



Addendum #1 to
London Hydro Report EM-10-05
Strategic Outlook for Energy Conservation
and Demand-Side Management (CDM)
Programs, 2011 through to 2014

June 13, 2011

G.1 BACKGROUND NARRATIVE

In reply to London Hydro's submission to the Ontario Energy Board of its strategy for achieving its mandated energy conservation and demand management targets over the 2011 to 2014 timeframe, the Board requested that London Hydro submit an addendum providing additional information regarding our anticipated operating expenses for each of the provincial Tier 1 CDM programs that London Hydro will be executing.

G.2 UPDATED OUTLOOK

In the time that has elapsed since London Hydro submitted its CDM strategy document, London Hydro has received sufficient information from the Ontario Power Authority to prepare detailed marketing & execution plans for most of the provincial CDM initiatives, and has been communicating information about these programs to its key account customers. As a result of this new information and customer dialogue, London Hydro is able to make some general statements, specifically:

- The saveONenergy PROCESS & SYSTEMS upgrade initiative and Industrial Accelerator programs have garnered considerable customer interest, to the extent that London Hydro believes it will come very close to achieving its target for accumulated net energy savings with the provincial suite of CDM programs; and
- On the demand management front, London Hydro is more pessimistic about achieving its target for demand reduction. Since late February 2011 when London was declared a discount area for demand response, there has been zero interest whatsoever expressed by the established load aggregators and our customers. A couple of large customers that would be interested in equipping their emergency generators with environmental controls to participate in the demand response marketplace can't connect to the distribution grid due to limitations at Hydro One Networks' transformer stations – the same limitations that presently preclude the interconnection of renewable supply under the FIT or microFIT programs. Finally, the residential and small business versions of the peaksaver™ program are delayed, meaning they won't likely be in-market this summer.

G.3 ANTICIPATED OPERATING COSTS FOR PROVINCIAL CDM PROGRAMS

London Hydro normally prepares an internal marketing & execution plan for each major CDM program that it executes. Each plan will include a specific "annual operating budget projection".

The following marketing & execution plans are essentially completed:

- London Hydro Report EM-10-07, *Marketing & Execution Plan for peaksaver™ Demand Management Program*

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- London Hydro Report EM-10-11, *Marketing & Execution Plan for Cool Savings Rebate Energy Conservation Program*
Note: This plan needs to be updated to reflect the new name for the initiative, namely saveONenergy HEATING & COOLING INCENTIVE
- London Hydro Report EM-11-02, *Marketing & Execution Plan for Provincial saveONenergy FOR HOME Residential CDM Program Suite*
- London Hydro Report EM-11-03, *Marketing & Execution Plan for saveONenergy NEW HOME CONSTRUCTION Residential CDM Program*
- London Hydro Report EM-11-04, *Marketing & Execution Plan for saveONenergy SMALL BUSINESS LIGHTING CDM Program*
- London Hydro Report EM-11-05, *Marketing & Execution Plan for saveONenergy SMALL BUSINESS A/C CDM Program*
- London Hydro Report EM-11-06, *Marketing & Execution Plan for saveONenergy AUDIT FUNDING Business CDM Program.*
- London Hydro Report EM-11-07, *Marketing & Execution Plan for saveONenergy RETROFIT PROGRAM Business CDM Initiative*

The “annual operating budget projections” from the internal reports referenced above have been transferred into Table G-1 below.

Note that no costs have been shown for *peaksaver* or saveONenergy SMALL BUSINESS A/C for 2011. If these programs are released by OPA this year, they will certainly have missed the cooling season and therefore won’t be initiated until 2012 at the earliest.

No information is available concerning the residential “*mid-stream initiatives*” other than the initiative may encompass pool pumps and consumer electronics. It is assumed therefore that these won’t commence until 2012. A nominal \$15K has been allocated in the absence of sufficient execution planning information.

There are also “Notes” below Table G-1 to assist readers to interpret the entries in the table.

Overall, it can be seen that while the Ontario Power Authority is making \$7.4M available to London Hydro to cover program administration, London Hydro anticipates a funding requirement of \$7.1M.

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Table G-1, Annual Operating Budget Projections for Provincial CDM Programs

| Sector | Program Name | London Hydro's Marketing & Execution Plan | 2011 Budget | 2012 Budget | 2013 Budget | 2014 Budget | Total Operating Budget | OPA Program Administration Budget |
|---------------------------|-----------------------------------|---|---|----------------|----------------|----------------|------------------------|-----------------------------------|
| <u>Residential</u> | | | | | | | | |
| | HEATING & COOLNG INCENTIVE | Report EM-10-11 | 109,000 | 80,000 | 80,000 | 80,000 | | |
| | NEW HOME CONSTRUCTION | Report EM-11-03 | 191,000 | 150,000 | 150,000 | 150,000 | | |
| | peaksaver | Report EM-10-07 | -- | 171,000 | 140,000 | 140,000 | | |
| | Remaining programs | Report EM-11-02 | 229,200 | 225,000 | 225,000 | 225,000 | | |
| | Mid-stream initiatives | | -- | 15,000 | 15,000 | 15,000 | | |
| | | Subtotal: | 529,200 | 641,000 | 610,000 | 610,000 | \$2,390,200 | \$3,285,438 |
| <u>Business</u> | | | | | | | | |
| | RETROFIT PROGRAM | Report EM-11-07 | 415,800 | 415,800 | 415,800 | 415,800 | | |
| | SMALL BUSINESS LIGHTING | Report EM-11-04 | 137,600 | 137,600 | -- | -- | | |
| | SMALL BUSINESS A/C | Report EM-11-05 | -- | 105,600 | 80,000 | 80,000 | | |
| | HIGH PERFORMANCE NEW CONSTRUCTION | | 191,000 | 150,000 | 150,000 | 150,000 | | |
| | DEMAND RESPONSE | Report EM-10-07 | ----- included in residential peaksaver ----- | | | | | |
| | DEMAND RESPONSE VOLUNTARY DR1 | | 5,000 | 5,000 | 5,000 | 5,000 | | |
| | DEMAND RESPONSE CONTRACTUAL DR3 | | -- | -- | -- | -- | | |
| | AUDIT FUNDING | Report EM-11-06 | 107,600 | 75,000 | 75,000 | 75,000 | | |
| | EXISTING BUILDING COMMISSIONING | | -- | -- | -- | -- | | |
| | | Subtotal: | 857,000 | 889,000 | 725,800 | 725,800 | 3,179,600 | \$3,609,800 |
| <u>Industrial:</u> | | | | | | | | |

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| Sector | Program Name | London Hydro's Marketing & Execution Plan | 2011 Budget | 2012 Budget | 2013 Budget | 2014 Budget | Total Operating Budget | OPA Program Administration Budget |
|--------|--|---|----------------|----------------|----------------|----------------|------------------------|-----------------------------------|
| | PROCESS & SYSTEMS | | 150,000 | 150,000 | 150,000 | 150,000 | 600,000 | |
| | Industrial Accelerator | | 50,000 | 50,000 | 50,000 | 50,000 | 200,000 | |
| | | Subtotal: | 200,000 | 200,000 | 200,000 | 200,000 | 800,000 | \$521,332 |
| | Unallocated Costs (to be distributed across all CDM programs) | | | | | | | |
| | Director; burdened | | 75,000 | 150,000 | 150,000 | 150,000 | 525,000 | |
| | Programs Manager; ½ FTE | | 50,000 | 50,000 | 50,000 | 50,000 | 200,000 | |
| | CDM Staff Training | | 30,000 | -- | -- | --- | 30,000 | |
| | | Subtotal: | 155,000 | 200,000 | 200,000 | 200,000 | 755,000 | |
| | | | | | | | | |
| | | | | | | | Total: | \$7,142,800 |
| | | | | | | | | \$7,416,069 |

Notes:

- From a marketing and program execution (and budgeting) perspective, London Hydro considers the residential peaksaver and small business peaksaver to be elements of the same program. The operating cost projections are shown in the residential initiatives section in the above tabulation.
- Although London Hydro has subscribed for the saveONenergy EXISTING BUILDING COMMISSIONING program, we have yet to find any customers that would benefit from this initiative. As such, no marketing & execution plan has been developed for this initiative – nor is there an operating cost projection for the initiative.
- Although the marketing & execution plan for the saveONenergy HIGH PERFORMANCE NEW CONSTRUCTION program has yet to be completed, the resource requirements and hence operating cost projections will be virtually identical to those for the saveONenergy NEW HOME CONTRUCTION program.
- Since London was declared a discount zone for demand response, there has been zero interest amongst aggregators in pursuing London customers. A nominal \$5K annual operating expense has been shown for the combination of DR1 and DR3.
- Those entries shown in the above tabulation as “Unallocated Costs” refer to management and CDM training costs that are not specifically included in the various internal marketing & execution plans, but that will be distributed across the complete portfolio of CDM programs.
- The saveONenergy PROCESS & SYSTEMS upgrade program is applicable to both industrial customers (i.e. large user > 5000 kW) and several dozen of the largest commercial customers (i.e. general service > 50 kW). For the purposes of this tabulation, all program costs are shown as allocated to industrial customers.

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