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May 18, 2018

Ms. Kirsten Walli
OEB Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Re: Enbridge Gas Distribution Inc. (“Enbridge”)
EB-2017-0127/0128 – DSM Mid-Term Review
EB-2017-0224 Cap and Trade Compliance Plan
Response to Recent Correspondence to the OEB**

This letter is written in response to the Letter of Mr. Elson dated May 9, 2018 and the several subsequent letters written on behalf of SEC, BOMA, VECC and GEC¹ which supported, at least in part, Mr. Elson’s letter.

Before responding to Mr. Elson’s letter, it is first appropriate to consider the reality of the current situation. As the Board itself has noted, there is overlap in the frameworks, with identical activities covered under both the Cap and Trade framework and the DSM framework. The fact that Mr. Elson’s letter was filed in two proceedings is testament to the degree of uncertainty which exists. Enbridge does not believe the overlap is practical, in the interest of ratepayers nor does it serve the Board in meeting policy objectives.

One important aspect of the Board’s decision on the current DSM plans was annual budgets for the utilities were to be based upon a \$2 per month cap on bill impacts. Mr. Elson’s letter is silent on this issue, but Enbridge is not clear on the basis this limit should be increased, nor what magnitude would be considered by the Board or other stakeholders. To develop plans on an undetermined basis is neither practical nor efficient.

Under the Cap and Trade Framework the Board developed the Marginal Abatement Cost Curve (“MACC”) as the primary tool to determine if there is incremental cost effective abatement potential. Both utilities used the MACC and concluded that current DSM Plans capture all cost effective energy efficiency potential under the Cap and Trade framework. Had Enbridge proposed incremental conservation spending over and

¹ Letters from Mr. Brett for the Building Owners and Managers Association of Ontario (“BOMA”), dated May 9, 2018, Mr. Ben Segel-Borwn on behalf of the Vulnerable Energy Consumers Coalition (“VEC”) dated May 11, 2018. Mr. Shepherd on behalf of Schools Energy Coalition (“SEC”), dated May 11, 2018 and Mr. Posh on behalf of the Green Energy Coalition (“GEC”) dated May 11, 2018.

above that proposed in its 2018 Cap and Trade Compliance Plan² then it would have had to justify why additional spending was being proposed. This being said, Enbridge believes that the appropriate place for consideration of additional energy efficiency programming is within the DSM Framework.

The current DSM framework and DSM plans took about two years to develop and receive a Decision and Order from the Board, consuming considerable time and resources of the Utilities and Stakeholders.³ Any material increase in DSM program spending, and corresponding bill impacts, would require a wholesale review and reconsideration of the framework. This is clear from SEC's position which, while supporting the utilities' filing incremental DSM programming, notes that proposals need to be subjected to "the rigorous setting of a hearing" (p1) which would include the establishment of a discovery and a hearing process (p2). Enbridge does not believe that this was the intent of having a multi-year DSM framework or of the DSM Mid-Term Review. Enbridge is concerned that a radical change to the format of the DSM Mid-Term Review might result in a delay in determination on issues raised by the Board and the utilities. Such delay would have a negative impact on program results in 2019. Enbridge also does not believe that reconsideration of the DSM Framework, even on a limited basis, would allow sufficient time for development of incremental programming for implementation in 2019.

Enbridge believes there are steps which the Board could take which would, in some part, address Mr. Elson's concerns and be effective from a both cost efficiency and timing perspective.

First, the Board could, as the utilities have already suggested, add the cost of carbon, as determined by the Board's Long Term Carbon Price Forecast, to the TRC Plus test. This would immediately expand the universe of cost effective programming potential within the DSM framework.

Second, the Board thoughtfully included in the current framework the ability of the utilities to increase spending by 15% annually under the DSMVA. However, under its current methodology, the utilities may only recover additional spending where it is used to achieve program results above the 100% target and where monies are only spent on program costs not overhead. If these requirements were eased, there would be greater flexibility to direct funding early towards incremental DSM programs on a timely basis.

Third, the Board should clarify the overlap between the Cap and Trade and DSM frameworks. Enbridge believes that conservation programs belong in the DSM framework and that the only material impact of conservation in Cap and Trade is through the Compliance Plan forecast and reporting in the annual monitoring reports of

² EB-2017-0224 2018 Enbridge Cap and Trade Compliance Plan

³ EB-2015-0029/0049, Decision and Order, January 20, 2016 re the 2015-2020 Demand Side Management Plans of Enbridge and Union Gas ("**DSM Decision**").

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gas reductions. This would eliminate regulatory inefficiencies, and allow the utilities resources to be focused on delivering policy results.

Fourth, Enbridge believes that all parties would benefit from the commencement of the development of the next generation of a DSM Framework as soon as possible, preferably in 2018 and certainly no later than early 2019.

Should you have any questions, please do not hesitate to contact the undersigned.

Yours truly,

[original signed]

Andrew Mandyam
Director, Regulatory Affairs

c.c.: Dennis O'Leary, Aird & Berlis
All Parties to EB-2017-0127/0128/0224/0255