



Efficacy Of Third Party CDM Delivery

March 3, 2009

Presentation Overview

- Overview of CDM developments and their impact on LDCs
- Options for LDCs in meeting their obligations
- Third party delivery and an LDC's options
- Checklist for successful third-party delivery
- Q&A



About Rodan

- Leading provider of metering and CDM solutions to power producers, distributors and consumers
- Deliver turnkey demand-side management programs in support of LDC and OPA CDM efforts
- Enabling the Smart Grid of Tomorrow Today



Introduction

The Green Energy Act and Smart Grid Forum Report

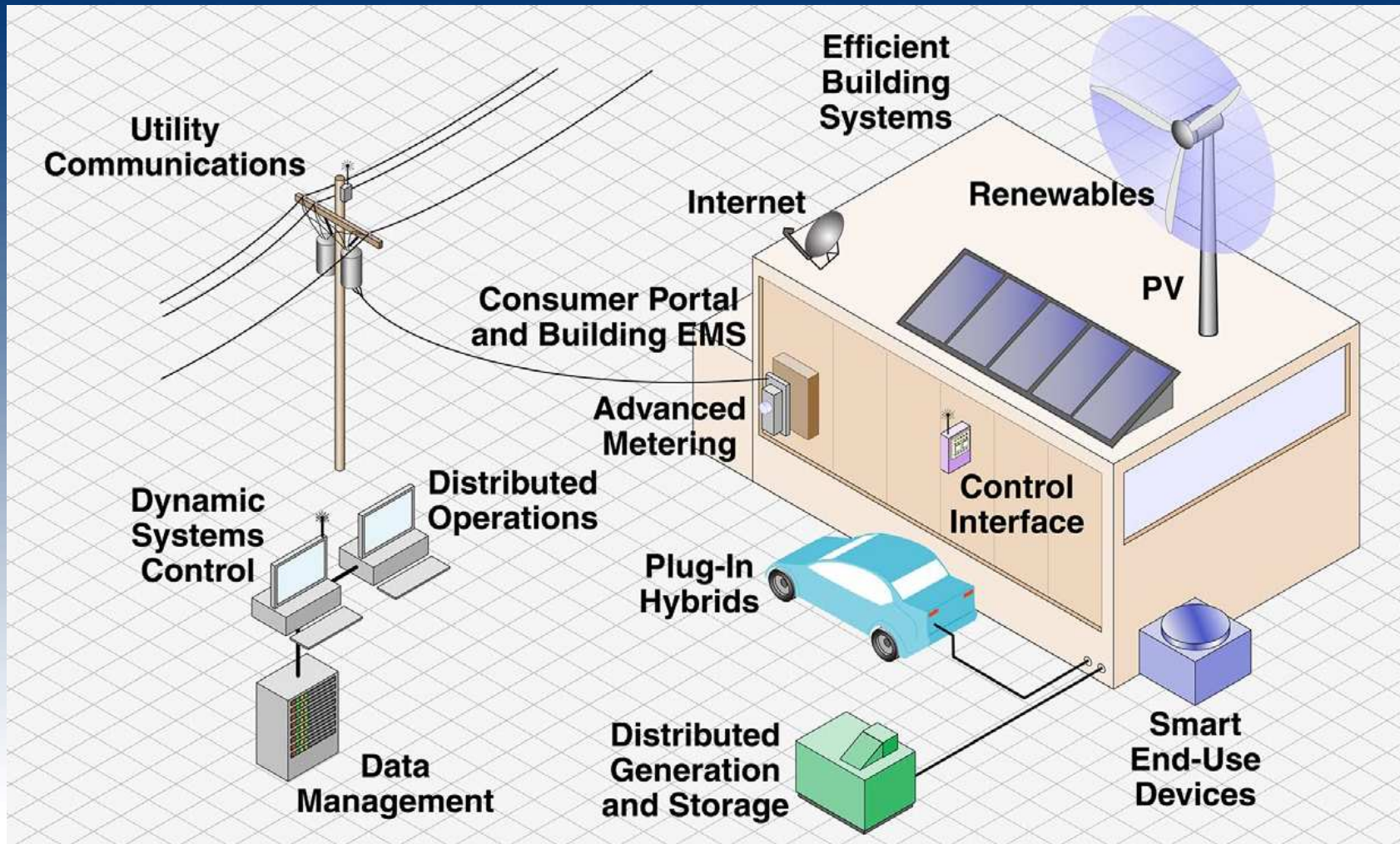
- Expanding our electricity grid to make it “smart” and ready for new technologies
- Timely and 2-way information with consumers
- Connecting to the grid will be established as a right
- Monitoring and operation of grid connected generation and responsive load
- Increasing productivity in the Ontario industrial sector through energy efficiency programs and demand management plans
- Setting electricity conservation targets for local utilities and helping them to deliver effective programs to households and businesses



The Smart Grid



The Smart Home



Impact on LDCs

- LDCs will be the key delivery channels for CDM and clean energy
- How ready are you to take on these challenges?
- Need to ramp up CDM intelligence and resources



CDM Activities Required

- Regulatory
- Market assessment of potential savings
- Analysis of program costs and benefits
- Program design and implementation
- Program marketing and customer acquisition
- Application/contract management and customer care



CDM Activities Required

- Technology assessment
- Field services and program management
- Network and system operations (NOC)
- Measurement, verification and evaluation
- Reporting and Settlement
- Among others...



Options

- Hire staff and commit resources
- Partner with a 3rd party to develop and deliver CDM activities



Hire Staff to Deliver CDM



Pros

- Control
- Build internal capacity
- Get to know your customer



Cons

- CDM not core focus
- Staffing for various functions
- Expertise and experience
- Risk – HR, Financial, Performance

Third Party Delivery



Pros

- Cost effective
- Reduce performance risk
- Innovation and information sharing
- Flexibility – easier for vendors to ramp up or down
- LDC can focus on core business
- Cost certainty and guaranteed service levels



Cons

- Third parties can't do it all
- LDC can lose control
- Trust – customer goodwill
- Vendor viability and adaptability

Spectrum of Delivery Options

**Turnkey Partnership
(fully integrated with LDC)**



**Project Specific Tasks
(specific assignments and
unit based costs)**

Experience to Date

- Residential peaksaver program
- Refrigerator roundup
- ERIP
- DR programs – York, PowerStream, Hydro Ottawa, EnWin
- OPA Load Control Operator
- Distribution Connections



Tips for Successful 3rd Party Delivery

- Provide clear expectations of performance benefits
- Communicate the reasons and value of third party delivery
- Proper controls (regular reporting, audits, etc.)
- Planning and clear objectives



Tips for Successful 3rd Party Delivery

- Bring the vendor inside the tent – treat them as a valuable part of the LDC team
- Don't lose sight of the big picture – it's more than just lowest cost
- Have a vision of a long-term relationship
- Ingrate with other LDC initiatives



Checklist for Successful 3rd Party Delivery

1. Determine Objectives

Before selecting a partner, make sure you have the following:

- Clear objectives, the implications of which have been thought through.
- A recognition that cost is only one aspect
- A commitment on the part of the LDC to manage the relationship
- Reliance on the contract as a manual rather than as a set of legal rights and obligations
- Clarity about what services are required and how they are currently being provided



Checklist for Successful 3rd Party Delivery

2. Choosing a Delivery Partner

a) Ensure that the service provider:

- Guarantees to meet specific service levels in the contract
- Has a proven track record in the process or service
- Maintains close contact to prevent loss of control
- Has experience in the Ontario electricity sector
- Provides on-going training
- Demonstrates ability to learn, grow and adapt
- Committed to Ontario and to CDM
- Energy Management and M&V expertise



Checklist for Successful 3rd Party Delivery

2. Choosing a Delivery Partner

b) Procurement Options:

- Competitive Procurement
- Standard Offer Procurement
- Strategic Procurement



Checklist for Successful 3rd Party Delivery

3. The Contract

The contract with the supplier should offer:

- Terms for checking the supplier's performance
- Flexibility to implement contract variations
- Terms dealing with charges and compensation
- Flexibility for new services and projects
- Terms for developing existing services
- The means of resolving day-to-day operational problems
- Align objectives and incentives - Customer/LDC/Service Provider



Conclusion

- Third party delivery key to successful CDM implementation
 - Mitigates cost and performance risk
 - Provides immediate experience and expertise
 - Eliminates resourcing challenges
 - Enhances LDC's CDM intelligence and capabilities
- Extent of 3rd party delivery will vary per LDC
- Develop meaningful partners not just low cost providers
- Start the discussion today



Questions



Thank you

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