

**Ontario Energy
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**Commission de l'énergie
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BY E-MAIL AND WEB POSTING

January 7, 2010

**To: All Rate-regulated Natural Gas Distributors
All Participants in Consultation Processes EB-2008-0346 and
EB-2008-0150
All Other Interested Parties**

**Re: Demand Side Management Guidelines for Natural Gas Distributors
(EB-2008-0346)
Consultation on Energy Issues Relating to Low-Income Consumers
(EB-2008-0150)**

**Initiatives Relating to the Demand Side Management Framework for Natural
Gas Distributors and Further Direction to Natural Gas Distributors**

The purpose of this letter is to update natural gas distributors and other interested stakeholders on the Board's initiative regarding the development of a demand side management (DSM) framework for natural gas distributors, and to provide direction to natural gas distributors in developing their 2011 DSM plans.

Background

On January 26, 2009, the Board issued for comment draft "Demand Side Management Guidelines for Natural Gas Distributors" (the "Draft Guidelines"). For the reasons set out in the Board's April 14, 2009 letter, the Board deferred further consideration of the Draft Guidelines and directed Union Gas Limited ("Union") and Enbridge Gas Distribution Inc. ("Enbridge") to file one-year DSM plans for 2010. These DSM plans, excluding low income programs (see the Board's letter of May 13, 2009), were approved by the Board on September 30, 2009. By letter dated September 28, 2009, the Board directed Union and Enbridge to file their low income DSM plans for 2010, and those were approved by the Board on December 14, 2009.

Direction to Natural Gas Distributors

The Board's review of its DSM framework is not expected to be completed until relevant government policy issues have been determined. The Board will therefore require Union and Enbridge to file their DSM plans (inclusive of low-income DSM programs) for one additional year (2011). The filing of these one year plans is intended to serve as an interim measure, and the plans are not necessarily intended to form the basis of future plans.

The 2011 plans should be filed under the current DSM framework, including increases based on the established budget escalators. The measures and input assumptions that should be used for the development of the DSM plans for 2011 are those contained in "Measures and Assumptions for Demand Side Management (DSM) Planning" prepared by Navigant Consulting Inc. (issued by the Board April 29, 2009) and selectively updated by the utilities based on the evaluation results of their 2008 and 2009 DSM programs.

Distributors are to file their DSM plans for 2011 by April 30, 2010.

Review of Existing DSM Framework

The Board intends to proceed with a review of the existing DSM framework. To that end, the Board has retained the services of Concentric Energy Advisors Inc. to prepare a report that evaluates Ontario's DSM framework against best practices in selected North American and other jurisdictions. The Board has also retained Pacific Economics Group to assess the potential use of normalized average usage per customer for estimating the impact of DSM programs. Both studies are expected to be completed by the end of January 2010 and will be posted for stakeholder comment in February.

Further information on the next steps in developing the DSM framework will be provided at a later date.

Yours truly

Original Signed By

Kirsten Walli
Board Secretary