

RECEIVED

FEB 2 2009



BORDEN
LADNER
GERVAIS

By Electronic Filing and By E-mail

February 20, 2009

ONTARIO ENERGY BOARD

EB-2008-0346

CEO BOARD SECRETARY	
File No:	Sub File: S
Panel	9K1PV/CS/OB
Licensing	
Other	137/MM
00/04	

Borden Ladner Gervais LLP
Lawyers • Patent & Trade-mark Agents
World Exchange Plaza
100 Queen Street, Suite 1100
Ottawa ON K1P 1J9
tel.: (613) 237-5160 fax: (613) 230-8842
www.blgcanada.com

VINCENT J. DEROSE
direct tel.: (613) 787-3589
e-mail: vderose@blgcanada.com

Kirsten Walli
Board Secretary
Ontario Energy Board
27th floor - 2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms Walli,

Draft Demand Side Management Guidelines for Natural Gas Distributors

Board File No.: EB-2008-0346

Our File No.: 339583-000030

I am writing on behalf of Canadian Manufacturers & Exporters (“CME”) to provide comments on the Board Staff Discussion Paper entitled “Draft Demand Side Management Guidelines for Natural Gas Distributors”. CME’s comments will follow the headings of Board Staff’s Paper and, in particular, will comment on the proposed Demand Side Management (“DSM”) framework, adjustment factors in the total resource cost test, development of DSM budgets and targets, resource acquisition (TRC net savings) target, market transformation targets, low income customer programs and shared saving mechanism (“SSM”).

THE CHANGING LANDSCAPE OF CONSERVATION AND ENERGY EFFICIENCY IN ONTARIO

In assessing the proposed DSM framework, CME urges the Board consider the pace at which the landscape of conservation and energy efficiency in Ontario has changed over the past few years. Since the Board’s Decision in the DSM Generic Hearing (EB-2006-0021), there has been an increase in the number of parties that deliver energy efficiency initiatives or other conservation activities, some of which overlap with natural gas distributor sponsored DSM programs. The Federal Government and Ontario Government have become increasingly active in this area. The Ontario Power Authority has undertaken a variety of energy efficiency initiatives. Electricity LDCs deliver CDM. Municipalities, such as the City of Toronto, offer conservation and energy efficiency programs (see for instance Exhibit L, Tab 5, Schedule 1 from the IPSP proceeding (EB-2007-0707)).

CME itself now administers funding, provided by the Government of Ontario, through its “SMART Program”, to help small and medium sized manufacturers improve their productivity so that they can compete more effectively in the global economy. CME’s SMART Program assists manufacturers in improving their energy efficiency by providing 50% funding for approved upgrades up to \$50,000. In addition, CME offers resources to review manufacturing operations in order to identify areas where energy efficiency improvement is possible. CME’s SMART Program also integrates another CME initiative, referred to as the Energy Benchmark Study or “Advancing Opportunities in Energy Management”, that provides companies with energy management benchmarks that will guide the identification of energy efficiency improvement opportunities. The industry wide benchmarks, which are currently under development, will also help CME, government and utilities develop programs that align with the needs of Ontario

Vancouver
Toronto
Ottawa
Montréal
Calgary

industry. Both the SMART Program and the Energy Benchmark Study use the same online diagnostic tool to record and compare energy use, and to assist with the implementation of energy efficiency best practices.

In addition to the increase of players offering energy efficiency programs, CME also understands that the Ontario Government intends to release the *Green Energy Act* sometime within the next six to eight weeks. CME does not know the extent to which the *Green Energy Act* will affect DSM delivered by the natural gas distributors. To the extent that the *Green Energy Act* affects DSM, it should be reflected within the Board's Guidelines.

CME also believes that the Board should consider current economic conditions. The current weakening economy poses significant challenges for Ontario's manufacturing and exporting sectors. Companies are finding it more difficult to access the financing they require to invest in new products and new technologies, grow their business, and in some cases simply stay in business. CME believes that, if DSM is delivered strategically and cost effectively, then it can assist the manufacturing and exporting sectors to emerge from the recession in a stronger competitive position. For this reason, CME urges the Board to ensure that the Guidelines remain sufficiently flexible to permit the natural gas distributors the ability to quickly respond to changing economic conditions.

CME believes that the current DSM Framework needs to be reconsidered. This reconsideration should be, in part, informed by the fact that more parties are involved with energy efficiency and conservation, the *Green Energy Act* will be released in the near future, and the current economic conditions. In assessing how DSM should be measured, what constitutes appropriate shareholder financial incentives and the role of gas distribution companies in program development, delivery and evaluation, the Board should also consider the extent to which gas distribution companies can integrate their DSM programs with other energy efficiency activities conducted by government, other utilities, municipalities or industry associations.

DSM FRAMEWORK

CME agrees that the current DSM framework has certain disadvantages which were set out in Board Staff's discussion paper. In particular:

- (a) It requires an enormous amount of time, effort and money on the calculation of, and debating of numbers;
- (b) Is quite complex and the complexity promotes game playing on the part of the utility and stakeholders;
- (c) It can, under certain circumstances, create unnecessary distrust or animosity between utilities and stakeholders; and
- (d) At certain times, may make ratepayers cynical about DSM activities.

These disadvantages cannot be easily solved. CME recognizes that the evidence necessary to make significant changes to the DSM framework will not be available in time for the natural gas distributors to obtain approval of filed plans prior to 2010. For this reason, CME supports Board Staff's view that the most efficient way to proceed, in the short term, is to make changes to the existing DSM framework.

That said, CME urges the Board to also begin developing a long-term strategy on how to improve DSM in Ontario. CME supports Board Staff's suggestion that preliminary work be done to review the experience of other jurisdictions in using the "normalized average gas consumption