a monthly basis, based on the volumetric impact of the load reductions arising from the CDM measures implemented in that month, multiplied by the distributor’s Board- approved variable distribution charge to the customer rate class in which the volumetric variance occurred.

Guelph Hydro’s concern is that distributors receive the impact of CDM programs calculated on annual basis, and that the CDM Guideline is not clear on how should the annual CDM impacts be calculated on monthly basis. For example, if the CDM program is implemented in March and the volumetric impact of the load reductions is calculated for the remaining 9 months, should the distributor take the entire volume reduction in the month of March? That could affect the accuracy of the variance calculation and the carrying charges applied on monthly basis.

With respect to the reporting and record-keeping requirements, carrying charges calculation, and request for disposition of the LRAMVA balances, Guelph Hydro also notes that we expect there will be an ongoing timing issue related to the availability of CDM results data which has been Evaluated, Measured & Verified (EM&V) by the OPA. We expect that EM&V's results will not be available until several months into the following year, for the previous years' work. Guelph Hydro believes that interim data may be available on a quarterly, but not monthly, basis from the OPA, but with some time lag, during the year of program delivery, and has concerns over the ability to meet the requirement of impact of CDM programs on a monthly basis.

Guelph Hydro trusts that its comments on the CDM Guidelines are of assistance to the Board.