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**Susan Frank**

Vice President and Chief Regulatory Officer  
Regulatory Affairs



January 26, 2012

BY COURIER

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

Dear Ms. Walli:

**EB-2012-0003 – OEB Consultation on Conservation and Demand Management Guidelines for Electricity Distributors - Hydro One Networks' Comments on Draft Guidelines**

Hydro One Networks Inc. (“Hydro One”) is pleased to provide comments on the Conservation and Demand Management (“CDM”) Guidelines for Electricity Distributors, issued for comment by the Ontario Energy Board (“Board”) on January 5, 2012.

**Energy and Peak Savings associated with Time of Use (“TOU”) Pricing**

Hydro One fully supports the benefits of smart meters and TOU rates. It is pleased with the Board’s recommendation that the Ontario Power Authority should determine the Time-of-Use (“TOU”) energy and peak savings for the province and then allocate these savings to distributors for the purpose of achieving CDM targets.

**Lost Revenue Adjustment Mechanism (“LRAM”) for 2011 - 2014**

Hydro One recommends more flexibility with respect to LRAMVA and suggests that the use of this variance account should be at the discretion of distributors to address effects on revenues resulting from CDM savings.

Hydro One agrees 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. This can also be accomplished by accurately forecasting CDM impacts for rate setting purposes. The LRAMVA has the potential to add significant administrative burden and should be discretionary for distributors that effectively incorporate CDM into their load forecast.

### Duplication with OPA Programs

The current CDM Code and its guidelines are very broad with respect to what constitutes duplication with OPA Programs. These restrictive guidelines also discourage innovation and creativity in developing CDM programs to meet customers' conservation opportunities.

### Other Funding Sources

Section 12 of the CDM Guidelines states that:

“Distributors considering the use of other funding sources (i.e. shareholder funds, municipal grants, etc.) for potential Board-Approved CDM programs are able to apply for approval of such programs as long as the applications are made in accordance with the rules outlined in the CDM Code.....”

It is Hydro One's understanding that the words underlined above relate to accounting for savings from the respective program and not Board approval of the program.

Hydro One also recommends that approval of savings associated with CDM programs with other funding sources should take place as part of the distributor's annual CDM reporting to the Board.

I have also attached proof of successful submission of these comments through the Board's Regulatory Electronic Submission System.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank