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September 1, 2017

Ms. Kirsten Walli

Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: EB-2017-0127 / EB-2017-0128
2015-2020 Demand Side Management (DSM) Framework Mid-Term Review**

We are counsel to the Association of Power Producers of Ontario (**APPrO**) in the above-mentioned proceeding (the **Proceeding**). We are in receipt of the Board's June 20, 2017 letter on the Board's two-phased mid-term review (the **Letter**). APPrO is of the strong view that continued DSM funding from large volume customers, including efficient gas-fired electricity generators that are covered by the cap and trade (**C&T**) program, is completely inappropriate and simply exacerbating rate shock and circumstances that led to the introduction of Ontario's Fair Hydro Plan (the **Fair Hydro Plan**) — with absolutely no emission reduction benefit. The Letter indicates that the issue of continuing ratepayer funded DSM will not be considered by the Board until the end of the first C&T compliance period in December, 2020.

With due respect, APPrO believes that this delay is very detrimental to all customers and should be reconsidered by the Board. It is simply bad policy and program design to have large volume and electricity customers paying twice for a carbon price that cannot result in emission reductions without significant additional new capital costs — again, to be paid by customers. APPrO therefore requests that the Board seriously reconsider the appropriateness of continued large volume ratepayer funded DSM when such customers are also paying C&T costs.

APPrO's comments on:

- (i) the relationship between the current suite of DSM programs and C&T activities of customers with their own compliance obligations, and
- (ii) the attribution of costs and savings to ratepayer-funded DSM programs where natural gas utilities offer carbon abatement programs in the market, which follow,

should be read in this boarder context.

(i) Relationship between the current DSM framework and customer C&T activities

APPPrO submits that the proposed DSM framework costs imposed on large electricity generators are often conflicting with, and antithetical to, C&T activities. It is APPPrO's strong view that gas-fired generators should be exempt from mandatory ratepayer-funded DSM programs, as they are already undertaking energy efficiency and conservation measures pursuant to their C&T obligations and other initiatives to save natural gas fuel costs.¹ Specifically, large volume customers: (i) have a culture of conservation and energy efficiency that is often expressly mandated by contractual obligations in OEM and Long-Term Service Agreements, (ii) are best placed to identify and implement energy efficiency opportunities and are not assisted by utility DSM, and (iii) are disadvantaged by additional costs of DSM imposed upon them when their Quebec and higher emitting competitors have no such costs. Gas-fired generators do not require, nor benefit from, DSM programs to continue implementing fuel efficiency measures — they are simply an added cost with no value. Ontario's C&T program provides a more-than-sufficient direct incentive for conservation and efficiency with current resulting costs at \$0.13/m³ in 2018 to \$0.25/m³ anticipated in 2028.² Any additional costs of an intermediary charged with incenting conservation are ineffective, inefficient, and essentially a penalty. This is also entirely antithetical to the stated goals of the Fair Hydro Plan. APPPrO therefore submits that gas-fired generators should be exempt from mandatory ratepayer-funded DSM programs, without delay until after December 31, 2020.

This exemption is in line with principles of and goals for DSM programs established in the Board's Report on the DSM Framework for Natural Gas Distributors (2015-2020), EB-2014-0134 (the **DSM Framework**). In the DSM Framework, the Board stated that "the mid-term review will ensure that the DSM framework is reasonable and contributing to effective natural gas conservation programs to Ontario customers, while achieving annual and long-term targets for reduced consumption".³ The Board further stated that ratepayer-funded DSM programs should focus on the following goals:

- assisting consumers in managing their energy bills through the reduction of natural gas consumption;
- promoting energy conservation and energy efficiency to create a culture of conservation; and
- avoiding costs related to future natural gas infrastructure investment.⁴

APPPrO submits that natural gas-fired generator customer-funded DSM achieves none of these goals and simply adds expense to generators and ultimately electricity ratepayers. APPPrO respectfully requests that the Board remove DSM program costs from gas-fired generators immediately in order to avoid further conflict and controversy under the Fair Hydro Plan.

¹ As more fully enunciated in APPPrO Final Argument, EB-2015-0029/EB-2015-0049, October 2, 2015.

² ICF Long-Term Carbon Price Forecast and Marginal Abatement Cost Curve for Assessment of Natural Gas Utilities Cap and Trade Activities.

³ EB-2014-0134, Report of the Board: Demand Side Management Framework for Natural Gas Distributors (2015-2020) [**DSM Framework**] at 3.

⁴ DSM Framework at 5.

(ii) Attribution of costs and savings to ratepayer-funded DSM programs where utilities offer carbon-abatement programs

The DSM Framework requires the Board apply the defined benefits, Total Resource Cost-plus test to determine whether the benefits of a program outweigh the costs to implement it.⁵ APPrO submits that none of the natural gas electricity generators savings whatsoever can be attributed to the DSM programs. Therefore, consistent with cost causation principle, none of the costs of these DSM programs should be attributed to natural gas-fired generators. Further, the C&T program makes the attribution of natural gas savings to DSM farcical in light of the fact that the C&T price adder is a far greater and more meaningful incentive to enhance energy efficiency and conservation measures. APPrO therefore submits that the cost/benefit test for DSM, insofar as gas-fired generators are concerned, strongly favours removing all DSM related costs from gas-fired generator and other capped large volume customer bills. APPrO therefore requests that the Board remove DSM program costs from gas-fired generator natural gas customers immediately and without delay until the end of the first C&T compliance period.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Lisa (Elisabeth) DeMarco', with a long horizontal flourish extending to the right.

Lisa (Elisabeth) DeMarco

⁵ EB-2015-0029 / EB-2015-0049, Decision and Order dated 20 January 2016 at 8; DSM Framework at 32-33.