Hydro One Networks Inc.
8th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5700
Fax: (416) 345-5870
Cell: (416) 258-9383
Susan.Frank@HydroOne.com

Susan Frank
Vice President and Chief Regulatory Officer
Regulatory Affairs

BY COURIER

October 28, 2005

Mr. John Zych
Secretary
Ontario Energy Board
Suite 2601, 2300 Yonge Street
P.O. Box 2319
Toronto, ON.
M4P 1E4

Dear Mr. Zych:

RP-2004-0203 Hydro One Networks' Comments on the Board's Draft Guideline for Annual Reporting of CDM Initiatives

In response to the Board's October 13, 2005 memo, Hydro One Networks is pleased to provide comments on the Board's draft guidelines on CDM reporting.

1. *Introduction*

No comments.

2. *Evaluation of Overall Plan*

a), b) and e) Hydro One strongly prefers reporting savings in kilowatts and kilowatt-hours, but not kVA. Hydro One's understanding from previous working/discussion groups at the OEB is that kVA was introduced as an alternate savings measure, primarily for those utilities that billed some of their customers on the basis of kVA and/or for those programs that might be aimed directly at power factor correction, rather than a required reporting element for all initiatives. Our customers are not billed on the basis of kVA and hence Hydro One does not in general measure kVA. Furthermore, the TRC guidelines published by the OEB do not provide kVA inputs.

d) We interpret "participant" to mean an end-use customer of the LDC.
We have a concern regarding an expectation to report gross participant expenditures by customer class, if "Participant" means a third party delivery agent. The LDC will not always know the extent of those expenditures, unless the agent has been specifically retained under contract for that purpose and such reporting is stipulated. Even in these circumstances, third parties will not necessarily be able to track such expenditures by an LDC's customer rate class.

It is unclear what is meant by Gross Participant Expenditure. Hydro One interprets this to mean the incremental cost to the customer of participation or of the more energy efficient equipment without accounting for any incentive, as outlined in the TRC Guide. In the calculation of the Total Resource Cost test, utilities will to the extent possible be using the Incremental Equipment Costs provided in the Assumptions and Measures List in the Total Resource Cost Guide issued by the Ontario Energy Board on September 8, 2005.

f) We recognize that the Board wishes LDCs to report, to the extent possible, the TRC benefits of their programs. However, we wish to clarify the purpose for which this information will be used. OEB approvals have already been received from the OEB for LDCs to carry out their CDM plans, with no requirement that these programs have a positive TRC. In Hydro One's CDM Plan approval decision of Feb. 18, 2005 (and also in the referred ruling of Dec. 10, 2004) it was stated by the panel that " We recognize...that it was impractical to require these utilities to do a cost/benefit analysis up front". Utilities understood that expenditures were still subject to a review to determine that the approved plan was pursued in a prudent manner, but not that they would be retroactively assessed on the basis of passing or failing the TRC. Hydro One submits that the reporting of TRC for approved plans/programs should be limited to the sharing of best practices and enhancing the delivery of future initiatives rather than in any way supplanting the prudency assessment already anticipated. Hydro One believes that it would be useful for the Board to clarify this issue. Programs undertaken with funds beyond those already approved, would of course be subject to TRC assessment as per the TRC Guide.

g) The funding for the plans already approved by the Board have already been reflected in rates and as such there is no incremental ratepayer impact from undertaking them as approved. There are potential rate payer impacts in subsequent years due to the LRAM and SSM effects of these programs, but utilities are not in a position to determine exactly how or when these would be reflected in rates across the various rate classes.

Generally, regarding this section, it would be useful to clarify that programs on which an LDC will report are those which have been conducted through the reporting year, and that reporting by "major customer segments" means those customer segments identified in their plan.

3. Discussion of the Program

a) The words "rate class" should be replaced by "major customer segments".

f) Same comment as per Sections 2a), b) and e) above regarding kW and KVA.

g and h) Many of the programs approved by the Board and being undertaken by utilities do not lend themselves to assessment by TRC, including pilots, research, communication/education, etc. Directly measurable benefits are exceedingly difficult, if not impossible to attribute and verify and a TRC assessment is therefore meaningless in many instances.

Within this section, the Board notes that, should the TRC test input vary from those provided in the Assumptions and Measures list, the LDC must identify and file additional information on the variations in an appendix to its report. In this context, Networks would request that some latitude be provided with respect to its reporting on its initiatives in the Agricultural sector, for which no assumptions and measures are currently provided. Networks suggests that the Board might wish to review and update its Assumptions and Measures list regularly to accommodate new initiatives.

4. Lessons Learned

No comments.

5. Conclusions.

Year-over-year analysis is not possible in the first year annual report.

Thank you for the opportunity to comment on the Draft Guideline for Annual Reporting of CDM Initiatives.

As per the Board's directions, seven hard copies of this submission are attached and an electronic copy will be e-mailed to the Board. Questions may be addressed to Carolyn Russell (Senior Advisor, Regulatory Affairs), who may be reached by phone (416) 345-5914, fax (416) 345-5866, or e-mail: carolyn.russell@HydroOne.com. Her address is Hydro One Networks Inc., 483 Bay Street, South Tower, 8th Floor, Toronto, Ontario M5G 2P5.

Yours truly,

Susan Frank

cc. Mr. A. Fogwill, Applications Director, Market Operations