



September 16, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON
M4P 1E4

Dear Ms. Long:

**RE: CONSERVATION AND DEMAND MANAGEMENT (CDM) GUIDELINES FOR ELECTRICITY DISTRIBUTORS
ONTARIO ENERGY BOARD FILE NUMBER: EB-2021-0106**

The Electricity Distributors Association (EDA) represents local hydro utilities, the part of our electricity system that is closest to customers. Local hydro utilities are on the front lines of power, and we know that the most important conversations about energy happen around the kitchen table, not the boardroom table. This response, prepared in consultation with Ontario's electricity distributors, is offered to inform the OEB's finalization of the Conservation and Demand Management (CDM) Guidelines.

Summary of Comments

At a high level, we are supportive of the new guidelines and many of the changes proposed in the OEB staff discussion paper. In particular, on behalf of our LDC members, we appreciate the flexibility recommended in the paper regarding CDM cost recovery in OM&A and Capital.

We also support the specific guidance around the use of load forecasts instead of Lost Revenue Adjustment Mechanism (LRAM). However, as the paper notes, the IESO is unwilling to supply savings reporting to the LDCs, thereby making accurate load forecasting unachievable. Each LDC will need to estimate the impact of the IESO's programs. We strongly recommend that the OEB require the IESO to supply accurate savings results and projected savings expectations for each LDC service area, to make the use of load forecasts workable.

Furthermore, there are several areas of the OEB staff discussion paper where we seek greater clarity to provide a more fulsome response and understand the impacts of the guidance document to LDCs.

Our specific response to each point raised in the OEB staff discussion paper, and the areas where greater clarity is required, can be found in Appendix A to this document. Further, we provide the following context for your consideration.

Historical LDC CDM Value:

Local distribution companies (LDCs) successfully and cost-effectively delivered CDM programs to over 5 million residential, commercial, industrial, and institutional customers throughout Ontario for over a decade. LDCs are proud of their CDM success and associated positive relationship with customers in Ontario. The 2015-2020 Conservation First Framework delivered by LDCs with centralized funding from the IESO, was the most cost-effective CDM framework in recent history. In the first three years of the framework, needed savings were achieved by Ontario's families and businesses, while reducing peak demand by 648MW - enough to supply power to 100% of London Hydro's customers on the hottest day of the year¹. It is also equivalent to the capacity of the Halton Hills gas generation station, one of the largest gas fleets in Ontario, at a fraction of the operating costs. **Business programs were delivered at an amortized system cost of under 1.5¢/kWh, based on verified results from the IESO. This is 40% lower than the budgeted cost-effectiveness of the 2021-2024 Conservation and Demand Management Framework Program Plan**, and significantly lower than any other forms of new electricity generation in the province. LDCs, the trusted energy advisors to Ontario's businesses and families, were pleased to see the results of their efforts deliver needed jobs and improved economic stability in all areas of the province.

The next decade of activity in the Ontario energy marketplace holds expectations that there will be government carbon policies and opportunities for LDCs to interface with the market in a greater way (energy efficiency, demand management, DERs, energy storage, electric vehicles etc.) as well as a shift towards greener and decentralized generation. Customers will continue to turn to their local electricity distribution company for advice and guidance on these matters, and LDCs will continue to influence and advise its customers on the productive use of energy.

LDC Value to Customer Engagement and CDM

- **Leveraging LDCs' Trusted Advisor Status:** The nature of the energy markets in Ontario continues to benefit from the 'trusted advisor' role the LDC has built and maintained with its customers. That relationship is framed in a carefully regulated environment to which customers have every reason to place their trust with their local hydro utility.
- **Technology surrounding energy efficiency has grown:** What hasn't changed, however, is the critical element of the human interface. Only informed, educated, and empowered customers will make positive changes in their business environment. LDCs continue to play the crucial link between provincial CDM programs and informed decision making for rate payers who are looking to reduce their consumption.
- **Beneficial outcomes of LDCs guiding customers' energy efficiency journey:**
 - support customers' ability to better manage energy as a controllable cost, addressing affordability which is a principal customer concern
 - help enhance or support system reliability

¹ Data provided in OEB 2019 yearbook of electricity distributors

LDCs are supportive of customer-focused conservation efforts and will continue to:

- plan for conservation
- assist the IESO and its contracted third-party delivery agents
- help create high quality jobs; and
- help all customers achieve needed savings.

The result will be more productive use of energy for LDCs' customers. However, without accurate energy savings data, there will continue to be the potential for lost revenue for the LDCs, as their rate designs and load profiles will be based on historic trends plus a forecast guess of the impact of new conservation initiatives. The absence of a formal energy savings report from the IESO may lead to higher rates for customers in the future to make up for the lost revenue and the associated planning costs. LDCs need accurate information from the IESO which, as the OEB staff discussion paper states, is currently being withheld and will not be provided.

We recommend that the guidelines be flexible and considerate of current and future CDM activities and collaborations. We add that these efforts should focus on continuing LDCs' valued role in:

- augmenting the customer experience (e.g., CDM education and support)
- creating customer value, and/or
- addressing local system needs (more efficient grid, more efficient end use, addressing capacity constraints, providing asset life extension, increasing service reliability).

Overall, as recommended in the OEB staff discussion paper, the guidelines should be enabling and permit LDCs to recover costs for:

- supporting IESO-directed CDM activities through OM&A increases for staff who are not dedicated to CDM, and Local Initiatives Program (LIP) variance accounts.
- local strategic and distribution system planning: both in staff time for analyzing CDM in the DSP and in capitalization of CDM activities. The recovery should be expanded to include regional planning efforts as well as local.
- program activities outside of the centrally delivered activities such as energy storage, distributed energy resources, and Green Button, as provided in separate proceedings. LDCs will continue to support and collaborate on initiatives like demand response programs, energy storage, Green Button and DER technologies which are often related to CDM activities and targets.

We also recommend that the guidelines be reviewed and updated every four years, or as major policy changes are announced.

LRAM

We are supportive that the LRAM should not be the default for new CDM activities. However, the OEB should require the IESO to provide accurate reporting and follow strict EM&V protocols for all CDM programs to calculate savings forecasts and results to LDCs for their respective service areas.

The LRAM Variance Account (LRAMVA) was created to provide a mechanism for LDCs to recover lost revenue that was not included in load forecasts used to calculate rates. As noted in the current guidelines: “With an LRMA [*sic*], a distributor can recover revenues it has lost in the past because a CDM program has lowered customers’ consumption levels”². LDCs need to have access to CDM data to properly calculate for LRAM (for provincial and local program participation in their service territory). As CDM continues to be offered in the province, it would be appropriate that LDCs continue to recover LRAMVA for consumption and demand reductions in their service areas. Alternatively, the IESO could provide reasonable savings projections, by LDC, so that the savings can be incorporated into the load forecast.

Currently, there is no way for an LDC to accurately ascertain the amount of savings in their service areas attributed to IESO programs. This will result in LDCs being unable to accurately quantify the level of CDM savings for purposes of determining load forecasts or the LRAMVA balance. We recommend that the OEB require the IESO to provide annual reporting of savings, forecast and actual, by LDC service area. This can be in a similar format to the IESO reports provided under the former Conservation First Framework. Having a report from the IESO will eliminate any speculative quantification of savings by LDC and their customers and ensure consistency in approach across the province.

LDC Staff time

We are supportive of the staff position that funding for dedicated CDM staff for IESO program support should not be requested without LIP activity. However, as the guidelines acknowledge that LDCs need to support IESO programs, we encourage the OEB to provide an acceptable formula for non-dedicated staff time to assist the IESO in achieving its goals.

As trusted advisors to their customers, it is expected that LDCs will be contacted to clarify the role of the IESO and to support the CDM programs and initiatives. It is an LDC’s duty under the Electricity Act to provide conservation services. As noted in Section 71 of the *Ontario Energy Board Act*:

“...a transmitter or distributor may provide services in accordance with section 29.1 of the Electricity Act, 1998 that would assist the Government of Ontario in achieving its goals in electricity conservation, including services related to:

- (a) the promotion of electricity conservation and the efficient use of electricity;*
- (b) electricity load management; or*

² OEB EB-2014-0278 CDM Requirement Guidelines for Electricity Distributors

(c) the promotion of cleaner energy sources, including alternative energy sources and renewable energy sources.”

Section 29.1 of the Electricity Act Also provides clear direction for LDCs to support CDM activities:

*“29.1 (1) Subject to section 71 of the Ontario Energy Board Act, 1998 and such limits and criteria as may be prescribed by the regulations, a transmitter, **distributor** or the IESO may provide services that would assist the Government of Ontario in achieving its goals in electricity conservation, including services related to,*

(a) the promotion of electricity conservation and the efficient use of electricity;

(b) electricity load management; or

(c) the promotion of cleaner energy sources, including alternative energy sources and renewable energy sources.”

(emphasis added)

We appreciate that the OEB staff discussion paper provides clarification that while costs for dedicated CDM staff cannot be recovered, LDCs may recover costs associated with non-dedicated staff who help in implementing CDM.

Other CDM Expenses

In addition to staff time, LDCs may incur additional expenses to support the promotion and delivery of directed CDM efforts. It would be beneficial for the OEB guidelines to outline those costs that may be recovered by LDCs. We recommend that eligible expenses include IESO approved marketing materials, website, social media expenses, and third-party expenses to confirm savings attribution (if not provided by the IESO).

Overall, the guidelines should emphasise that recovered costs for staff time and other CDM expenses should be appropriate and scalable based on the quantity of customers. We support the discussion paper’s recommendation that LDCs may provide additional CDM services where it contributes to local system needs, such as providing energy efficiency audits, to their customers. We recommend that this be expanded to include regional needs as well as local distribution needs.

Conclusion

LDCs are uniquely positioned to play a critical role in ensuring the success of the new CDM framework and Ontario’s shift to a low-carbon economy. As a result of changes to the delivery model of the new CDM framework, updates are required to the CDM guidelines to ensure that all stakeholders, including customers, the IESO and LDCs, are aware of their responsibilities and to ensure consistency in the approach to the new CDM framework across the province.

LDCs are the owners and operators of Ontario’s electricity distribution network and provide a crucial link between the grid and the customers. By leveraging their existing customer

relationships, expertise, brand recognition, and knowledge of their local distribution networks, LDCs can help make the new CDM framework a success for all.

Thank you for considering these recommendations. If you have any questions, please feel free to contact Abdul Muktedir, Senior Policy Advisor, at amuktadir@eda-on.ca.

Sincerely,

A handwritten signature in black ink, appearing to read "Teresa Sarkesian".

Teresa Sarkesian
President & Chief Executive Officer

c.c. Jeff Quint, Chair, EDA Conservation & Sustainability Issues Council
Michael Parkes, Case Manager, (michael.parkes@oeb.ca)
Michael Millar, OEB Counsel, (michael.millar@oeb.ca)
Mr. Theodore Antonopoulos, Vice President, Applications Division

Appendix A: RESPONSE TO THE OEB STAFF DISCUSSION PAPER

Distribution rate funded CDM activities and role of CDM in system planning (chapter 2):

OEB Staff Discussion Paper	EDA Response
Distributors should be required to incorporate consideration of CDM activities into their distribution system planning process (DSP) and consider the role of CDM in meeting system needs.	LDCs are supportive of incorporating CDM activities in their DSPs . However, for this to be effective, the IESO should be required to provide reporting to LDCs on their planned and actual CDM activities in each LDC service area. The absence of data makes the planning process unpredictable.
Distributors should be enabled to seek distribution rate funding for a broad range of CDM activities and should provide evidence as to why the CDM activity is the preferred approach to meeting an identified system need.	The EDA concurs that rate funded CDM is beneficial to the system and to customers . The EDA appreciates the flexibility offered in the staff paper and encourages the OEB to include that an applicant can propose results-based incentives as appropriate evidence for approval. That said, the OEB needs to clarify what evidence is appropriate for seeking rate funding.
CDM activities that would only benefit participating customers without addressing a distribution system need should not be eligible for distribution rate funding.	In general, the EDA concurs with OEB staff's position statement. The addressing of distribution systems needs should include regional needs in addition to the local distribution needs, as suggested in the staff position paper. Local and regional CDM will also help optimize transmission and generation systems.
Distributors should make funding requests for CDM activities as part of rebasing applications where possible but may submit stand-alone CDM applications between rebasing applications if necessary.	The EDA concurs with OEB staff's position statement and appreciates the flexibility offered by the OEB to have stand-alone CDM applications outside of rebasing. We seek additional clarity on what types of CDM applications may be considered on a stand-alone basis with a clear set of criteria.
The approach to utility remuneration, including which (if any) costs should be capitalized, should generally be the same for CDM activities as for other distribution system expenditures.	The EDA concurs with OEB staff's position. Capitalization of CDM activities should be treated the same as other distribution system assets.

Role of distributors in Local Initiatives Program (LIP) (chapter 3):

OEB Staff Discussion Paper	EDA Response
No changes regarding distributors' participation in the LIP and cost recovery are proposed at this time,	The EDA concurs with the staff position paper.

relative to the approach described in the OEB's letter establishing the LIP Deferral Account.	
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Distributor staffing costs for CDM and supporting activities (chapter 4):

OEB Staff Discussion Paper	EDA Response
Staffing costs specific to a distribution rate funded CDM activity or a distributor's partnership in the LIP should be reviewed as part of the relevant OEB application.	The EDA concurs with the staff position paper.
In the absence of LIP activity, distributors should not request funding for dedicated CDM staff to support IESO programs funded under the 2021-2024 CDM Framework.	The EDA is supportive of staff position that funding for dedicated CDM staff for IESO program support should not be requested without LIP activity. However, as the guidelines acknowledge that LDCs need to support IESO programs, the EDA encourages the OEB to provide an acceptable formula for non-dedicated staff time to assist the IESO in achieving its goals.
Planning work on the role of CDM in distribution system planning should be reviewed as part of the overall review of OM&A costs in rebasing applications.	The EDA concurs with the staff position paper that appropriate incremental OM&A costs be included for CDM planning in the DSP. The OEB should consider approving initial CDM staff without extremely detailed budgets so planning activities are not delayed until the OEBs overall review of OM&A costs.
Green button Implementation proceedings are treated separately.	The EDA supports staff's position that costs from Green Button implementation be addressed separately from the CDM guidelines, until the proceedings are finalized. However, the OEB will need to provide guidance on costs associated with Green Button implementation.

Impact of CDM on distributor revenues, including Lost Revenue Adjustment Mechanism (LRAM) (chapter 5):

OEB Staff Discussion Paper	EDA Response
Distributors should incorporate the historical and forecast impacts of CDM activities into their load forecast where sufficient information is available, for the purpose of making the forecast as accurate as possible.	The EDA concurs subject to the IESO providing reporting with the staff position paper. For load forecasts to be accurate, the IESO should be required to provide reporting to LDCs on their planned and actual CDM activities in each LDC service area. The absence of data does not allow an LDC to produce

	<p>accurate load forecast adjustments relating to CDM programs.</p>
<p>LRAM should not be a default approach for new CDM activities but could be an option for distribution-rate funded CDM activities and LIP activities only, on an exception basis.</p>	<p>The EDA is supportive that the LRAM should not be the default for new CDM activities. However, the OEB should require the IESO to provide accurate reporting and follow strict EM&V protocols for all CDM programs to calculate savings forecasts and results to LDCs for their respective service areas. In absence of IESO forecasts and results, the LDCs will need to guess the amount of savings to be included in load forecasts.</p> <p>The EDA supports the OEB’s position that an LDC should have the option to request an LRAM Variance Account, in absence of the default LRAMVA.</p> <p>More clarity must be given on what is an “exceptional basis” for the usage of LRAM.</p>
<p>LRAM will also be required as a transitional measure for the wind-down of CFF and some Interim Framework activities. The Updated CDM Guidelines should encourage distributors to dispose of CFF-related LRAMVA balances as soon as possible and require all CFF-related LRAMVA balances to be brought forward for disposition by the 2023 rate applications at the latest.</p>	<p>In general, the EDA concurs that LRAM is required for CFF winddown and Interim Framework activities. However, the EDA recommends that LRAM variance accounts should remain until rebasing, and not be truncated at the 2023 rate applications.</p> <p>OEB staff recognize that LRAM is required as a transitional measure for the wind-down of CFF and some Interim Framework activities. While staff have proposed that LDCs would be required to dispose of all CFF-related LRAMVA balances by their 2023 rate applications, the EDA recommends that LDCs may dispose of persistence savings from CFF and Interim Framework activities until their next rebasing, rather than prematurely ending by their 2023 rate filings. Many LDCs are rebasing after 2023 and should be allowed to continue to accumulate variances until their rebasing date.</p>

CDM/DSM Co-ordination (chapter 6):

OEB Staff Discussion Paper	EDA Response
Distributors should be encouraged to co-ordinate with entities delivering DSM where reasonably practicable, with the goal of reducing costs and improving efficiencies.	The EDA concurs with the staff position paper. LDCs have always been focused on customers and being their trusted energy partner.