



**Greater Sudbury Hydro Inc
Hydro du Grand Sudbury Inc**



**Addendum to Great Sudbury Hydro Inc.'s Conservation and
Demand Management
Strategy 2011 - 2014**

ED-2002-0559

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1 Background

This addendum document is submitted by Greater Sudbury Hydro Inc. (GSHI) in accordance to the Ontario Energy Board (“the Board”) letter issued on May 20th 2011 to all licensed electricity distributors and the filing requirements set out in the Conservation and Demand Management (“CDM”) Code (Board File No. EB-2010-0215).

On November 1st 2010 in response to the CDM Code, GSHI submitted its 2011 to 2014 CDM Strategy¹ outlining its strategic plan on delivering 8 MW of peak demand and 44 GWH of electricity consumption reduction towards the province’s CDM Targets. The strategy included an estimate of both Ontario Power Authority (“OPA”) Contracted Province-Wide Programs (Tier 1) and Board-Approved CDM Programs (Tier 2) required to meet the allocated target.

On November 26th 2010, GSHI received acknowledgement from the Board that it had conducted a review of its CDM strategy as submitted on November 1st 2010 to be incomplete. In its letter, the Board directed GSHI to file an addendum to its CDM Strategy that contains estimated prospective budgets for planned OPA-Contracted Province-Wide CDM Programs and Board-Approved CDM Programs.

It further stated:

When developing the estimated, prospective budgets, GSHI may use a methodology of its choice. For example, the approach used by Hydro One Networks Inc. or Toronto Hydro-Electric Systems Limited. Alternatively, GSHI may choose to use information arising from the finalization of the OPA’s funding formula.

The estimated prospective budget outlined in this addendum is based on the methodology described in section 4 (CDM Projected Budget) and includes:

- OPA program administration costs (“PAB”);
- Capacity building funding (“CBF”);
- Participant based funding (“PBF”);
- Participant incentives (“PI”); and
- Board-Approved CDM Program budgets.

2 GSHI CDM Strategy

In May of 2009, the Green Energy Act received Royal Assent² by the Government of Ontario establishing CDM as a key component of the Province’s strategy to reduce electricity demand and usage in Ontario. As part of this initiative, the Ministry of Energy directed the Board to establish CDM targets for reducing provincial peak demand and electricity consumption as well as a CDM Code which would outline the obligations and requirements for licensed electricity distributors for meeting their CDM targets.

The new CDM Code established the rules for reporting, planning, design and evaluation, measurement and verification (EM&V) relating to CDM targets. It also ensures that distributors meet CDM targets in a cost effective and efficient manner to provide value to ratepayers. Included in the

¹ http://www.ontarioenergyboard.ca/OEB/_Documents/EB-2010-0215/Greater%20Sudbury%20Hydro_CDM%20Strategy_20101101.pdf

² A method by which any constitutional monarch formally approves and promulgates an act of his or her nation’s parliament, thus making it a law.

CDM Code is Greater Sudbury Hydro Inc. (GSHI) allocation of the 1,330 (MW) provincial peak demand and 6,000 (GWh) of reduced electricity consumption to be achieved over a four year period beginning January 1, 2011.

On November 1st 2010 GSHI submitted its strategy for achieving its allocation of the provincial CDM targets. GSHI's share of the provincial target is 8 MW of peak demand and 44 GWh of electricity consumption reduction. At the time of developing its CDM Strategy, CDM funding nor details of the Master Agreement and Program Schedules outlining LDC obligations were available from OPA. GSHI subsequently built a strategy based on its 'best estimate' of achievable savings with Tier 1 and Tier 2 programs.

Details of the OPA Low Income Program were also not available at the time of filing and, therefore, was not included the GSHI CDM Strategy nor will it be addressed in this addendum. Once approved and launched this program will form part of the GSHI CDM strategy.

The following tables summarize the estimated savings and milestones which included in GSHI's CDM Strategy.

Table 2.1. Annual Peak Demand Reductions (MW)

Peak Savings	2011	2012	2013	2014
Annual Incremental Peak Demand (MW) Savings	1.6	3.21	5.00	7.07

Table 2.2. Annual Energy Consumption Reductions (MWh)

Energy Savings	2011	2012	2013	2014
Annual Energy Savings (MWh)	6,871.50	8,352.00	12,082	15,993

Table 2.3. Cumulative Energy Consumption Savings

Milestone	2011	2012	2013	2014
Cumulative Electricity Consumption Savings	6,871.50	15,223.50	27,305.50	43,298.50

Table 2.4. Estimated Savings from OPA-Contracted Province Wide Programs and Board-Approved CDM Programs

CDM Program Description	Cumulative Peak Demand Reduction (MW) (2011-2014)	Cumulative Energy Reduction (MWh) (2011-2014)
OPA Consumer Program	2.890	17,609
OPA Commercial/Institutional Program	3.950	21,987
OPA Industrial Program	0.170	781
Board Approved CDM Programs	0.060	2,921
Total OPA Programs	7.070	43,298

Recognizing that the OPA Programs would not be sufficient to meet its targets, GSHI identified the need for Board-Approved CDM Programs which would include a number of existing CDM programs operating in GSHI’s franchise area:

- Electrical Thermal Storage Heating Program
- Commercial Parking Lot Plug Controller Program
- Vending Machine and Self Service Coolers Efficiency Program

GSHI was and still is unable to provide details on Province-Wide Low Income Program at this time. This program is still under development by the OPA. However it is GSHI’s intention to deliver this program once the program details becomes available.

3 OPA PAB CDM Funding

Throughout 2010 and into early 2011, the OPA in consultation with the Electricity Distributors Association (EDA) worked towards developing a CDM funding formula that would set forth a program administration budget (“PAB”) for each registered CDM program for the period of 2011 to 2014. On January 31, 2011, GSHI received an email from the EDA providing it with its four-year PAB. This budget is shown in the Table 3.1 below.

Table 3.1. – Four-year PAB Funding for OPA Contracted Province-Wide Programs

OPA Program Description	PAB Funding Amount
OPA Consumer Program	\$886,778
OPA Commercial/Institutional Program	\$980,767
OPA Industrial Program	\$138,382
Total OPA Program Funding	\$2,005,927

The OPA has defined the following categories of expenses eligible under the PAB budget³:

- all salaries and labour costs including benefits;
- LDC Other Service Provider expenses;
- billing and collection expenses;
- customer care, advertising and marketing expenses;

³ Master Agreement, Exhibit A-6-1 to Schedule A-6.

- information and technology expenses;
- office equipment expenses; and
- any other expense that the LDC can show is relevant and necessary for a registered initiative.

4 GSHI's CDM Projected Budget

4.1 Methodology

As part of the development of budget estimates, GSHI conducted a review of the approach used by other distributors and found the following methodology to be most appropriate:

1. Estimate the avoided costs associated with OPA-Contracted Province Wide Programs based on the CDM Strategy planning exercise. These costs are reflected as program benefits in the Total Resource Cost (TRC) Test which are embedded in the Resource Tool provided by the OPA.
2. Estimate reasonable program costs (including PAB, CBF and PBF) required to deliver the OPA-Contracted Province Wide Programs. The reasonableness of this estimate considers that in order for the OPA Programs to be cost effective, the avoided costs from step one must be higher.
3. Estimate the participant incentives associated with the OPA-Contracted Province Wide Programs based on the CDM Strategy planning exercise.
4. Estimate the OPA-Contracted program budget by adding the estimated program costs from step two and the participant incentives from step three.
5. Estimate the Board-Approved program budget by using a "standard unit" cost per demand and energy savings from the OPA-Contracted program budget developed in step four.

In response to the Board's request to supplement its 2011 - 2014 CDM Strategy and based on the above methodology, GSHI has prepared an estimated, prospective budget for planned OPA-Contracted Province-Wide CDM Programs and Board Approved CDM Programs.

4.2 Estimated Prospective Budget

The budget estimates provided in this addendum are intended to be GSHI's best estimate of the scale of resources required to meet its allocated CDM target. They are based on GSHI's initial assumption that the OPA Contracted Province-Wide Programs would allow GSHI to reach 87% of its peak demand target and 93% of its electricity consumption target.

The estimated budget requirement by GSHI to meet its target is \$7,780,582 which includes \$6,750,582 in funding for OPA Contracted Province Wide Programs and \$1,030,000 for Board-Approved CDM Programs. Budget details by market sector are shown in the table below.

Table 4.1 Estimated Prospective CDM Budget

CDM Program Description	Estimated Prospective Budget
OPA Consumer Program	\$4,155,229
OPA Commercial/Institutional Program	\$2,456,971
OPA Industrial Program	\$138,382
Board Approved CDM Program	\$1,030,000
Total OPA Program Funding	\$7,780,582

4.3 Issues and Constraints

These budget estimates were prepared using GSHI's current CDM Strategy assumptions which rely on a number of factors such as:

- Actual program uptake with the OPA programs.
- OPA program design and expected program operation and implementation.
- Actual program delivery costs specific to GSHI's franchise area.

In addition to these factors, there are a number of OPA-Contracted Province-Wide program elements still unavailable to the LDCs. Details are shown in the table below:

Table 4.2 OPA Program Elements Not Yet Available

CDM Program Description	Years	Description	Target Customers
Midstream Electronics Initiative - Initiative Schedule B1	2011-14	Retail promotion of energy efficient televisions	Residential
Midstream Pool Equipment Initiative - Initiative Schedule B1	2011-14	Retail promotion of "right sized" pool equipment	Residential
Home Energy Assessment Tool Initiative - Initiative Schedule B1	2011-14	On-line, home energy assessment and recommendations on how energy consumption can be reduced	Residential
Residential Demand ("DR") Response	2011-14	Free, installed direct load control devices and in-home display systems/capability. Non-DR offers: subsidized in-home display systems/capabilities	Residential
Direct Service Space Cooling Refrigeration Initiative – Initiative Schedule C5	2011-14	An initiative that provides incentive towards servicing of rooftop and ground-mounted air conditioners with a capacity of 25 tons or less.	Commercial Institutional
Small Commercial Demand Response	2011-14	Free, installed direct load control devices and in-home display systems/capability. Non-DR offers: subsidized in-home display systems/capabilities	Commercial Institutional

GSHI plans to review its CDM Strategy on an annual basis and will strive for efficiencies in program delivery by building both its strong customer relationships and current CDM programs. It will advise the Board if any adjustments are required to ensure that it meets its CDM target.