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May 24, 2011

VIA E-MAIL/RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor; 2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli,

**Re: EB-2011-0011 Toronto Hydro Electric System Limited.
Application for Approval of CDM programs
Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed VECC's submissions regarding the above Application.

Yours truly,

Original signed

Michael Buonaguro
Counsel for VECC
Encl.

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15, (Schedule B) to the *Energy*
Competition Act, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Toronto
Hydro-Electric System Limited Inc. for an Order or Orders
granting approval of initiatives and amounts related to the
Conservation and Demand Management Code.

Submissions on behalf of the Vulnerable Energy Consumers Coalition (VECC)

The Application

On January 10, 2011 Toronto Hydro-Electric System Limited ("THESL") submitted an application to the Ontario Energy Board (the "Board") pursuant to the Board's *Conservation and Demand Management Code for Electricity Distributors* issued September 16, 2010 (the "Code") seeking an order granting approval of funding for nine individual conservation and demand management ("CDM") programs (the "Application").

On April 1, 2011, THESL notified the Board of its intent to withdraw the In-Store Engagement and Education Program because it was already included within one of the remaining programs.

THESL is seeking approval for the following programs:

1. Business Outreach and Education Program;
2. Commercial Energy Management and Load Control Program;
3. Commercial, Institutional and Small Industrial Monitoring & Targeting Program;
4. Community Outreach and Education Initiative;
5. Flat Rate Water Heater Conversion & Demand Response Program;
6. Greening Greater Toronto Commercial Building Energy Initiative;
7. Hydronic System Balancing Program; and
8. Multi-Unit Residential Demand Response Program.

THESL's summer peak demand savings target is 286.27 MW (December 31, 2014) and cumulative energy savings target is 1,303.99 GWh (January 1, 2011 - December 31, 2014) (the "CDM Targets").

THESL seeks approval to fund \$50,652,853 for the eight Proposed Programs, inclusive of both Program Administration Budgets and Variable Costs, on the basis that:

- (a) The relevant OPA-Contracted Province Wide Programs (the "OPA Programs") have been established;
- (b) The Proposed Programs have been developed in accordance with the OEB Code requirements;
- (c) The Proposed Programs are not duplicative of any of the OPA Programs;
- (d) The Proposed Programs are incremental and not related to the OPA Programs;
- (e) The Proposed Programs are necessary for THESL to meet its mandated CDM Targets; and
- (f) The Proposed Programs are cost effective and will result in peak demand savings and electricity savings of 24.4 MW and 127.2 GWh between 2011 and 2014.

THESL further seeks recovery of the costs it has incurred to develop the Proposed Programs, including forecast regulatory costs, totaling \$343,449.

Scope of VECC Submissions

VECC's constituency is comprised primarily of renters and senior citizens that include tenants of market rate and public housing, homeowners and, as a large subset, a combination of low and/or fixed income consumers.

The practicality is that these groups are not targeted directly by many of the proposed programs such that the majority of the proposed benefits for these consumers will be indirect at best. Although the Community Outreach and Education Program does target these groups, it does so only as an education program, rather than a program designed to achieve quantified savings.

Nonetheless these consumers will pay for the programs via the Global Adjustment either directly in rates or indirectly by paying their rent:

MR. BUONAGURO: All right. Thank you.

Just checking to make sure I asked all of the questions.

And just briefly to confirm -- and this may be self evident -- but the way in which you are seeking recovery for all of the costs associated with the OEB-approved programs, assuming that they're all approved, they all go through the global adjustment?

MR. TYRRELL: That's correct.

MR. BUONAGURO: Which means that all consumers in Ontario, regardless of where they are or what rate class they're in, they're going to pay some amount based on their allocation of the global adjustment?

MR. TYRRELL: Correct.

MR. BUONAGURO: All right. Thank you. Those are my questions.

Tr Vol 2 Page 53

Relevance of Proposed Programs to VECC's Constituency

THESL states the following with respect to low-income customers in its AIC at paragraph 21:

While it was acknowledged that the OPA's low-income program schedule has not yet been released, THESL submits that the low-income program is not directly relevant to the issue of duplication in this proceeding because *while none of the Proposed Programs exclude low-income participants none of the Proposed Programs are, in fact, low-income programs*. [emphasis added]. Furthermore, THESL is aware of the details of the low-income program that has already been developed and the corresponding OPA schedule is due to be published in May

2011. THESL has committed by way of undertaking to filing those schedules with the Board as soon as they become available.

As a representative of vulnerable residential consumers, the focus of VECC's examination of the current portfolio of proposed programs is the residential programs, including the Community Outreach, Flat Rate Water Heater Conversion and Multi Unit Residential Buildings program.

Role of OPA in this Proceeding and in General re LDC CDM Programs

This proceeding raises a general issue regarding the value of OPA input with respect to possible duplication between OPA-sponsored and LDC CDM programs.

THESL summarizes the OPA position on the Education Programs at paragraph 24 of its AIC:

The OPA did not express an opinion on whether or not THESL's Community Outreach and Education Program, the Business Outreach and Education Program, and the Greening Greater Toronto Commercial Building Energy Initiative (collectively, the "Outreach and Education Programs"), are non-duplicative. Instead, the OPA noted in its testimony that it had some trouble assessing THESL's stand-alone Outreach and Education Programs because there are no similar programs in the OPA Province-wide suite. THESL submits that this observation, in itself, constitutes clear evidence that THESL's proposed Outreach and Education Programs are in fact non-duplicative.

In considering this issue VECC notes that the Board in the past has deferred to the OPA in several areas of CDM policy, including:

- Measures and Assumptions Lists for Input Assumptions.
- OPA evaluation of LDC programs
- OPA protocols for EV&A

VECC notes the OPA's position (*Exhibits K1.1, K2.1 and Tr. Vol. 3 Pages 32-137*) that based on the CDM Code and related Ministerial Directive, it is the Board that has the jurisdiction and responsibility to make determinations concerning whether proposed OEB programs, such as those proposed in this application by THESL, are duplicative or not. VECC agrees with this analysis; however VECC believes that the OPA, in its role as the architect of the OPA programs against which proposed OEB programs are to be evaluated, cannot escape its role as the source of expert evidence with respect to the details of the OPA programs.

VECC suggests that in order to assist the Board, the OPA needs to provide timely evidence, where necessary, of the OPA programs that allows proposed OEB programs to be assessed and tested for duplication.

VECC acknowledges that, it appears, the OPA has attempted to provide such evidence, first through the letter dated April 21, 2011 from the OPA to THESL (*Exhibit K1.1*), and then through its filed evidence (*Exhibit K2.1*) and ensuing testimony.

The OPA, in responding to inquiries about duplication issues, has established a framework to assess whether LDC programs may be either complimentary or duplicative:

1. *Ensure Incremental MW and GWh and do not undermine Province-Wide programs* – e.g. for programs that offer reduced consumption, does the program have the potential to deliver incremental savings beyond those targeted by OPA-Contracted Province-Wide CDM Programs?
2. *Avoid Market Place Confusion* – e.g. is the program likely to create confusion in the market place?
3. *Ensure Prudent Use of Rate Payer Funds by Avoiding Duplication of Resources* – e.g. will this program result in duplication of program administration efforts or costs?;
4. *Capture Regionally Specific Opportunities* – e.g. does this program target end uses, behaviours, or customer groups that are specific to the LDC's region?

VECC generally agrees with the OPA's proposed approach, insofar as it seeks to identify and support LDC specific programs that a) exploit opportunities and drive savings that would be missed by simply implementing OPA Province Wide Programs, and b) allow for spending that targets the specific characteristics of the LDC's franchise area.

To be clear, it is VECC's general opinion that, whenever possible, CDM programs should be administered and made available by the OPA on a province wide basis, in order to maximize consistency and efficiency of delivery across Ontario. However VECC also recognizes that the OPA should be able to leverage, to some extent, the LDCs' knowledge of their own customers and franchise areas to create new, potentially nuanced programs in order to maximize the penetration of CDM activity.

With respect to actual duplication that the OEB should be concerned with, the testimony of the OPA witness indicates that the primary ambiguity relates to consumer education and marketing activities:

MS. McNALLY: So I think you are now hitting the essence of the complexity that we pulled back from making a final decision and stopped at: These (Community and Business Outreach activities) are the types of activities that you could use the PAB for.

And I think where we're getting to is kinds of the nub of the complexity of how you compare a standalone marketing and outreach program with marketing that is part of a province-wide program.

MR. BUONAGURO: Am I correct that all of the province-wide programs that exist are tied to kilowatt savings or peak savings in some form or another?

MS. McNALLY: So again, the nomenclature can sometimes be a bit messy. So we have basically four or five province-wide programs. There is the residential program, the commercial program, the industrial program -- I guess we have the low-income program.

Within each of those programs, there are a series of initiatives.

And there are initiatives that are directed at megawatts, so ERI, the electricity retrofit program.

And then there are also enabling initiatives, which are not directly connected with megawatts, so training, capability-building.

So it is a combination of megawatt -- direct megawatt generating activities, capability-building activities, and then cutting across all of that are marketing and outreach activities.

Tr. Vol. 3 Page 113

At present OPA has considered only two proposed LDC outreach programs-- Hydro One and THESL-- and applied two different types of analysis when considering whether they were programs that the OPA could support as OEB approved Programs.

Whereas, in looking at the THESL programs, the OPA simply acknowledged that the activities within the proposed Education Programs could have been funded through the OPA approved Program Administration Budget, the OPA took a different approach to the proposed HONI program, requiring only that it be run on a truly stand-alone basis:

MS. McNALLY: So looking at the (hydro One) letter, again, I guess just to note first that in answering this, I am going to assume the community education program is similar to the ones we're talking about, just so --

MR. BUONAGURO: That is my assumption.

MS. McNALLY: Making that assumption, you will note that in the Hydro One letter, so K3.5, we didn't reach a conclusion about duplication on that point, and similarly in the Toronto Hydro letter, K1.1, we also haven't reached a conclusion about duplication on this type of education program.

MR. BUONAGURO: Right, that's fair. But what I am trying to understand is that at this point in time, in Hydro One's application, you did put a condition or at least an understanding implicit in the letter to make sure that, if it were true, the OPA would actually support Hydro One in its application to the Board, which is what the first part of the paragraph says:

"The OPA is supportive of the applicants moving forward with implementation of the proposed Board-approved program subject to the following conditions..."

Then the letter says if you are not using money from the OPA to fund any part of the events that underpin that community education program, then you should go to the -- we agree you should go to the OEB and try to get the money there. That is how I read that letter, that simply.

Tr. Vol. 3 Page 108

VECC submits that in order to assist the Board in its roles of overseeing the CDM Code and protecting electricity consumers, the OPA must work with the LDCs in framing their applications. Although the OEB CDM Code places the onus on the LDC to prove that the applied for programs are not duplicative of OPA programs, the OPA creates the programs against which the LDC programs are to be assessed. To that end VECC submits that it would be appropriate for the OPA to go further in its evidence to opine as to whether the proposed LDC programs, on a factual basis, provide savings and benefits that are materially incremental to that which is anticipated to be achieved through the OPA related funding.

Duplication: Community Outreach and Business Outreach programs

The core of the issue regarding duplication relates to these programs. THESL's position is that these programs are required (although no savings are attributed) and require incremental funding since, according to THESL, there is no PAB remaining to allocate to these broader education and outreach initiatives without stripping funding from work directly attributable to OPA Program demand and energy savings. Instead, THESL is requesting approval for *incremental* funding for the Outreach and Education Programs that are in its view, incremental to the OPA Programs.

THESL's position is summarized in its AIC at paragraph 26:

The OPA clarified in its testimony that PAB funding, available to fund *marketing activities* under Section 2.3 of the Master CDM Program Agreement, must be used only for purposes which are directly related to the OPA Programs. Accordingly, THESL uses its PAB to fund business development activities which are directly related to those OPA Programs. These PAB funded marketing and sales activities are separate and distinct from the much broader Outreach and Education Programs proposed by THESL. THESL notes that the Board explicitly contemplates programs with a broader educational focus under Sections 4.1.2 and 4.3 of the CDM Code. THESL has proposed its Outreach and Education Programs in accordance with those provisions of the Code. Undertaking J3.3 at Section 2.3.

The CDM Code allows for Education Programs, but there is a valid question whether THESL's proposed programs are purely educational, since they in fact also include handouts/promotions of energy saving devices (CFLs, Seasonal Light emitting Diodes etc). (*Tr. Vol. 2 pages 21/22*)

Again this aspect of the Community Outreach Program is discussed at *Tr. Vol. 2 Page50/51*:

MS. EARLE: So as it relates to our own program, the education and outreach, we are looking to do a CFL exchange this year for the last time, should the application be approved in time and we're able to develop and launch a program in the fall.

And it is an exchange, meaning that a customer would need to bring in an incandescent in exchange for the CFL, so they actually do have to take action, and it is getting them to unscrew those bulbs and get those bulbs out of their closet, which they have a lot. Then as of 2012, we would no longer be using the CFL as our incentive, and would be moving to another technology.

For the Toronto Police initiative, the porch light CFL installation would actually be ongoing while we saw a need for it, because again, these are lights that are not as likely to be changed out. And so it is providing that one single bulb, providing the education on the importance and getting them to go out and make the purchase themselves.

MR. BUONAGURO: Okay. Thank you. Did you want to speak to the OPA programs in relation to CFLs, or are you unable to do that?

MS. EARLE: They've considered that, absolutely. So they have a coupon incentive for CFLs, and then as of next year they're not providing any type of promotion towards CFLs.

VECC submits that certain components of the Outreach Programs could be seen as duplicative of OPAs Programs; for example, OPA sponsored Coupon books. However THESL asserts that duplication, in the technical sense of the word under the CDM Code, with the OPA Consumer Program Coupon Book does not exist and focuses on the differences in regard to in-store promotions:

Ms Earle:

Specifically, the in-store campaign that the OPA runs* is an air conditioner and dehumidifier exchange. Those that would participate are those that have an air conditioner or dehumidifier and that have a vehicle that can take it to the retailer, which in this case is a home improvement retailer, which is located in only certain parts of the city.

So our program is different, in that it takes place in more locations than that, and provides an offering that is different than the product I just discussed – air conditioner and dehumidifier -- thereby allowing more customers to participate. Is that helpful?

Tr. Vol. 2, page 109

*Delivered by THESL

The main positive aspect of the Community Outreach Program is that it targets 13 priority neighbourhoods and should also be useful in promoting the OPA Low Income program when this is available later in 2011.

MR. GARDNER: Okay. Finally, page 4, (K2.3: CITY OF TORONTO BACKGROUNDER) "Seniors living alone" and the second bullet point, almost every PA experienced higher than average increases in senior's population. So my question basically is: Do you agree that the -- within most of the 13 priority neighbourhoods, at-risk populations, including the visible minorities mentioned, recent immigrants, lone-parent families and seniors living alone are higher than the city average?

MS. EARLE: Yes.

MR. GARDNER: Okay. Thank you.

Tr. Vol. 2 page 92

In VECC's view:

- a) the nature of the Community Outreach Program as an education program,
- b) the fact that the OPA does not have an equivalent stand-alone Education Program, and
- c) the focus of the Community Outreach Program on reaching vulnerable consumers that are not likely targets of the existing suite of OPA Programs or are likely not eligible for the incentives provided under the existing suite OPA programs,

are all facts that weigh in favour of a finding that the proposed Program is not duplicative of existing OPA Programs in such a way as to disqualify the proposed spending from being recovered as an OEB Program.

VECC notes that, although THESL is not claiming any savings through the Community Outreach Program, a material portion of the proposed budget relates to the cost of handing out products to consumers during the course of the Program. Of the proposed budget of approximately \$5.7M, approximately \$2M relates to the costs of the proposed incentives.¹ This raises the question, VECC submits, of whether and how prominently incentives should play a role within what is proposed as an Education Program before the utility becomes responsible for ensuring the cost effectiveness of the proposal.

Similarly, when dealing with Education Programs, it becomes very hard for stakeholders to assess with any confidence the appropriate level of spending when that spending is not tied to any particular goal or target that is imposed on the applicant. For "regular" CDM programs, the applicant LDC is seeking to meet certain savings targets within a defined time period, with a general requirement that any proposed programs meet certain, objective, cost effectiveness tests. In that context, beyond testing the reasonableness of the factual assumptions underpinning the proposed program, there is a natural pressure on the LDC to propose programs that will efficiently meet the target they are tasked with meeting.

By contrast, the proposed Education Programs (as would be true of any proposed Education Program) is not tied to any particular savings target, instead focusing on the dissemination of CDM related education to particular customers within the franchise area. The unanswered question is whether the level of proposed spending is appropriate given the nature and size of the customer base it is intended to educate, or whether it would be appropriate to spend either more or less.

In the context of this application VECC supports the proposed spending, as it is clear that there is no equivalent program through the OPA, and it is unlikely, VECC would

¹ Application Community Outreach Initiative Tab 4, page 11.

submit, absent considerations of duplication, that the proposed budget of \$5.7M over 4 years, particularly when approximately \$2M is related to direct incentives that will make their way into consumers' hands, is materially too high in relation to what might be an objective view of an appropriate level of spending on purely educational programs within the THESL franchise area. However VECC would respectfully submit that the Board consider whether it should develop a general framework for the assessment of Education Programs so that there will be consistency in the development of such programs across LDCs, with a particular focus on a rationale for the proposed scope of the proposed spending for such programs.

Cost Effectiveness of Proposed Direct Savings Programs

THESL submits that each of its five "direct savings" CDM programs is cost effective in accordance with Section 4.1.1 of the CDM Code. THESL used the OPA's Total Resource Cost (TRC) and Program Administrator Cost (PAC) tests to assess and demonstrate cost effectiveness. As part of the interrogatory process, THESL provided the parties with working copies of its TRC and PAC models to assess the adequacy of those models.

THESL submits that it has appropriately applied the OPA's cost effectiveness tests when developing its Proposed Programs. THESL notes that:

- The Commercial Energy Management & Load Control Program has anticipated TRC and PAC benefit-to-cost ratios of 1.7 and 4.1 respectively;
- The Commercial, Institutional and Small Industrial Monitoring & Targeting Program has anticipated TRC and PAC benefit-to-cost ratios of 1.6 and 1.5 respectively;
- The Flat Rate Water Heater Conversion (& Demand Response) (FRWHCDR) Program has anticipated TRC and PAC benefit-to-cost ratios of 1.9 and 1.7 respectively when including the effect of the *peaksaver*® conversion (which THESL submits is the appropriate methodology), and 1.8 and 1.7 respectively when excluding the effect of the *peaksaver*® conversion;
- The Hydronic System Balancing Program has anticipated TRC and PAC benefit to-cost ratios of 2.2 and 4.7 respectively; and
- The Multi-Unit Residential Demand Response Program has anticipated TRC and PAC benefit-to-cost ratios of 1.6 and 1.0 respectively.

VECC has comments on two of the programs, the Flat Rate Water Heater Conversion (& Demand Response) Program and the Multi-Unit Residential Demand Response Program. That VECC has not commented on the specifics of the other programs should not be taken as a specific endorsement of those programs; it is simply that, as a representative of vulnerable residential consumers VECC has focused on those programs that either target or should, potentially, target its constituents directly. As noted earlier all consumers do, however, retain an interest in the costs of all programs as a result of the manner in which the costs are recovered through the Global

Adjustment. To that end VECC relies on the analysis of others with respect to those programs targeted to other customers groups.

Flat Rate Water Heater Conversion Program

VECC is concerned that THESL may not be properly communicating the fact that some customers may experience an increase in costs when they switch from their existing flat rate for hot water use if they do not change their behavior. If this type of program is to be pursued it must be clear to consumers that their consumption behavior will dictate whether they will save money or not through converting, so that the consumer can make a proper choice as to whether the up-front cost of converting, less the appropriate incentive, is cost effective for them as a result of annual savings. In VECC's view, as long as the flat rate is permitted to these existing customers, they remain entitled to the benefits that may be attached to the rate based on their consumption behaviour. There is also a concern that THESL is not being entirely forthright about the apparent termination of the flat rate² when communicating with its customers; they are advising customers that they must convert, which, if true, would mean that there is no reason for this program. If there is indeed a plan for eliminating the availability of the flat rate then consumers should be clearly advised of that plan in any communications.

Beyond these general concerns, the evidence is that the customer is not specifically encouraged to convert to a natural gas water heater, and would not be entitled to an incentive if they did so (*Tr. Vol. 2 162/163 and Tr. Vol. 3 Page 11/12*). This is surprising, VECC suggests, given THESL's claims of general cooperation on conservation with Enbridge Gas Distribution. THESL should be directed to actively promote conversions to gas water heating in partnership with EGD, and provide an equivalent incentive. The option to, potentially, save more in energy costs over time in exchange for paying potentially higher up-front costs to convert to a natural gas water heater should be specifically discussed with any customer. From the perspective of the customer the nuances between a CDM program that simply reduces electricity consumption and a fuel switching program are moot, and should not dictate the scope of the interaction between LDCs and the consumer even though such considerations may be relevant to the treatment of the LDC's program from a regulatory perspective.³

Second, as suggested by LIEN (*Tr. Vol. 2 Page 174/175*), the program should be linked with distribution and installation of water saving devices. There would appear to be no particular impediment to combining this type of program with the longstanding water savings program as an element of the efficient delivery of CDM though co-delivery of savings measures.

² Undertaking J. 3.1 suggests that THESL comes just short of telling consumers they have to convert off of the flat rate, when in fact

³ i.e. either THESL or EGD may earn varying levels of "credit" depending on whether the consumer switches to a metered electric water heater or a natural gas water heater; that is an issue which should not impact on the consumer.

Third, *undertaking J2.6* shows that the FRWHCDR program is even more cost effective (than as filed) for consumers using the average RPP rate before conversion (7.9c/kwh) and an average TOU rate (6.7c/kwh) post conversion and an incentive equivalent to 20c/kwh. In VECC's view, given the J2.6 response, the program may well also be cost effective (lower TRC and PAC) with an incentive of between 10 and 15 cents/ kwh. THESL should be directed to analyse this lower the incentive and to re-file a modified program.

MURB DR Program

VECC has concerns about the limited scope of the program:

MR. BUONAGURO: All right, thank you. That helps explain the answer there. I just wanted to turn briefly to the multi-unit residential demand response program. At AMPCO No. 29, which I can pull up for you, you were asked about the penetration rates, in particular, the fact that you have a penetration rate of zero percent for the rental sector. And your response, and I will just read it: "THESL does not expect any participation in the rental apartment sector because the vast majority of rental apartment buildings are not centrally cooled. This makes them unsuitable for a demand response program. Even in cases where a rental facility has a significant portable window-based air conditioning population, the issues around controlling these loads do not lend themselves to this program."

Which raised the question in my mind -- and perhaps I can ask you -- you talk about the portable window-based air conditioning population as not being suitable for this particular program; is there a program that they're suitable for?

MR. MARCHANT: There isn't currently a program that addresses that load.

Tr. Vol. 1 Page 159

MR. MILLAR: Okay. Of those three configurations, which would this program be available to? Obviously not the third one, where there aren't individual...

MR. MARCHANT: It is actually applicable to all three. The impacts are actually at the central plant, which impacts the use for the whole building. It doesn't impact the suite use.

So there has to be a mechanism of distributing the incentives to the suite owners.

MR. MILLAR: Okay. Just to be clear, your proposed program, any multi-unit residential building would be eligible for that?

MR. MARCHANT: Provided it is a central cooling plant or heat pumps.

MR. MILLAR: So the meter configuration is irrelevant?

MR. MARCHANT: Yes.

Tr. Vol. 3 Page 14/15

It is clear to VECC that rental units in either Social/Public housing or market rate MURBs are not included in the MURB DR Program and the significant load represented by en-suite Air Conditioner units is a significant missed opportunity.

VECC understands that there are elements of the OPA programs that may provide incentives related to window air conditioners, and THESL should be directed to broaden the program to include more rental units and combine delivery of OPA and THESL programs where appropriate, as suggested in the OPA letter to THESL dated April 21, 2011 (*Exhibit K1.1*) wherein THESL has apparently agreed to:

...deliver the programs in a way that enhances the overall effectiveness of the Province-Wide Programs...and align its program delivery, including harmonizing dispatch, with the Province-Wide Programs.

VECC notes, for example, that THESL is already proposing to target MURBs in its Hydronic System Rebalancing Program; it would seem to VECC that a logical, incremental addition to such a program would be to make available to such buildings any OPA Program related to en-suite Air Conditioning.

General

This is the first LDC application for OEB approved CDM program spending that has been (fully) heard by the Board, and as such is, itself, a pilot project of sorts. It represents the first time the OEB has been engaged in comparing the proposed LDC programs to the existing OPA programs on the issue of duplication, at the same time the OPA continues to roll out its first suite of programs (i.e. the Low Income Program having been made available for LDC registration mid hearing). VECC notes that of the 8 proposed programs:

- a) 3 of the 8 programs representing approximately \$7.6M of the requested \$50M of OEB approved funding have no savings associated with them, and therefore no cost effectiveness testing applied to them, having been characterized as education programs;
- b) 2 of the remaining 5 programs have been identified by the OPA as possible future OPA Province Wide Programs, which would make OEB approval of funding in future years, possibly, irrelevant,
- c) The Flat Rate Water Heater Conversion Program, once stripped of its peaksaver component, is really a leftover component of THESL's campaign to remove grandfathered flat rate water heaters from its customer base, a symptom of the fact that the flat rate persists within THESL's rate structure, and
- d) THESL has undertaken (and the Board should require THESL) to deliver the programs in a way that enhances the overall effectiveness of the Province-Wide Programs...and align its program delivery, including harmonizing dispatch, with the Province-Wide Programs.

Given the various facts and circumstances of this application, VECC respectfully submits that it would be appropriate for the Board to, for example, limit its initial approval of the proposed spending to a one or two year horizon, and require THESL to:

- a) report on the progress of each program on an annual basis,

- b) report on the elevation of its OEB Programs to Province Wide Program status such that the program spending may be shifted outside the need for OEB approval,
- c) report on the effectiveness of its various Education Programs so that the Board may review the appropriateness of the proposed spending levels, and
- d) report specifically on the legal status of the Water Heater Flat Rates and the impact that may have on the proposed program.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 24th DAY OF MAY, 2011