

**Ministry of Energy
and Infrastructure**

Office of the Minister

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APR 23 2010

**Ministère de l'Énergie
et de l'Infrastructure**

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MC-2010-892

Mr. Colin Andersen
Chief Executive Officer
Ontario Power Authority
1600-120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Andersen:

**Re: Conservation and Demand Management Initiatives Under the GEA
Conservation Framework**

I write pursuant to my authority as the Minister of Energy and Infrastructure in order to exercise the statutory power of ministerial direction I have in respect of the Ontario Power Authority ("OPA") under subsection 25.32(4.1) of the *Electricity Act, 1998*, as amended.

Conservation is one of the most cost-effective means of dealing with electricity supply issues. This direction focuses on three opportunities to advance conservation:

1. strategic co-ordination of conservation and demand management ("CDM") programs with distributors ("LDCs") and the Ontario Energy Board ("OEB");
2. energy efficiency and demand response programs involving First Nation and Métis communities;
3. support and funding of CDM research and innovation.

1. STRATEGIC CO-ORDINATION

The *Green Energy and Green Economy Act, 2009* received Royal Assent on May 14, 2009, and provides LDCs with new opportunities to participate in the design and delivery of CDM programs.

I have issued a directive to the OEB (the "CDM Directive"), instructing it to establish mandatory CDM targets for LDCs to achieve reductions in electricity consumption and reductions in peak provincial electricity demand by the end of 2014 (the "CDM Targets") in support of the government's commitment to eliminate coal-fired generation by the end of 2014; and to ensure the total of the CDM Targets established for all LDCs are equal to 1330 megawatts (MW) of provincial peak electricity demand and 6000 gigawatt hours (GWh) of electricity consumption over a four-year period beginning January 1, 2011.

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LDCs will be permitted to meet their CDM Targets by delivering three types of conservation programs to distribution-connected consumers: (1) province-wide CDM programs developed by the OPA, in consultation with distributors ("**OPA-Contracted Province-Wide CDM Programs**"); (2) collective LDC programs designed by groups of synergistic LDCs ("**Board-Approved CDM Programs**"); and (3) individual LDC programs ("**Board-Approved CDM Programs**").

The OPA will play a key role in coordinating and facilitating the successful implementation of the new CDM opportunities provided to LDCs through the *Green Energy and Green Economy Act, 2009*.

Therefore, I hereby direct the OPA to undertake, as of the date of this letter, the following initiative:

- Provide advice to the OEB, following consultation with LDCs, on the appropriate allocation of CDM Targets amongst LDCs;
- Provide advice to the OEB on the administration of LDC CDM activities, including but not limited to the use of OPA cost-effectiveness tests and the OPA protocol process and third-party vendor of record list in order to assess the cost-effectiveness of Board-Approved CDM Programs and to conduct Evaluation Measurement and Verification (EM&V) of Board-Approved CDM Programs, as requested by the OEB; and
- Design, deliver and fund OPA-Contracted Province-Wide CDM Programs according to the following criteria:

CRITERIA

Principles

1. The OPA will design OPA-Contracted Province-Wide CDM Programs, taking all reasonable steps to collaborate with LDCs.
2. LDCs will deliver OPA-Contracted Province-Wide CDM Programs to distribution system-connected consumers to achieve all or a portion of their CDM Targets.
3. The OPA will provide certainty of funding to LDCs for the four-year term of the OPA-Contracted Province-Wide CDM Programs.
4. The OPA will be responsible for the evaluation, measurement and verification of the OPA-Contracted Province-Wide CDM Program results.
5. The OPA will ensure OPA-Contracted Province-Wide CDM Programs are marketed with consistent messaging under a common Provincial brand, once created, and co-branded with LDC marks. It is expected that there will be a common Provincial brand which includes any mark or logo that the Province has used or is using, has created or will be created by or on behalf of the Province, and will also be made available to natural gas utilities for marketing of natural gas conservation programs.

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Design of OPA-Contracted Province-Wide CDM Programs

1. The OPA will design OPA-Contracted Province-Wide CDM Programs for the following categories of distribution system-connected consumers:
 - (a) general residential;
 - (b) commercial and institutional (including agricultural and multifamily buildings); and
 - (c) industrial.
2. OPA-Contracted Province-Wide CDM Programs will target end-uses that are common within consumer groups across the province and that have potential for significant electricity energy savings and/or demand reduction within each consumer category.
3. OPA-Contracted Province-Wide CDM Programs will offer consistent conservation measures and incentives to consumers across all LDC service areas.
4. The portfolio of OPA-Contracted Province-Wide CDM Programs will be cost-effective. Individual measures, groups of measures, or measures targeted at specific consumer groups need not be cost-effective on a stand-alone basis.

Oversight and Delivery of OPA-Contracted Province-Wide CDM Programs

1. The OPA will make OPA-Contracted Province-Wide CDM Programs available for delivery by each LDC with a CDM Target in its service area.
2. The OPA will, taking all reasonable steps to collaborate with LDCs, seek to maximize administrative and delivery efficiencies by utilizing appropriate program delivery models including where appropriate entering into contractual arrangements with LDCs and other delivery agents. Specifically, the OPA will consider enhanced co-ordination efforts with regard to:
 - (a) Opportunities to target consumers with multiple locations across several distributor service areas (for example, commercial building owners and commercial chains) and conservation measures delivered or promoted through provincial or national channels (for example, retailer in-store rebates or coupons); and
 - (b) CDM activities, including, but not limited to, the marketing, procurement and delivery of CDM measures and/or services offered through OPA-Contracted Province-Wide CDM Programs where these will afford significant administrative cost and/or delivery efficiencies (for example, call centre, rebate fulfilment, appliance de-commissioning, procurement of devices and mass media advertising).
3. It is expected that the OPA, where appropriate and having regard to its overall mandate and that of the electricity distributors, will seek opportunities to co-ordinate OPA-Contracted Province Wide CDM Programs between the electricity distributors and other entities such as natural gas distributors.

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4. The OPA will continue to deliver the current suite of OPA CDM programs, through LDCs and other delivery agents, until OPA-Contracted Province-Wide CDM Programs, that would replace them, have commenced implementation.

2. FIRST NATION AND MÉTIS COMMUNITIES

In 2006, the OPA initiated a broad scale, multi-element pilot program to promote CDM among Aboriginal communities across Ontario. The successful pilot program was designed and developed using the wisdom and teachings of Aboriginal Elders, as well as the knowledge of Aboriginal and non-Aboriginal energy technical experts and managers.

I hereby further direct the OPA to undertake, as of the date of this letter, the following initiative:

The OPA will design and coordinate the delivery of energy efficiency and demand response program(s) for First Nation and Métis communities. In doing so, the OPA will request the advice, and consider the recommendations of, First Nation and the Metis communities including advice and recommendations relating to program delivery.

3. SUPPORT AND FUNDING OF CDM RESEARCH AND INNOVATION

In 2005, the OPA established the Conservation Fund to provide funding for action-oriented, sector-specific CDM pilot projects, in order to build marketplace capability, test new or unique CDM program elements, and to help inform the development of future conservation programs.

I hereby further direct the OPA to undertake, as of the date of this letter, the following initiative:

The OPA will continue to provide, through its Conservation Fund, support and funding of CDM research and innovation as a means to assist LDCs and others in their conservation efforts.

This Direction shall be effective and binding as of the date hereof.

Sincerely,



Brad Duguid
Minister

c: Howard Wetston, Chair and Chief Executive Officer, OEB