ECMI
energy cost management inc.
1236 Sable Drive Burlington, Ont. L7S 2J6
Phone: (905) 639-7475 Fax: (905) 639-1693

Ontario Energy Board
Suite 2700
2300 Yonge Street
Toronto, Ontario
M4P 1E4
ATT: Ms. Kirsten Walli, Secretary

August 29, 2006

Dear Ms. Walli,

Cost Allocation Review: Further Comments on selected issues
EB-2005-0317

In accordance with the OEB's E-mail and web postings of August 21, 2006, the ECMI coalition (ECMI) submits it comments on the select issues referred to in OEB's letter of that date.

Three paper copies are enclosed and electronic copies in both Adobe Acrobat and Word have been sent this date by email to Boardsec@oeb.gov.on.ca.

Requested contact details are as follows:-
Roger White
President
Energy Cost Management Inc
1236 Sable Drive
Burlington L7S 2J6

E-mail address:	rew@worldchat.com
Phone number:	905 639 7476
Fax number:	905 639 1693

Respectfully submitted for the Board's consideration,

Original signed by R. White

Roger White
President

Cost Allocation Review
ECMI comments on select issues

1) Load Data Requirements for Optional 3rd Run for Load Displacement Class

The amount of diversity which may exist is largely if not completely in the control of the customer and certainly not within the control of the distributor. To request the distributor to speculate on the level of the displaced load and the resultant diversity is, in ECMI's view, unreasonable. If however, the Board were to impose an operating regime on customers with embedded generation, then that operating regime might well establish an environment in which it would be possible for the LDC to produce a credible forecast of expected diversity.

If the decision makers at the customer's premises are operating as a notional merchant generator, then the decision might be quite different depending on the state of the power system at the time.

2a) Weighting Factors for Number of Bills

In ECMI's view, LDCs should be able to enter their distributor specific weighting factors for both the Number of Bills and degree of difficulty in producing those bills in accordance with the principles of cost allocation. It is unclear from the EES survey whether the distributors in the survey are in any way comparable with the Ontario market. Failure to produce information on whether the survey sample includes LDC's which have a duty to bill spot market pricing and whether the customer classifications are directly comparable to the Ontario market would make comment on these specific weighting factors meaningless without a survey of the Ontario market place. Individual LDCs in Ontario will be best able to determine whether the weighting factors derived in the EES survey are reasonable.

The Board should recognize that with the proposed guidelines, Ontario LDCs are explicitly obliged to calculate their own costs. To then say that the LDC should not utilize those costs in the cost allocation process is inconsistent with the principles of cost allocation.

2b) Weighting Factors for Services (Account #1855)

In ECMI's view, LDCs should be able to enter their distributor specific weighting factors for Services in accordance with the principles of cost allocation. It is unclear from the EES survey whether the distributors in the survey are in any way comparable with the Ontario market. Failure to produce information on whether the survey sample includes LDC's which have a duty to bill spot market pricing and whether the customer classifications are directly comparable to the Ontario market would make comment on these specific weighting factors meaningless without a survey of the Ontario market place. Individual LDCs in Ontario will be best able to determine whether the weighting factors derived in the EES survey are reasonable.

The Board should recognize that with the proposed guidelines, Ontario LDCs are explicitly obliged to calculate their own costs. To then say that the LDC should not utilize those costs in the cost allocation process is inconsistent with the principles of cost allocation.

In ECMI's view there should be no default weighting factors for Services.

3) <u>Allocation of Conservation and Demand Management Costs ("CDM")</u>

The question raised by the Board appears to be whether there is a societal benefit that flows from the CDM initiatives and whether that societal benefit and need is in fact the prime driver for the programs. If it is a societal need which has created these programs, then it follows that CDM costs would be allocated across all rate classifications.

Further, as the residential class is the primary target for the CDM programs, the proposed approach may lead to that class being assessed a disproportionate cost of the program. Residential customers are being disproportionately encouraged to participate in CDM programs. These programs rely on the use of the Total Resource Cost (TRC) test and its underpinning mechanics impose a longer term view on participants in the program. At the same time, the longer term view is not imposed on other customer classes. If the Ontario market and all customers in that market benefit from the CDM programs, then all customer classes should be required to fund them because all customers will benefit from any reduction in generation shortfall. Further, as the generation shortfall reduces, the relative energy cost to all customer classes will correspondingly be reduced. That being the case, all customer classes should pay for that benefit. If in fact any generation shortfall is eliminated, then the expected cost of power and energy would be reduced. This expectation is based on the premise that competition would reduce the real cost of power and energy to the benefit of all customer classes and the allocation of the costs of the CDM programs should be proportional to the energy each class takes from the Ontario market.