



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2015-0281

HORIZON UTILITIES CORPORATION

**Application for approval of amounts related to the Conservation
and Demand Management Performance Incentive**

BY DELEGATION, BEFORE: Lynne Anderson

April 14, 2016

INTRODUCTION AND SUMMARY

Horizon Utilities Corporation (Horizon) is the electricity distributor that serves approximately 245,000 customers in the City of Hamilton and the City of St. Catharines.

Horizon applied to the Ontario Energy Board (OEB) for approval of amounts related to the Conservation and Demand Management (CDM) performance incentive. The application is made under section 7.1.1 of the OEB's CDM Code for Electricity Distributors (CDM Code). The total amount of the performance incentive Horizon has applied for is \$270,624.

For the reasons discussed below, the OEB approves Horizon's application for a performance incentive of \$270,624.

2011-2014 CDM Framework

The Minister of Energy and Infrastructure issued a directive (the Directive) to the OEB on March 31, 2010. The Directive required the OEB to take steps to establish energy and peak demand CDM Targets to be met by licensed distributors through the delivery of OEB-Approved CDM Programs and Ontario Power Authority (OPA)¹-Contracted Province-Wide CDM Programs over a four-year period that began on January 1, 2011 and ended on December 31, 2014.

The Directive also required the OEB to issue a code that sets out the obligations and requirements with which licensed distributors must comply in relation to the CDM targets. Among other things, the code was required to include rules relating to performance incentives associated with CDM programs. In establishing these rules, the OEB was required to have regard to the government's objective that a tiered performance incentive mechanism be available to distributors for verified energy and peak demand savings once a distributor meets at least 80% of each CDM Target.

The CDM Code issued by the OEB on September 16, 2010 includes section 7 that sets out the eligibility for, and calculation of, a performance incentive. Distributors are eligible for a tiered performance incentive if they have achieved at least 80% of each of their CDM Targets (i.e., energy and peak demand), and performance incentives do not

¹ On January 1, 2015, the OPA merged with the IESO. The IESO assumed all responsibilities related to CDM activities previously given to the OPA and will be referred to throughout the remainder of this Decision and Order.

accrue for performance that exceeds 150% of each CDM Target. Horizon achieved over 80% of both CDM Targets.

As indicated in section 7.3.1 of the CDM Code, the OEB will consider applications for a performance incentive and make a determination on the appropriate amount based on the methodology established in the CDM Code. Further, section 7.3.1 states that performance incentives approved by the OEB will include a determination regarding the amount and timing of payments to be made by the Independent Electricity System Operator (IESO) under section 78.5 of the *Ontario Energy Board Act, 1998* (the OEB Act). As with other costs related to the delivery of conservation programs, performance incentive amounts will be paid to distributors by the IESO and funded through the Global Adjustment.

THE PROCESS

In support of its application, Horizon filed its 2011-2014 Final CDM Results Report it received from the IESO. The CDM Results Report provides the final, verified results for all CDM programs Horizon undertook from 2011 to 2014. The results include verified energy and peak demand savings, as well as participation figures and spending amounts.

The electricity and peak demand savings resulting from IESO-Contracted Province-Wide CDM Programs have been verified by the IESO in a manner consistent with its evaluation, measurement and verification (EM&V) protocols. The EM&V process followed by the IESO includes the use of third party evaluation experts that conduct an independent third party review of the program results to ensure accuracy.

As set out in the CDM Code, in addition to the energy and peak demand savings that result from the IESO-Contracted Province-Wide CDM Programs, electricity distributors can also meet their CDM Targets by including any electricity and peak demand savings that result from OEB-Approved CDM Programs. The OEB previously determined² that the implementation of Time-Of-Use (TOU) pricing is deemed to be an OEB-Approved CDM Program for the purposes of achieving CDM targets. The energy and peak demand savings that resulted from the impact of TOU pricing was also evaluated by the IESO. Similar to the process to evaluate the IESO-Contracted Province-Wide CDM Program results, the evaluation process for TOU results included a third party evaluation expert retained by the IESO. The final, verified savings from the TOU evaluation have been included in the Final CDM Results Reports provided to distributors by the IESO, and included in this application.

Horizon calculated its performance incentive amount using the final, verified results it received from the IESO. Horizon relied on the performance incentive calculator³ developed by the OEB in calculating the performance incentive amount.

Given that the calculation of the performance incentive amount is largely mechanistic as it is based on a formula set out in the CDM Code and relies on the final results provided by the IESO, this Decision and Order is being issued by Delegated Authority without a hearing pursuant to section 6(4) of the OEB Act.

² [Guidelines for Electricity Distributor and Conservation and Demand Management](#), April 26, 2012 (EB-2012-0003)

³ The CDM Performance Incentive Calculator can be found on the OEB's website: http://www.ontarioenergyboard.ca/oeb/Documents/CDM/CDM_Performance_Incentive_Calculator.xlsx

CDM PERFORMANCE INCENTIVE

Horizon applied to the OEB for approval of a performance incentive amount. In accordance with the CDM Code, a distributor is eligible for a performance incentive if it achieves over 80% of each CDM Target.

Horizon's CDM Targets and final achievement are shown in the table below.

	2014 Net Annual Peak Demand Savings	2011-2014 Net Cumulative Energy Savings
CDM Target	60.36 MW	281.42 GWh
Final Results ⁴	48.8 MW*	302.5 GWh
% of Target Achieved	81%	108%

* Includes 2.487 MW peak demand savings achieved from the implementation of TOU pricing.

Horizon achieved 302.5 GWh of 2011-2014 net cumulative energy savings (or 108% of its energy savings target of 281.42 GWh) and 48.8 MW of 2014 net annual peak demand savings (or 81% of its peak demand target of 60.36 MW). Since Horizon achieved over 80% of its CDM Targets, it is eligible for a performance incentive as indicated in the CDM Code.

Calculation of the CDM Performance Incentive

Horizon calculated the performance incentive amount in accordance with the requirements set out in section 7.2 and Appendix D of the CDM Code. Horizon requested approval for a total performance incentive amount of \$270,624.

The table below shows the performance incentive amount calculated by Horizon using the OEB's calculator. The performance incentive amount is comprised of \$263,712 related to those savings that contribute to achievement of the energy target and \$6,912 related to those savings that contribute to the achievement of the peak demand target. The total performance incentive amount is based on the ranges for six performance incentive tiers that are set out in Appendix D of the CDM Code.

⁴ Results as reported by Horizon Utilities. Results are taken from the IESO's 2011-2014 Final CDM Results Report that was filed by Horizon Utilities in support of its application.

Range	Energy Savings Incentive			Peak Demand Savings Incentive		
	¢/kWh	GWh	(\$)	\$/kW	kW	(\$)
Savings Not Eligible for Incentive (0% to <80%)	0	225.120	0	0	48,271	0
Incentive 1 (80% to <100%)	0.30	56.284	168,852	13.50	512	6,912
Incentive 2 (100% to <110%)	0.45	21.080	94,860	20.25	0	0
Incentive 3 (110% to <120%)	0.75	0	0	33.75	0	0
Incentive 4 (120% to <130%)	1.05	0	0	47.25	0	0
Incentive 5 (130% to <140%)	1.35	0	0	60.75	0	0
Incentive 6 (140% to <150%)	1.80	0	0	81.00	0	0
Savings Not Eligible for Incentive (over 150%)	0	0	0	0	0	0
Savings Totals		302.5			48,783	
CDM Incentive Sub Totals			\$263,712			\$6,912
CDM Incentive Total						\$270,624

Findings

The OEB accepts the final verified program results filed by Horizon as determined by the IESO. Further, the OEB finds that the performance incentive amount has been calculated consistently with the formula outlined in the CDM Code. Therefore, the OEB approves Horizon's application for a performance incentive in the amount of \$270,624.

The OEB has attached a letter to the IESO, included in Schedule A, regarding the payment details of the performance incentive amount to Horizon.

The OEB has broken down the total approved performance incentive amount of \$270,624 in order for the IESO to make the applicable payments to Horizon. For the OEB-Approved CDM Program portion of the performance incentive, the total amount to be paid to Horizon is \$352 based on 2.487 MW peak demand savings achieved from the implementation of TOU pricing.⁵ The remaining amount of the performance incentive is comprised of savings achieved from IESO-Contracted Province-Wide CDM Programs and is equal to \$270,272.

⁵ The TOU savings of 2.487 MW represent 5.096% of the total peak demand savings of 48.8 MW. Therefore the OEB-Approved Program portion of the performance incentive is 5.096% of the total performance incentive for peak demand savings of \$6,912 and equals \$352.

ORDER

IT IS ORDERED THAT:

1. A CDM performance incentive amount of \$270,624 is approved for Horizon Utilities Corporation. The performance incentive is to be paid by the IESO in accordance with the letter attached to this Decision and Order.

DATED at Toronto April 14, 2016

ONTARIO ENERGY BOARD

Original Signed By

Lynne Anderson
Vice President, Applications

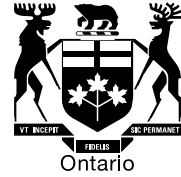
SCHEDULE A
DECISION AND ORDER
HORIZON UTILITIES CORPORATION
EB-2015-0281
APRIL 14, 2016

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BY EMAIL

April 14, 2016

Mr. Nik Schruder
Sr. Manager, Program & Partner Services
Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1

Dear Mr. Schruder:

**RE: Conservation and Demand Management Performance Incentive Payment –
Horizon Utilities Corporation (EB-2015-0281)**

Horizon Utilities Corporation (Horizon) applied to the Ontario Energy Board (OEB) for approval of a Conservation and Demand Management (CDM) performance incentive amount. In accordance with the OEB's Conservation and Demand Management Code for Electricity Distributors, the OEB has considered distributor applications for performance incentives, and, where approved, determined the appropriate amounts to be paid by the Independent Electricity System Operator (IESO).¹

In the Decision and Order dated April 14, 2016, the OEB approved Horizon's performance incentive application and determined that Horizon is eligible to receive a total amount of \$270,624.

The OEB has divided the total CDM performance incentive amount of \$270,624 in proportion to the savings that were the result of OEB-Approved CDM Programs and IESO-Contracted Province-Wide CDM Programs as follows:

¹ The Conservation and Demand Management Code for Electricity Distributors references the former Ontario Power Authority (OPA). On January 1, 2015, the OPA merged with IESO. The IESO has assumed all former responsibilities of the OPA.

- OEB-Approved CDM Programs = \$352
- IESO-Contracted Province-Wide CDM Programs = \$270,272

The OEB expects the IESO to issue payments to Horizon, consistent with the amounts set out above, as soon as practicable.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

c: Horizon Utilities Corporation