



January 16, 2006

John Zych  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2700  
Toronto, ON M4P 1E4

*via email to [BoardSec@oeb.gov.on.ca](mailto:BoardSec@oeb.gov.on.ca) and by courier*

Dear Mr. Zych:

**Re: Generic CDM Issues Proceeding RP-2005-0020 / EB-2005-0523  
Comments of the Electricity Distributors Association**

Enclosed is the submission of the Electricity Distributors Association on the Board staff submission for the generic Conservation and Demand Management issues proceeding.

Please direct any questions or comments to Maurice Tucci at 905.265.5336 or at [mtucci@eda-on.ca](mailto:mtucci@eda-on.ca).

Yours truly,

Maurice Tucci  
Senior Analyst, EDA

Encl.

## **EDA Reply Submission on Board Staff Submission for Generic CDM Issues Proceeding**

The following submission of the Electricity Distributors Association (“EDA”) is based on consultations with EDA members including the core members of the EDA’s Regulatory Compliance Council. The EDA has focused its submission on the Board Staff submission.

The Board staff written submission made on December 20 proposes that distributors should be required to spend on conservation and demand management (CDM) programs when they are cost effective alternatives to increased investments in distribution assets. The proposal would require distributors to make trade-offs between investments in distribution assets or increased CDM spending to meet local system requirements. Where CDM program expenditures would result in lower overall distribution rates than the planned distribution asset investments, then distributors would be required to proceed with CDM programs. According to the Board staff submission, if a distributor made the asset investment instead, it would be considered less cost effective and therefore imprudent.

The Board staff submissions contemplate a very narrow CDM role for distributors. In effect, distributors would be limited to CDM programs whose cost compares favourably with distribution infrastructure alternatives. This approach ignores the fact that there are many CDM measures that may cost more than an infrastructure alternative but will nevertheless realize important benefits when examined from a larger perspective. These benefits are in the form of lower consumption, lower commodity costs and avoided generation. When such benefits are taken into account, a CDM measure may have a higher cost than a distribution infrastructure alternative but may yield greater savings for customers from an overall perspective. The legislation clearly contemplates that distributors will have a role in CDM, but there is nothing in the legislation that would require the Board to impose the narrow approach described in the Board staff submissions.

The Board staff submission does not address how this proposal would be implemented and administered. The proposal raises questions on what distributors would be required to file when LDCs come before the Board for recovery of asset investments, or CDM expenditures used to defer asset investments.

The Board staff submission, as proposed, would result in having intervenors at every rate application second guess every major distribution system investment, arguing that some CDM programs could have met the system need which caused the distribution investment. It is not clear how the Board can make a decision on the alternatives put forward by intervenors versus the distribution investments without a greater understanding of what the distribution assets provide in terms of meeting local supply growth, increasing reliability, improving flexibility, improving safety, lower operating costs, etc – most of which may not be obtainable through CDM programs. How will the Board deal with disagreements between intervenors and distributors on the forecasted CDM results/ expected permanence / forecasted costs of a proposed CDM program which are potential alternatives?

The OPA has indicated that the risk of overestimating CDM results is much greater than underestimating - so the OPA assumes a certain reasonable and achievable amount of CDM in their Supply Mix proposed plan, but hope for and will accept more. Will distributors be given the same right to assume reasonable and achievable amounts of CDM in their local plans?

The Board staff submission is out of step with 2006 rate applications because distributors cannot reconsider all their proposed distribution system investments for 2006 and compare them to CDM alternatives, without considerably delaying their rate applications.

The Board staff submission should not be considered at this time, given the role of distributors to implement CDM programs. In the next few years distributors will be spending on CDM in order to meet the Government reduction targets. CDM programs will need to be wide-reaching and available to all customers to assist in maximizing results and achieving the conservation culture the Government is seeking.

The focus at this time should be not to consider what CDM spending should be mandated but rather how effective CDM spending can be encouraged through proper regulatory incentives, streamlined regulatory approval processes for CDM funding, and streamlined LRAM and SSM processes.