

April 28, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
26th Floor, Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli

**Re: PowerStream Inc. (Licence ED-2004-0420)
2011 -2014 CDM Performance Incentive Payment**

Pursuant to Section 7 of the *Conservation and Demand Management Code for Electricity Distributors*, PowerStream respectfully submits the enclosed application for a CDM Performance Incentive Payment in relation to the 2011-2014 CDM framework.

PowerStream requests that the Board approve the recovery by PowerStream of the amount of \$812,298 in Performance Incentive Payments. PowerStream also requests that the Board direct the IESO to make this payment to PowerStream at a time to be determined by the Board, in accordance with section 78.5 of the Ontario Energy Board Act, 1998.

The Application and supporting material are being filed through the Board's RESS system and two paper copies will follow by courier.

If you have any questions, please do not hesitate to contact the undersigned.

Yours truly,

Original signed by

Colin Macdonald
SVP, Regulatory Affairs & Customer Service

copy. Raegan Bond, VP, Conservation & Demand Management
James Sidlofsky, BLG, Counsel to the Applicant

1 **Introduction**

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3 PowerStream Inc. (“PowerStream”) is licensed by the Ontario Energy Board (“OEB” or the
4 “Board”) to distribute electricity and to deliver Conservation and Demand Management (“CDM”)
5 programs to customers within its service territory. PowerStream is applying to the OEB for the
6 2011-2014 CDM Performance Incentive payment in accordance with section 7 – Performance
7 Incentive – of the *Conservation and Demand Management Code for Electricity Distributors*
8 issued by the OEB on September 16, 2010 (the “Code”).

9 Based on the methodology set out in the Code and the evidence presented in this Application,
10 PowerStream respectfully requests that the Board approve the recovery by PowerStream of the
11 amount of \$812,298 in Performance Incentive Payments. PowerStream also requests that the
12 Board direct the IESO to make this payment to PowerStream at a time to be determined by the
13 Board, in accordance with section 78.5 of the *Ontario Energy Board Act, 1998*.

14 **Background**

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16 The CDM Code set out the obligations and requirements with which Local Distribution
17 Companies (LDCs) were to comply in relation to the CDM targets set out in their licenses for the
18 2011-2014 period. PowerStream’s target was to achieve 95.57 MW of demand savings and
19 407.34 GWh of cumulative energy savings over the period of January 1, 2011 to December 31,
20 2014.

21 To comply with the Code requirements, PowerStream filed a CDM Strategy Document¹ to the
22 OEB on October 29, 2010 which laid out a high-level description of how it intended to achieve
23 its CDM targets. The Code also requires a distributor to file annual reports with the Board.
24 PowerStream submitted its fourth and final Annual Report on September 30, 2015.

25 On December 17, 2014, the Board issued a letter² to all licenced electricity distributors which
26 provided guidance to distributors related to overall CDM Target performance and compliance

¹ http://www.ontarioenergyboard.ca/OEB/ Documents/EB-2010-0215/PowerStream_CDM%20Strategy_20101029.pdf

² http://ontarioenergyboard.ca/oeb/ Documents/EB-2010-0215/Brdltr_2013%20CDM%20Report_20141217.pdf

1 actions that would be undertaken by the Board. In the letter, “the Board notes that the 2010
2 CDM Directive set out the government objective of providing a tiered incentive to distributors
3 stating at 80% achievement of the targets. In view of this threshold for receiving incentive
4 payments, the Board has determined that it will take no compliance action for distributors that
5 reach at least 80% of their targets”. The letter also acknowledged the transitioning
6 responsibilities for demand response initiatives as a result of the Long Term Energy Plan and
7 indicated that “the Board will not take any compliance action related to distributors who do not
8 meet their peak demand targets”.

9 Section 7 of the Code sets out the performance incentive mechanism for distributors in relation
10 to their 2011-2014 CDM targets. Performance incentives are calculated across the distributor’s
11 entire portfolio of Board-Approved CDM Programs and IESO-Contracted CDM Province Wide
12 CDM programs and in the manner set out in the CDM Code, Appendix D.

13 **Evaluated 2011-2014 CDM Results**

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15 In its 2014 annual CDM report, filed with the Board on September 30, 2015, PowerStream
16 reported that it achieved 77.2% and 121.8% of its 2014 peak demand reduction and 2011-2014
17 energy savings targets, respectively. A breakdown of results by program is shown below.
18 PowerStream attributes its 21.8 MW shortfall in demand savings to two factors – Time of Use
19 (TOU) pricing and the cancellation of Demand Response 3 Program (DR3) – both of which were
20 outside of PowerStream’s control and which combined represented about 23 MW in lost
21 opportunities. This is further discussed in the Performance Assessment section below and was
22 also discussed in PowerStream’s 2014 CDM Annual Report submission to the Board³.

³http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/498238/view/PowerStream%202014%20Annual%20CDM%20Report_20150930.PDF

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Table 1 - Summary 2011-2014 CDM Results

	2014 Incremental Net Savings		Contribution to Targets	
	Peak Demand (MW)	Energy (GWh)	Net Peak Savings 2014 (MW)	Annual Demand in 2011-2014 Net Cumulative Energy Savings (GWh)
IESO-Contracted Province-Wide CDM Programs				
Consumer Program	17.32	14.64	24.22	78.94
Business Program	13.85	63.49	30.86	283.56
Industrial Program	6.33	1.19	6.95	19.78
Home Assistance Program	0.03	0.43	0.11	2.54
Pre-2011 Programs	0.00	0.00	3.05	54.08
Other	0.39	2.15	0.39	2.16
Previous Year Adjustments	2.61	14.03	3.44	49.32
Subtotal	40.54	95.93	69.03	490.38
Board-Approved CDM Programs				
BRI Program	0.82	5.84	0.83	5.96
TOU Pricing	3.94	0.00	3.94	0.00
Subtotal	4.76	5.84	4.76	5.96
Total Portfolio Results	45.29	101.78	73.80	496.34
OEB Target			95.57	407.34
% Target achievement			77.2%	121.8%

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3 PowerStream’s verified results for IESO-Contracted Province Wide CDM Programs and for TOU
 4 Pricing were evaluated and provided to PowerStream by the IESO. The results of
 5 PowerStream’s Board-Approved Program, the Business Refrigeration Incentives (BRI) Program,
 6 were evaluated and verified in compliance with section 6.1.1 of the Code. That is, it was
 7 evaluated by an independent third party selected from the IESO’s Vendor of Record list in
 8 accordance with the IESO’s Evaluation Measurement and Verification Protocols⁴.

⁴http://www.powerauthority.on.ca/sites/default/files/conservation/EM%26V%20Protocols%20and%20Requirements%20Final%20v1_10312014.pdf

1 **Demand Reduction Target – Performance Assessment**

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3 Based on final verified results from the IESO, PowerStream felt short of its demand reduction
4 target by 21.8 MW. The shortfall against the peak demand target is attributed to two main
5 factors - TOU pricing and the Demand Response 3 Program (DR3). Both of these initiatives,
6 which were outside of PowerStream's control, contributed far fewer demand savings than was
7 contemplated during the setting of the targets and the design of the provincial CDM programs in
8 2010.

9 TOU Pricing

10 When LDC CDM targets were established in 2010, it had been estimated that TOU pricing
11 would contribute 308 MW (or 23%) toward the aggregate distributor target of 1330 MW. In
12 2011, PowerStream estimated – using the same percentage breakdown of resources – that
13 TOU pricing would contribute approximately 22 MW in net demand reduction. However TOU
14 pricing only contributed 3.9 MW of demand reduction toward PowerStream's target,
15 representing a negative variance of more than 18 MW.

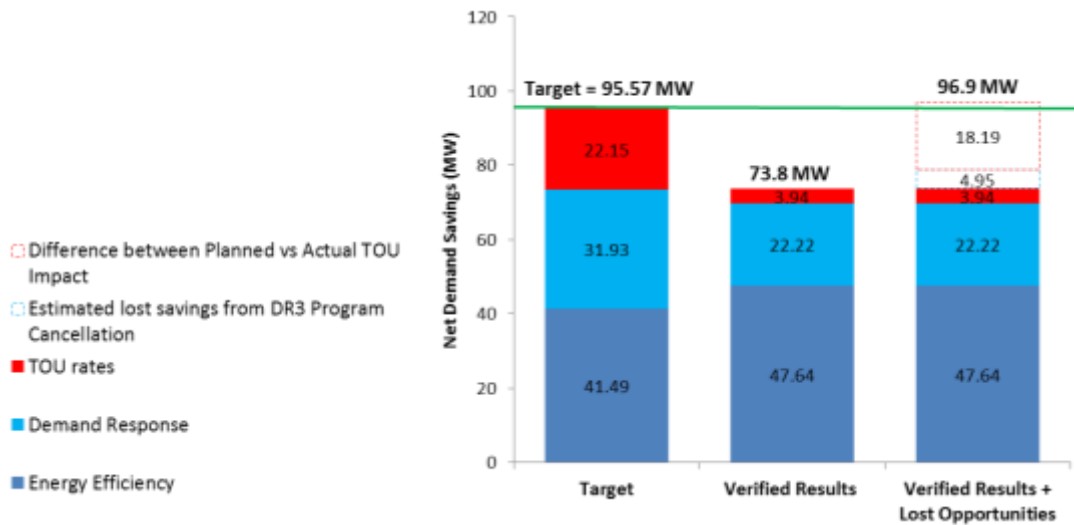
16 Cancellation of procurement under the DR3 Program

17 In March 2014, the Minister of Energy issued a Directive to the Ontario Power Authority which
18 cancelled the OPA's authority to procure any additional MW of capacity under the DR3 program.
19 At the time the DR3 program was cancelled, PowerStream had roughly 6.2 MW (27 customers)
20 who had signed agreements with the aggregators but not yet enrolled in the program. Based on
21 current *ex-ante* values for DR3 contracts, PowerStream estimates that this represents a lost
22 opportunity of just under 5 MW of savings against its CDM target.

23 Figure 2 illustrates the significant negative impact of the TOU pricing and DR3 program on
24 PowerStream's demand target achievements. PowerStream estimates that had the TOU
25 pricing achieved results as expected, and had it been able to continue to enrol customers in the
26 DR3 program, it would have achieved more than 100% of the demand reduction target.

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Figure 2 - Demand Reductions - Planned vs Actual



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Performance Incentive Calculation

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6 As described in Appendix D of the Code, “a distributor is only eligible for a performance
7 incentive when it has reached 80% of both of its CDM Targets (i.e. the distributor has achieved
8 80% of its electricity (kWh) target and 80% of its peak demand (kW) target)”. Based on the
9 numbers shown above, it could be interpreted that PowerStream did not achieve the minimum
10 80% threshold for its peak demand target to be eligible for a performance incentive.

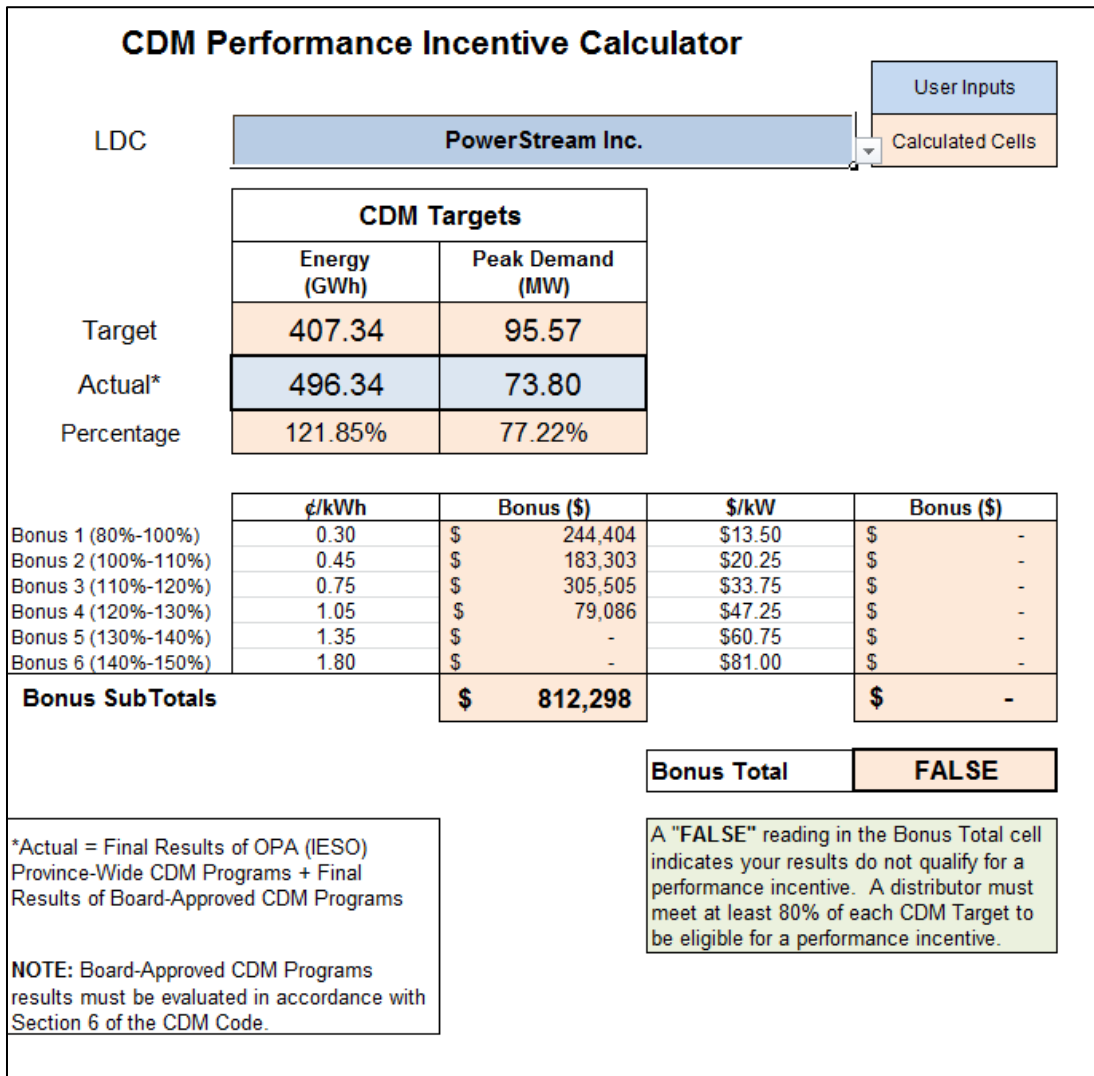
11 However, while these results shown in Table 1 are referred to as verified, it is important to
12 understand that they are *verified point estimates with an associated range of uncertainty*. The
13 IESO EM&V protocols stipulate a minimum level of confidence and precision for CDM program
14 impact evaluations at 90/10, meaning that the bounds of the estimated impact’s 90% confidence
15 interval must be no more than 10% different from the point estimate. IESO staff has indicated
16 that while in some cases a confidence/precision of 95/10 has been achieved, on the whole the
17 portfolio is achieving 90/10.

18 Applying this understanding to the peak demand savings of 73.8 MW in Table 1, the overall
19 portfolio impact estimate’s 90% confidence interval is 66.4 MW – 81.2 MW. This interval
20 straddles the 80% target achievement threshold of 76.46 MW for Performance Incentive
21 eligibility (“Target Threshold”). The hypothesis that there is no difference between the Target
22 Threshold and the true total portfolio impact cannot be rejected at the 90% level of confidence.

1 That is, the estimated impact is not statistically significantly different from the Target Threshold.
 2 It is therefore possible – based on statistical probability – that PowerStream has in fact met the
 3 80% target threshold.

4 Based on the understanding of the statistical precision and confidence of the verified results,
 5 PowerStream respectfully requests that the OEB deem the 80% Target Threshold to have been
 6 met and award PowerStream a performance incentive of \$812,298 based the outputs of the
 7 OEB Incentive Calculator, as shown in the figure below.

8 **Figure 3 – CDM Performance Incentive Calculator**



1 **Allocation of Benefits**
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3 PowerStream confirms that 100% attribution of benefits is being claimed for all CDM programs
4 and savings referenced in this Application. Section 7.1.5 of the Code deems PowerStream's
5 role to have been central for all IESO-Contracted Province-Wide CDM Programs. Section 3 of
6 the Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (April
7 26, 2012) state that the results from TOU Pricing are to be verified by the IESO and allocated to
8 distributors, and that "verified TOU savings will be eligible for a performance incentive in
9 accordance with Section 7 of the CDM Code". PowerStream's Business Refrigeration Incentive
10 Program – the only Board-Approved local CDM program to reach market in the 2011-2014 CDM
11 Framework – was entirely funded and delivered by PowerStream, thereby meeting the centrality
12 test for allocation of benefits.

13 **Conclusion**
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15 Based on the foregoing, PowerStream respectfully requests that the OEB approve the recovery
16 by PowerStream of the amount of \$812,298 in Performance Incentive payments. PowerStream
17 further requests that the OEB direct the IESO to pay PowerStream this amount at a time to be
18 determined by the Board, in accordance with section 78.5 of the *Ontario Energy Board Act,*
19 *1998.*

20 PowerStream requests that this Application be disposed of by way of a written hearing.

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22 **All of which is respectfully submitted this 28th day of April, 2016.**