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Sept. 16, 2021

Christine Long
Registrar
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Long,

RE: EB-2021-0106 - Updating the CDM Guidelines for Electricity Distributors – Comments of the London Property Management Association

The Ontario Energy Board ("OEB") released an OEB staff discussion paper on August 5, 2021 titled "Updating the Conservation and Demand Management Guidelines for Electricity Distributors". This discussion paper sets out a proposed approach regarding the role of Conservation and Demand Management ("CDM") for rate-regulated electricity distributors in response to the September 30, 2020 Minister of Energy, Northern Development and Mines directive to the Independent Electricity System Operator ("IESO") that provided direction on the electricity CDM framework for the period 2021 through 2024 and the subsequent IESO release of January 4, 2021 2021-2024 CDM framework program plan.

The staff discussion paper addresses the 2021-2024 CDM framework, the wind-down of any CDM activities associated with the 2015-2020 Conservation First Framework ("CFF") and the interim framework, and rate-funded CDM activities outside of the provincial frameworks.

The OEB invited interested parties to provide written comments on the OEB staff discussion paper and proposed updates to the CDM guidelines. These are the comments of the London Property Management Association ("LPMA") on the staff discussion paper.

In general, LPMA agrees with and supports the staff proposals. LPMA has arranged its comments in the same order as found in chapters 2 through 6 of the OEB staff discussion paper dated August 5, 2021.

Distribution Rate-Funded CDM Activities and Role of CDM in System Planning (Chapter 2)

LPMA strongly supports the proposal that the updated CDM guidelines support an approach to infrastructure planning – at both the regional and local levels – that requires consideration of the role of CDM in meeting system needs.

LPMA further proposes that the updated CDM guidelines should mirror, where possible, the EB-2020-0091 Decision and Order dated July 22, 2021 for Integrated Resource Planning ("IRP") Proposal for Enbridge Gas. That decision established an IRP framework for Enbridge Gas that provided direction on the OEB's requirements for the natural gas distributor to consider alternatives to traditional pipeline infrastructure, including demand-side alternatives such as geotargeted energy efficiency and demand response. The IRP framework deals with many of the same topics that are relevant to the role of CDM in electricity distribution system planning such as the timely identification of needs, the comparison and evaluation of alternatives, and cost recovery.

OEB staff propose that electricity distributors should be required to incorporate consideration of CDM activities into their distribution system planning process including each of the following:

- When assessing system needs, providing sufficient lead time to enable consideration of non-traditional solutions, including CDM activities;
- Defining the types of system needs where CDM activities have the greatest potential to meet the system need; and
- Ensuring a process is in place to consider CDM as a potential solution for these types of system needs and to compare CDM to traditional wires solutions.

LPMA supports these proposals. In addition, LPMA believes that a database should be established that shows where CDM activities have the greatest potential to meet system needs and the type of CDM that best meets the system need. While the system needs across distributors will be different from one another, they are likely to be similar in some regards and it would be inefficient in terms of both time and costs for distributors to have to evaluate all potential CDM based solutions on their own, rather than benefiting from knowledge gained by other distributors in the industry.

OEB staff have proposed that distributors should be allowed to seek distribution rate funding for CDM activities for the purpose of meeting identified distribution system needs where IESO funding is not available. Staff further propose that the updated CDM guidelines should indicate that CDM activities that would only benefit participating customers (such as incentives for energy efficiency equipment) but do not address a distribution system need are not eligible for distribution rate funding.

LPMA supports both of the above staff proposals. CDM funding through distribution rates should be limited to those that impact a distribution system need that benefits more than just one customer.

With respect to the timing of an application, LPMA supports the staff proposal that any funding requests for CDM activities specific to a distribution rate-funded CDM activity should be reviewed as part of a cost-of-service application, whenever possible, and only in a stand-alone CDM application in non-cost of service years on an exceptional basis. A cost-of-service application provides a better forum to review the amount of CDM funding requested, how it fits into the distribution system plan and its impact on demand.

LPMA supports the staff proposals with respect to cost recovery as set out on page 11 of the staff discussion paper and will not be repeated here. Similarly, LPMA supports the staff proposals related to regional planning as set out on page 12 of the staff discussion paper.

Role of Distributors in the Local Initiatives Program (Chapter 3)

Staff is not proposing any changes to the approach set out in the OEB's letter of May 28, 2021 related to distributor participation and cost recovery in the Local Initiatives Program ("LIP"). As indicated in the staff discussion paper, it is expected that the OEB will review whether the same approach will be used for distributors partnering with the IESO in subsequent phases of the LIP based on the experience gained from the first phase.

LPMA has no further comments other than to emphasize the need to avoid duplication between the distributor and the IESO and the need for distributors to demonstrate how their LIP activities will deliver value to their customers at the time that the distributor applies for disposition of the balances in the LIP deferral account.

Distributor Staffing Costs for CDM and Supporting Activities (Chapter 4)

LPMA supports the staff proposal that, in the absence of LIP partnership activity, distributors should not request funding through distribution rates for dedicated CDM staff to support IESO programs funded under the 2021-2024 CDM Framework.

LPMA also supports the staff proposal that any staffing costs specific to a distribution rate-funded CDM activity or to a distributor's LIP partnership should be reviewed as part of the funding request for the CDM activity. LPMA believes that this should be done in a cost-of-service application, whenever possible, and only in a stand-alone CDM application in non-cost of service years on an exceptional basis.

In either case, LPMA submits that the staffing and supporting activities costs for CDM should be reported in sufficient detail (for both historical and forecast years) so that they can be identified separately from other operating, maintenance and administrative costs.

Impact of CDM on Distributor Revenues, Including Lost Revenue Adjustment Mechanism (Chapter 5)

LPMA submits that the Lost Revenue Adjustment Mechanism ("LRAM") should only be used in specific and exceptional circumstances. These circumstances would include distribution funded CDM activities and LIP activities. LPMA also agrees with the staff proposal that LRAMs will be requited as a traditional measure for the wind down of CFF and some interim framework activities.

The LRAM was designed to eliminate any disincentive on the part of distributors to reduce electricity consumption and the accompanying loss in distribution revenues. The LRAM variance account was used to true up the difference between actual and forecast CDM related revenue reductions and was symmetrical meaning that the distributor did not benefit to the detriment of customers if the actual lost revenues were less than that forecasted.

Rate design initiatives over the last number of years has effectively eliminated the need for an LRMA variance account for the residential class. LPMA also notes the time and effort that has been dedicated to determining the actual CDM related loss of revenue has been significant, especially for small and medium sized distributors. The reduction in the use of the LRAM should result in reductions in the accounting exercise to determine the amount in the LRMA variance account to be cleared.

LPMA believes that distributors should forecast the impact of CDM activities as part of their load forecasts, just as they forecast other changes that impact their customers use and the number of customers to be served.

LPMA strongly agrees with staff that LRAMs should not be a default approach for new CDM activities and that historical and forecast impacts related to CDM activities should be reflected in their load forecast whenever possible.

CDM/DSM Co-ordination (Chapter 6)

LPMA agrees that where there are opportunities for co-ordination between natural gas and electricity distributors, the updated CDM guidelines should encourage distributors to co-ordinate with entities delivering DSM programs with the goal of reducing costs and improving efficiencies.

In addition, LPMA believes that natural gas and electricity distributors should co-ordinate their efforts with respect to integrated resource planning. For example, if a natural gas distributor is expanding its network to serve a community that previously did not have access to natural gas, then the electricity distributor should take this potential reduction in peak electricity demand into account in that area/region. Similarly, if an area served by an electricity distributor is experiencing, or is forecast to experience, an increase in peak demand that may require additional investment, the expansion of natural gas service to that area or an adjacent area should be considered as a possible way to reduce the peak electrical demand as a demand management opportunity.

Yours very truly,

Randy Aiken

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