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June 7, 2010

VIA COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Re: Ontario Energy Board (the "Board")
EB-2008-0346 Consultation on the Development of
Demand Side Management ("DSM") Guidelines for Natural Gas Distributors

On March 19, 2010, the Board issued for comment two reports from consultants retained by the Board:

- a report entitled Review of Demand Side Management (DSM) Framework for Natural Gas Distributors prepared by Concentric Energy Advisors (the "Concentric Report"); and
- a report entitled "Top Down" Estimation of DSM Program Impacts on Natural Gas Usage prepared by Pacific Economics Group Research (the "PEG Report")

Enclosed please find the submission of Enbridge Gas Distribution regarding the Concentric Report and the PEG Report.

The submission has been filed through the Board's Regulatory Electronic Submission System (RESS).

Please contact the undersigned if you have any questions.

Sincerely,

Bonnie Jean Adams
Regulatory Coordinator

2012 DSM FRAMEWORK DEVELOPMENT

RESPONSE TO THE REPORT OF CONCENTRIC ENERGY ADVISORS,

Review of Demand Side Management (DSM) Framework for Natural Gas Distributors

AND

RESPONSE TO THE REPORT OF THE PACIFIC ECONOMICS GROUP

"Top Down" Estimation of DSM Program Impacts on Natural Gas Usage"

SUBMISSION FROM

ENBRIDGE GAS DISTRIBUTION

June 7, 2010

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1.0 INTRODUCTION

This is the submission of Enbridge Gas Distribution ("Enbridge" or the "Company") in response to the reports of Concentric Energy Advisors ("Concentric") and the Pacific Economics Group Research ("PEG"), dated March 19, 2010 ("the Concentric Report") and (the "PEG Report"). Consistent with the Ontario Energy Board's (the "Board" or "OEB") ultimate goal in this proceeding, Enbridge also offers its view as to the optimal DSM framework which it recommends to the Board.

While this submission has been drafted and is filed on behalf of Enbridge, it should be noted that there has been significant collaboration with Union Gas Ltd. ("Union") which has resulted in alignment around our response to the various issues addressed in the Concentric Report as presented in the Table in Section 5.

It is the goal of the natural gas utilities to assist the Province in its delivery of ambitious new energy efficiency activities. It is believed the timing of the Concentric Report and recent announcements by the Government of Ontario present an excellent opportunity to re-examine the current mix of programs and operating principles with the view to optimizing programs and the framework under which they are designed and operated and to deliver even greater energy efficiency results and benefits to Utility customers. The Utilities acknowledge that they will play a critical role in the next energy efficiency paradigm and that the Province looks to them to provide leadership and guidance as the Province attempts to implement its ambitious energy conservation agenda.

While this submission responds to the recommendations made by Concentric, it goes further by articulating a framework for DSM which draws upon the recommendations of Concentric, where appropriate, and the experience and knowledge of Enbridge in other respects for the purposes of developing the most efficient and transparent DSM framework possible. The vision for the future DSM framework is informed by our considerable DSM experience and knowledge of the Ontario marketplace. Not surprisingly, not all of Concentric's recommendations align with the realities of the Ontario marketplace given that Concentric was not asked to go beyond a comparison of the operational framework between various jurisdictions and determine if there are local, historical and current realities and justifications for the differences. One need only look to the hybrid Ontario energy marketplace with its dozens of municipally owned electric LDCs, private sector generators and transmitters, and significant players such as the IESO, the OPA and the Ministry of Energy and Infrastructure to appreciate the fact that operational framework differences between jurisdictions are likely to be significant.

The DSM marketplace in Ontario is well developed. The two gas Utilities have been operating DSM programs for close to 15 years. Enbridge has delivered more than $1.5 billion in natural gas and other resource savings. The experience and knowledge gained represents a major opportunity for the Province to leverage such capability in its quest to broaden the scope of energy efficiency. The proposed DSM framework as set out in this submission is guided significantly by the knowledge and experience of both of the Utilities and the conservation goals of the Province of Ontario.

The following discussion is presented in 7 sections:

Section 2 provides the Background and Context for the proposed framework.

Section 3 presents the Vision and Principles that Enbridge developed for next generation natural gas DSM activities.

Section 4 presents an Illustration of how the proposed DSM Framework would operate over the course of the next multi-year Plan from Portfolio Design and Plan submission through to the DSM Audit and the Application to clear deferral accounts.

Section 5 provides a Summary of the Proposed DSM framework. It is presented in the same format as the Concentric report, highlighting Enbridge's position and proposed approach on each of the 14 major framework elements.

Section 6 presents Enbridge's Comments on each of the Concentric Report recommendations.

Section 7 provides Enbridge's response to the Pacific Economics Group Research Report.

2.0 BACKGROUND and CONTEXT

The OEB determined the original regulatory framework for gas distributor sponsored DSM programs through guidelines established in its EBO 169-III Report of the Board dated July 23, 1993. That report presented a series of guiding principles that the natural gas utilities were expected to consider as part of the design and delivery of their respective DSM programs. These included the need for stakeholder engagement, the right of equal access for all potential customers, the use of existing delivery channels where appropriate, the desire to consider all energy conservation opportunities, the need for recovery of lost revenues, and the need to file evidence on the development, implementation, monitoring and evaluation of DSM programs, portfolios and plans.

These guidelines presented the natural gas industry with a framework under which DSM activities could be undertaken. This framework also provided certainty that those activities would not expose the shareholder to significant risk or unexpected negative outcomes.

Union and Enbridge responded by designing and launching a series of DSM programs and supporting initiatives starting in the mid to late 1990's. Since that time, much has been accomplished and learned – both from the perspective of the marketplace, and from the perspective of the regulatory framework under which the programs are delivered. Shareholder incentives were added subject to a third party audit of annual results as one of several refinements to the DSM framework. Other principles were added including no retroactive changes to program assumptions and a more formalized role for intervenors through the Evaluation Audit Committee. In combination, these additions to the framework served to accelerate the DSM activities of the Utilities resulting in significant gas savings for customers.

The individual and combined experience and knowledge of the natural gas Utilities is a major resource available to the Province to assist in the selection of the best path for future DSM activity (including potential activities to be undertaken by electric local distribution companies ("LDCs")).

In recent years, several significant changes have occurred in the DSM landscape in Ontario which will shape future DSM activities. These include:

- Greater government commitment to energy efficiency as exemplified by the Green Energy and Economy Act and recent pronouncements from the Environmental Commissioner stating that "The potential savings on consumers bills and emissions reductions from reduced (natural gas) consumption is large – possibly more than savings from electricity."[1]

- Gains from first generation DSM programs are nearing maturity as exemplified by transformation of the market which has been achieved for some DSM technologies such as high efficiency furnaces.

- Development of conservation programs in the electricity sector and further energy efficiency focused programming to come as a result of specific electricity reduction targets for Ontario's electric LDCs.

[1] "Rethinking Energy Conservation in Ontario – Annual Energy Conservation Progress Report – 2009 (Volume One)., Environmental Commissioner of Ontario. pp 31.

Greater commitment from government to energy efficiency comes with higher expectations on the Province's gas utilities and electric LDCs. Enbridge welcomes the challenge. Many energy efficiency programming results have already been captured by our efforts but more DSM activity will require greater investments in portfolios combined with new ways of engaging the market. These requirements necessarily impact the environment under which programs are operated.

Recently the OEB asked Concentric to critique the existing framework and make recommendations for change based upon a review of other jurisdictions. The Board's goal in engaging Concentric was to consider whether means exist to streamline DSM activities administratively and with a view to generating even greater resource savings. Enbridge supports the goal of considering more ways to reduce customers' loads and help engender a "culture of conservation" in the province.

In combination with the new emphasis from the government and the increasing importance of energy efficiency for customers, Enbridge is proposing a refreshed approach to the delivery of DSM that we believe will make a significant contribution to achieving the Province's conservation policy objectives under a simplified framework. This vision builds on our significant knowledge, experience and expertise and also addresses the latest needs as expressed in the Concentric report and the *Green Energy and Economy Act.*

3.0 VISION and PRINCIPLES FOR NEXT GENERATION DSM ACTIVITIES

3.1 Vision

Enbridge has an overarching goal of helping customers achieve deep and lasting energy savings. As we work towards achieving this goal, Enbridge will also help the Province meet its energy efficiency and greenhouse gas ("GHG") reduction goals.

Through 15 years of experience in delivering DSM programs in Ontario, Enbridge has extensive knowledge of DSM customer needs, DSM technologies and approaches that work. We have found that aggressively promoting best available technology alone is not sufficient to achieve deep and lasting energy savings. It is important to recognize that at this point in DSM history in Ontario, to achieve deeper, lasting energy savings it will be necessary to move beyond single technology based resource acquisition programs and instead develop initiatives that:

- Avoid lost opportunities through a more integrated, comprehensive, and long term approach to meeting customers' energy needs, e.g., whole house retrofits;
- Recognize that, to the extent that a program will involve energy efficient technology, much potential for savings will be lost unless the behavioural patterns of the customer and their operational practices are addressed;
- Take a more customer centred approach and work intensively with customers to build a conservation culture within the each organization, e.g., performance based efficiency, continuous commissioning, monitoring and targeting;
- Focus more on capacity building to develop the necessary soft infrastructure in the Province to further develop and support long term energy gains, e.g., training technicians in building simulation and/or training contractors in weatherization techniques;
- Move from examining isolated building efficiency opportunities to explore the next level of efficiency opportunities through integrated energy planning at the neighbourhood and community level, e.g., working with municipalities to explore opportunities through district energy systems that capture waste heat from one part of the community and transfer it to another sector; and
- Continue to aggressively support the development of new technologies and market approaches to energy efficiency through research and development.

Enbridge has been involved to a degree in all of the "next generation" DSM activities listed above and is very aware of their potential. For example, we have supported a variety of capacity building and segment support initiatives including builder training, the use and adoption of building rating systems and the development of a series of energy savings calculators. Enbridge also actively supports a wide variety of sector associations and was instrumental in the genesis of leading NGOs including the Canadian Energy Efficiency Alliance and Sustainable Buildings Canada.

However, the Company's involvement has been limited because of the constraints of the present DSM framework. To achieve the ambitious goals spelled out above, a regulatory framework that allows for and encourages a more fulsome set of activities is required. In

addition to continued commitment to resource acquisition, market transformation and low income initiatives, the future approach must include increased focus on a much broader range of development activities on the "supply side" of energy efficiency including:

- Capacity building through training and segment support initiatives;
- Development of an alternative energy infrastructure; and,
- Research and development into new technologies and market approaches to energy efficiency.

Attention to capacity building and other development initiatives on the "supply side" of the DSM market is critical if Ontario is to meet its conservation goals.

The timing for an amplified involvement in these kinds of initiatives is most appropriate. For example, the Ontario Power Authority ("OPA") has recently undertaken studies in support of capacity building and segment support in the market. The OPA has been asked to consider ways of integrating natural gas DSM with its electricity focused conservation and demand-management ("CDM") activities for electricity distributors. The need for both of the gas utilities to participate in these sets of activities is self-evident. Enbridge can and should bring our unparalleled capability and expertise forward to support the Province's objectives.

This increasing focus on capacity and segment support necessitates a re-balancing of the DSM portfolio. In the past, 90% or more of DSM effort was directed at resource acquisition programs. This can be expected to change with the greater emphasis on developing the supply side of DSM.

3.2 Principles

In developing a set of principles for the next generation of DSM, Enbridge drew upon the body of experience developed in Ontario beginning with EBO 169 and the perspectives of customers, the Board, the Utilities, stakeholders and the Province. These considerations represent a wider perspective than those presented in the Concentric Report and, importantly, reflect the market differences which exist between Ontario and other jurisdictions. The resulting key principles are presented below.

Transparent approaches and reporting mechanisms reflecting:

- The Province's need to report on progress towards Provincial conservation goals;
- The Board's need to provide regulatory oversight; and
- The stakeholders' desire to ensure that ratepayer constituents are treated fairly and have confidence that program results are accurately measured and reported.

Continuity and ease of access to programs reflecting:

- Customers' need for ease of access to programs and access on an ongoing basis.

Stability of the framework and rules reflecting:

- The Utilities' need for a stable environment for program management and delivery and for annual reporting, reimbursement and incentive mechanisms; and
- Customer need for a stable environment for their investment in energy efficiency.

Equal access to programs reflecting:

- Stakeholders' desire for assurance that all ratepayer groups have access to utility programs; and
- Customers' need for unbiased advice on energy efficiency products and services.

Flexibility to allow program restructuring and optimization reflecting:

- The Utilities' desire for flexibility to optimize the portfolio within the terms of the multi-year plan – autonomy to run the business within the agreed on rules.

An appropriate funding model to capture more savings reflecting:

- The Utilities' need for a sufficient budget to meet objectives set by the Province and the OEB.

Fairness reflecting:

- Stakeholders' need for fair allocation of DSM resources and related costs across rate classes; and
- The Utilities' need for financial mechanisms that put conservation on similar footing with traditional business.

Simplicity reflecting:

- The Board's desire for simplicity of administration to minimize regulatory oversight and proceedings and day to day management, reporting and auditing;
- The customers' need for simplicity of access to programs; and
- The Utilities' need for simplicity in administrative and reporting requirements in order to maximize resources spent on programs.

By considering all the various perspectives and themes and with a desire to achieve the greatest possible savings, Enbridge is proposing an updated DSM Planning Framework under which the natural gas utilities would develop and deliver their portfolios of DSM programs in the next multi-year Plan period.

4.0 DSM PLANNING FRAMEWORK – AN ILLUSTRATION

This section presents an illustration of how the next multi-year DSM Plan would be designed, implemented, monitored, reported and evaluated under a framework that follows the principles described above. Each major topic area provides a description how the activity would be undertaken and the related framework components.

4.1 Program Design and Planning

In designing and implementing the multi-year Plan, Enbridge will take a long term view of DSM in keeping with the Province's long term goals. The Company will first focus on long term direction and the overall multi-year goals for each sector and then develop annual milestones/objectives. This will be particularly important for the initiatives that are of strategic importance for unlocking greater savings – i.e. the Development initiatives.

In the following discussion, a series of steps are presented as individual activities. In practice, these steps will be both linked and concurrent. It is also expected that the design process will be somewhat iterative, with program design being refined to reflect budgetary considerations etc.

Step 1: Consultation. The planning phase will begin with consultation with industry, business partners, customer groups and others to address the following questions:

- What are the opportunities, new technologies and new approaches for achieving deep, long lasting energy efficiency in this market sector?
- What are the barriers?
- What are customer requirements?
- What are the appropriate pathways to the market and how are they best leveraged?

The outcome of this Step is the identification of potential strategic directions and initiatives for the multi-year Plan period and beyond. This includes the initial identification of potential program partners and pathways to the market.

Step 2: Strategy development. This task focuses on the identification of potential strategies in each sector, including strategies to collaborate with DSM delivery in the electricity sector. As part of the strategy development, potential partnerships and specific development needs (capacity building, infrastructure development and R&D) will be identified. Continuing a tradition of collaborating on program development and research with Union Gas, Enbridge will seek to ensure that approaches to the development of the strategies are aligned.

The outcome of this step will be a broad portfolio strategy built from the sector strategies and outlining the overall balance of program types:

- Resource Acquisition,
- Market Transformation,
- Low Income, and
- Development.

Step 3: Technology screening. Based upon the results of Step 1 and from the technology research undertaken by Enbridge, the Company will develop a list of resource acquisition measures for consideration as part of the program designs.

All technologies promoted through Resource Acquisition programs will be screened using the Societal Cost Test (SCT). Where feasible, technologies promoted through Market Transformation or Low Income programs will also be screened using the SCT. In the case of Low Income programs, the technologies will be screened using a lower SCT threshold.

Step 4: Potential Programs. This step builds on the outcomes of Tasks 1-3 to identify potential programs for each sector. The DSM portfolio will be developed to include programs that:

- Emphasize measures and approaches that contribute most to cost effective energy savings,
- Include Development initiatives (capacity building, infrastructure development, and R&D into new energy efficiency technologies) to capture future energy savings,
- Address market barriers,
- Provide access to DSM across all customer groups
- Are designed for low income customers, and
- Address lost opportunities.

Table 4.1. Proposed Program Activities and Examples

Program / Activity	**Examples**
Resource Acquisition	Custom programs and other resource acquisition programs
Market Transformation	Drain Water Heat Recovery
Low Income	Targeted programming using sector partners such as the Low Income Energy Assistance Working Group
Development	Capacity Building: Training of building operators, building simulation technologists, residential renovators and homebuilders Infrastructure Development: Partnerships with municipalities in integrated energy planning Research and Development: Partnerships with NRCan, CMHC, and others to develop the next generation of energy efficient construction and new energy efficiency technologies

The program mix in any given year will include a combination of the elements shown in Table 4.1 above. The portfolio balance between the program and activity types listed in Table 4.1 will depend upon market needs and strategic considerations and be informed through consultation/collaboration with program partners and stakeholders as well as through the budget setting process.

Step 5: Program screening. In screening Resource Acquisition programs, Enbridge will use the SCT test and other considerations including the Program Administrator Cost Test ("PACT"). It is expected that each of the resource acquisition programs will be cost effective under the SCT. Low income programs will be approved at a lower SCT threshold. In undertaking the program screening, the following approaches will be used for SCT test inputs.

Avoided costs: Avoided costs will be calculated using the current approach as approved in EB 2006-0021 whereby the fixed costs are established for the term of the program cycle while commodity costs are updated annually prior to the program year.

Input assumptions: A common set of input assumptions will be developed through a Board process with the assistance of an independent consultant as for EB 2006-0021. For screening purposes, Enbridge will develop estimates of savings from custom projects drawing on a combination of past project experience, building energy modelling and project archetype development.

Adjustment factors: Three categories of adjustment factors apply: free ridership/spillover, persistence of savings and attribution. For the purposes of screening using the SCT test it will be considered that free ridership is offset by spillover. Regarding the persistence of savings, persistence studies and resulting adjustments will be applied to specific measures as appropriate. For programs delivered in partnership with other program administrators, attribution of savings will be determined by Enbridge and the other partners prior to program launch.

Enbridge will screen proposed Market Transformation, Low Income and Development programs based upon an assessment of the need in the marketplace, utility resources, and other strategic considerations. Consultation with stakeholders and input from the market will help to determine the appropriate level of activity and budget for these programs.

In screening programs, the Program Administrator Cost test (PACT) will be used, not as an absolute guide, but as one of several considerations in developing a balanced DSM portfolio.

Step 6. Budget Development. The program designs will be the primary driver of the overall budget; however, the budget setting process is an iterative one. The intent is to allocate a budget at a level which will enable the Company to undertake significant DSM activities. It is anticipated that the budget for an effort of this scale will escalate from current levels to between 4% and 6% of the Company's distribution revenues (i.e. net of commodity costs). Enbridge anticipates that the budget will include an amount for program verification, evaluation and EAC costs between 3% and 5% of the total DSM budget. Enbridge will propose the final budget to the Board as part of the multi-year Plan.

Step 7. Submission of the Plan. The Program Design and Planning phase will culminate in the submission of the Multi-year DSM Plan to the Board.

4.2 Program Implementation

During the multi-year Plan period, Enbridge will implement the Board approved DSM programs, monitor and track results, and conduct studies to verify results.

There may be a need for budget realignment as a result of actual program experience. Similar to the provisions of the current framework, Enbridge will have the discretion to make adjustments to the DSM budget within a given program year. As with the current framework, a simple realignment of budget will not require a submission to the Board.

Similarly, the Board will expect Enbridge to update avoided costs annually for the purposes of screening new programs and reporting annual societal benefits. This will not require a submission to the Board.

During the Plan period Enbridge will continue to investigate new DSM measures and program opportunities. The DSM framework will afford the necessary flexibility to realize program opportunities as they become available and to update program information. Throughout the Plan period, Enbridge may make annual submissions to the Board to:

- Introduce new resource acquisition measures / programs as they are developed;
- Update delivery methods for resource acquisition programs with resulting changes to measure assumptions; and
- Propose new metrics for scorecard based programs (Market Transformation, Low Income and Development programs) based upon changing market conditions and program delivery experience.

Changes to program and measure assumptions and to scorecard metrics during the multi-year plan period will apply to the next full program year for the purposes of calculating the shareholder incentive. For LRAM purposes, best available information at the time of the audit will continue to apply.

During the Plan period, Enbridge will consult with the DSM Consultative and EAC, following Terms of Reference developed in consultation with the Consultative and approved by the Board. It is expected that Enbridge will continue to hold two Consultative meetings each year.

In addition, the annual consultation cycle may include a Consultative process for review of new measures and programs introduced during the Plan period and for updates to input assumptions for existing measures based on new information. The Board's consultant for assumptions will assist in the review in an advisory capacity. This update and review process will result in an annual submission to the Board.

4.3 Program Reporting, Verification and Evaluation

For Resource Acquisition programs, the proposed reporting metrics, verification and evaluation efforts represent a continuation of current activities and approaches with one change. As in the current approach, Enbridge will assess results of Resource Acquisition programs using one common metric for all Resource Acquisition programs. Instead of net TRC benefits, the new framework will use resource savings on a per customer basis (either m3 of water and gas or SCT net benefits).

For Market Transformation and Low Income programs, the current scorecard approach will apply with metrics developed for individual programs as proposed by Enbridge in the multi-year DSM Plan. For Development activities (capacity building, infrastructure development and R&D), scorecard metrics will also be developed and proposed in the DSM plan.

Table 4.3 shows the various program categories, examples of activities and potential metrics that might be used (based upon the example activities).

Table 4.3 Proposed Metrics

Program Category	**Examples: Program Activities**	**Examples: Metrics**
Resource Acquisition	Prescriptive programs and Custom programs in the Commercial and Industrial sectors	m^3 (gas and water) or SCT
Market Transformation	Drain Water Heat Recovery	Number of units installed as a percentage of housing starts, i.e., market penetration
Low Income	Weatherization	Number of homes completed
Development	Capacity Building: Training of builders Infrastructure Development: Partnerships with municipalities in integrated energy planning Research and Development: Partnership with NRCan and others to develop the next generation of residential energy efficient construction	Number of graduate trainees Number of new partnerships Number of new technologies commercialized
Note: the metrics presented for Market Transformation and Low Income reflect those in the 2011 DSM plan while the metrics for Development activities are examples only		

During the Plan period, Enbridge will monitor and track program results, conduct verification studies to confirm results and report yearly through the DSM Annual report. Enbridge will also

conduct evaluation research to update measure assumptions and assess program processes and impacts.

Similar to the current framework, Enbridge will appoint a DSM auditor to review the Annual results in consultation with the EAC. Following the audit, Enbridge will apply to the Board to clear the DSM deferral accounts.

The audit process will be streamlined through the separation of the audit function from the review of input assumptions. A new annual Consultative process will be used for the review of new measures introduced during the Plan period and updates to input assumptions for existing measures. The Consultative process will include the Board's consultant in an advisory capacity. This process will result in an annual submission to the Board for approval of any new measures and programs as well as any changes to input assumptions for existing measures.

Throughout the Plan period, Enbridge will continue to consult with the DSM Consultative and with the EAC. In consultation with the Consultative, the Company will develop EAC and Consultative Terms of Reference for Board approval.

4.4 Shared Savings, Lost Revenue Adjustments and DSM Variance Accounts

Similar to practice under the current framework, Enbridge will apply on an annual basis to clear the three DSM deferral accounts:

- The SSM (Shared Savings Mechanism) Variance Account
- The LRAM (Lost Revenue Adjustment Mechanism) Variance Account
- The DSM Variance Account

Shared Savings Mechanism

The proposed SSM approach is presented in Table 4.4.

Table 4.4 Proposed SSM Approach

Program / Activity	**SSM base**
Resource Acquisition	$/m^3 on a graduated scale from the first m^3 saved
Market Transformation	Scorecard
Low Income	Scorecard
Development	Scorecard

The proposed approach uses a common incentive structure for all Resource Acquisition programs based on a graduated incentive calculated on a straight line basis from the first unit of savings. The straight line approach avoids the need for a target to set the "curve" of the graduated incentive for Resource Acquisition programs, thus eliminating the need for a negotiated savings target.

For Market Transformation, Low Income, and Development programs, the program objectives, the metrics, and the SSM structure will be developed for each major program during development of the Plan. As in the current framework, scorecard based programs will have a prorated incentive beginning at 0%.

It is expected that in the short term, the Resource Acquisition activities will form the majority of the Company's SSM structure. However the exact balance will depend upon the strategic importance placed on each activity in the DSM plan. The portfolio of programs and resource allocation proposed by the Company in the multi-year Plan will outline the focus of the Company's efforts that will ultimately determine the size and nature of the SSM.

Lost Revenue Adjustment Mechanism

Enbridge will propose a mechanism for recovery of lost revenue in the multi-year Plan that is suited to the Company's circumstances and the needs of its ratepayers.

DSM Variance Accounts

As in the current framework, the DSM Variance Account will provide Enbridge with budget flexibility up to 15% of the total budget in any given year.

4.5 Filing and Related Processes

Following approval of the multi-year Plan there will be opportunities for the utilities to file mid-term updates in addition to annual reporting of results.

In practice, Enbridge will file the following documents with the Board over the course of the multi-year Plan:

1. The multi-year Plan submission,
2. Annual Updates as needed,
3. Annual Report and Audit materials (filed yearly), and
4. The Application to clear the DSM deferral accounts (yearly)

5.0 SUMMARY: PROPOSED DSM FRAMEWORK

	Regulatory Approach	Summary: Proposed DSM Framework (Developed in Response to the Report of Concentric Energy Advisors, "Review of Demand Side Management (DSM) Framework for Natural Gas Distributors", March 19, 2010)
	Primary Objective	➢ Support the Province's conservation and energy efficiency goals (2020 and 2050 Greenhouse Gas reduction targets)[2]. ➢ Manage demand growth. ➢ Maximize energy savings.
1	Cost Effectiveness Test	➢ Use SCT for screening of resource acquisition programs including a value for GHG or related emission.[3] ➢ OEB to establish $/tonne value for GHG or related emission[4] with input from Utilities and stakeholders. A higher $/tonne value will allow for more energy efficiency measures to be included in the Utilities' programs. ➢ Screening at program level both for single measure programs and programs which include more than one measure. ➢ Low Income programs to be screened at a lower SCT ratio. ➢ Utilities to set program priorities. Use Program Administrator Cost test as a guide – not an absolute – in prioritizing programs. ➢ It is not appropriate to screen Market Transformation, Low Income Market Transformation or Development programs using the SCT test. As these programs are not formulaic in nature they should be assessed on an individual basis on their own merits.
2	Avoided Costs, Discount Rates and Extended Measure Life	➢ Avoided Costs: Continue with current system re: avoided costs. Utilities to calculate avoided costs for the multi-year period and submit to OEB for approval with the multi-year DSM Plan. Utilities to update commodity costs on an annual basis. ➢ Discount Rate: A single discount rate to apply to all electric and gas LDCs as this will further support collaboration in program design and delivery. The use of an established and accepted financial rate representing a societal investment perspective would be appropriate. ➢ Extended Measure Life: OEB to examine the concept of extended measure life for specific measures.
3	Input Assumptions	➢ Continue the current approach whereby OEB oversees a common set of measure assumptions for prescriptive programs using an independent consultant. Utilities may file information to support different values with their multi-year DSM Plans. Savings for custom projects will continue to be calculated on an individual project basis.

[2] As per Ontario's 2007 Action Plan on Climate Change – reduction targets culminating at 80% below 1990 level by 2050.
[3] Alternative measures include carbon (CO), carbon dioxide (CO2) or carbon dioxide equivalent (CO2e).
[4] IBID

		➢ Utilities to have flexibility to propose new measures and programs during the term of the Plan. ➢ Utilities and others may propose changes to Board approved assumptions. ➢ Utilities to submit proposals for new measures or changes to Board approved assumptions to the Board on an annual basis following consideration of the proposals involving the utilities, the EACs and the Board Consultant. ➢ Board approval of any new measures or assumption updates resulting from changes to program delivery to be effective immediately. Any adjustments to assumptions for existing programs based on new information to be applied to the next full program year. Assumptions may change during the multi-year plan period but no change to assumptions after the beginning of the year, i.e., Board approval of assumption changes received in 2010 would apply beginning in 2011. ➢ No retroactive changes to program assumptions for the purposes of measuring program performance.
4	Adjustment Factors	➢ <u>Free ridership/Spillover</u>: Assume that free ridership is offset by spillover. ➢ <u>Persistence</u>: Continue with current practice whereby persistence is an evaluation issue and is addressed on a program by program basis as needed. ➢ <u>Attribution</u>: The parties to a program partnership with other program administrators to determine the attribution shares for that program, prior to program launch, recognizing that the total value of resource savings claimed by all regulated parties should not exceed the program total benefits.
5	DSM Program Design	➢ Utilities to establish program priorities and portfolio balance of programs in multi-year plan submission. ➢ DSM Portfolio developed to include programs that: - emphasize measures and approaches that contribute most to cost effective energy savings, - include development initiatives (capacity building, infrastructure development, and R&D into new energy efficiency technologies) to capture future energy savings, - address market barriers, - provide access to DSM across all customer groups, - are designed for low income customers, and - address lost opportunities. ➢ DSM portfolio may consist of four generic program types: Resource Acquisition, Market Transformation, Low Income, and Development programs. ➢ Utilities to continue current practice of consulting with stakeholders such as customers, industry, business partners and others as appropriate in developing sector strategies and program designs for the multi-year DSM Plan. ➢ Utilities to have flexibility within the Plan period to adjust programs and portfolio balance and to introduce new measures and programs during the Plan period to respond to changing market conditions.

6	DSM Budget Development	➢ Budget to be determined from the program design process, proposed by the Utilities in the multi-year DSM Plan, and approved by the Board. ➢ Expect budgets to escalate from current level to between 4.0% and 6.0% of utility revenues less the cost of purchased gas. Utilities should be permitted to propose higher budgets where market opportunities warrant additional expenditure. ➢ Separate budgets for Resource Acquisition, Market Transformation, Low Income, and Development programs. ➢ Budget set over the multi-year period with annual estimates and expenditures reported yearly in the Annual Report. ➢ Continue current provision for DSMVA at 15% of budget for application to program variable costs to be filed annually. ➢ Budget flexibility over the multi-year DSM Plan period to accommodate revisions to programs and anticipated collaboration with electric LDCs. ➢ Anticipate expenditures on program verification, evaluation and EAC costs to fall within 3% to 5% of total DSM budget.
7	DSM Metrics / Targets (Measuring Success)	➢ Resource Acquisition programs: Performance metric to be tied directly to resource savings on a per customer basis. This could be through volumetric savings metrics (e.g., m^3 for gas and water or SCT net benefits). To facilitate collaboration between gas Utilities and electric LDCs, the Conservation Code for electric LDCs and the new Guidelines for gas Utilities to present harmonized treatment of gas and electricity savings. ➢ Market Transformation, Low Income, and Development programs: Metrics for individual programs to be based on a scorecard approach and proposed in the DSM Plan.
8	Financial Incentive (Utilities)	➢ One common incentive structure for all programs measured with volumetric based savings. ➢ Program specific incentive structures for scorecard based programs, e.g., Market Transformation, Low-Income and Development programs. ➢ Resource Acquisition volumetric based programs: Graduated incentive to be calculated on a straight line basis from the first unit of savings. Hence there will be no target savings level. Incentive to be calculated annually based on assumptions locked in for the year. ➢ Scorecard based programs: Utilities to propose metrics, targets and SSM structure for each program in the portfolio.
9	Compensating for Lost Revenue	➢ Each Utility to propose solutions for recovery of lost revenue based on their business needs, the needs of their ratepayers, and their Incentive Regulation structure.
10	Conservation Impact Evaluation	➢ Utilities to continue to be responsible for program verification leading to reporting of annual results, for evaluation studies, and for the DSM audit. ➢ Accept the current arrangements (as outlined in EB-2006-0021) re: appointment of auditor and conduct of the audit, i.e., the Utility to appoint the auditor in consultation with the EAC. ➢ Suggest OEB consider streamlining through separating audit process from review of input assumptions. Establish a new annual Consultative

		process for review of new measures introduced during the Plan period and updates to input assumptions for existing measures, The Consultative process to include the Board's consultant in an advisory capacity. Process to result in an annual submission by the utilities to the Board for approval of any new measures and programs as well as any changes to input assumptions for existing measures. ➢ EAC role in evaluation research to be determined based on EAC Terms of Reference (see item 12).
11	Filing and Reporting	➢ Utilities to continue to produce the DSM Annual Report including the verification studies to support the findings in the Annual Report. ➢ Utilities to file with the Board their multi-year DSM Plans, any mid-term Updates, annual Audit Report materials and annual Application for Clearance of DSM Accounts with the Board.
12	Stakeholder Input	➢ The gas Utilities are ultimately responsible for design and delivery of DSM programs. ➢ Utilities to develop the EAC and Consultative Terms of Reference for Board approval, in consultation with the DSM Consultative. ➢ Utilities to continue to hold a minimum of two Consultative meetings each year.
13	Integration of Gas & Electric DSM	➢ OEB to review Electric CDM conservation code and next generation Natural Gas DSM framework with a view to removing barriers to collaboration and including provisions which will facilitate coordination of gas and electric DSM initiatives. ➢ To build on current LDC activities and relationships and facilitate development of coordinated or integrated programs during the multi-year DSM Plan period, the framework to include flexibility in program design, implementation and in budget allocation.
14	Alternative DSM Framework	➢ The current DSM Framework whereby the gas Utilities are responsible for the design and implementation of DSM programs for gas ratepayers is retained and enhanced. The current DSM Framework is not replaced with an entirely different framework.

6.0 CONCENTRIC REPORT RECOMMENDATIONS – ENBRIDGE COMMENTS

Issue #1 – Cost Effectiveness Tests

Response

- Enbridge supports the use of the Societal Cost Test (SCT) for screening for resource acquisition programs (volumetric savings), where the SCT includes a value for GHG or related emission.
- Enbridge supports the use of a lower SCT threshold for Low Income programs.
- Enbridge agrees with the Concentric Report that it is appropriate to screen at a program level and to seek to ensure that programs are cost effective at that level.
- Enbridge agrees with use of the Program Administrator Cost Test (PACT) in prioritizing programs but only as a guide where applicable and not as an absolute.

Comments

All technologies promoted through resource acquisition programs will be screened using the SCT test. Where feasible, technologies promoted through Market Transformation or Low Income programs will also be screened using the SCT test. Not all programs lead to specific results that can be assessed using the SCT test. Enbridge will screen other programs using budget considerations, market need, and other strategic considerations to prioritize programs.

The approach described above provides for a comprehensive and balanced approach to the task of screening DSM programs for potential inclusion in the portfolio.

Issue #2 – Avoided Costs, Including Discount Rates and Extended Measure Life

Response

- Enbridge supports Concentric's recommendation for the continuation of the current avoided cost calculation approach, whereby the fixed costs are established for the term of the Plan while commodity costs are updated annually prior to the program year.
- Enbridge proposes that a single discount rate apply to all electric and gas LDCs and that the use of an established and accepted financial rate representing a societal investment perspective would be appropriate.
- Enbridge proposes that the OEB examine the concept of extended measure life and the potential impact on screening.

Comments

The current avoided cost approach aligns with the duration of the DSM framework, provides the required level of accuracy for all stakeholders and ensures that the variable component of costs is captured accurately. A single discount rate for both gas and electric LDCs would foster collaboration in program design and delivery and would provide stability in program planning and implementation.

Issue #3 –Input Assumptions/Parameters

Response

- Enbridge supports Concentric's recommendation to continue the current process whereby the Board develops a common set of input assumptions with the assistance of an independent consultant.
- Enbridge supports the position that the Utilities may file information to support different values with their multi-year DSM Plans.
- Enbridge proposes that the OEB continues to oversee the input assumptions during the term of the Plan.
- Enbridge concurs with Concentric's view that it will be necessary to develop new input assumptions for new DSM measures during the course of the Multi-year plan and proposes that this be accomplished through an annual process resulting in an Update submission to the Board.
- Enbridge concurs with Concentric's view that it will be necessary to update input assumptions to reflect best available information during the Multi-year plan period and proposes that this also be accomplished through an annual submission to the Board.
- Enbridge also proposes that adoption of new measures be effective immediately whereas adjustments to assumptions for existing programs apply to the next full program year. For example, Board approval of new measures received in 2012 would apply in 2012, while Board approval of changes to assumptions for existing measures and programs received in 2012 would apply to program results beginning in 2013.

Comments

To realize deeper energy savings, Enbridge needs to continuously develop new technologies and introduce new program offerings during the course of the Multi-year plan period. At the same time, the utilities and their customers require stability in delivery of ongoing programs. The provisions described above will provide the needed combination of flexibility and stability during the period Multi-year plan period.

Issue #4 –Adjustment Factors

Free ridership / spillover

Response

- Enbridge concurs with Concentric's view that measuring free ridership and spillover is difficult and likely to become more so as more providers of DSM and CDM programs enter the Ontario marketplace. As such, Enbridge supports Concentric's simplifying conclusion that free ridership is offset by spillover.

Comments

Free ridership studies are difficult, costly and produce results that are often controversial. The increasing complexity of the Ontario market for DSM activities increases the cost and uncertainty regarding results. The recommended approach re: free ridership redirects focus and resources from free ridership studies to delivery of actual results. Further, the approach encourages increased collaboration and coordination between electric LDCs and the gas Utilities.

Persistence of Savings
Response

- Enbridge submits that utilities currently address the issue of persistence through verification and evaluation studies on a program by program basis as needed.

Comments
It is acknowledged that some measures (usually simple low-cost measures) may not get installed or can be uninstalled by customers. In these cases, persistence studies and resulting adjustments are appropriate. More sophisticated measures and installations are not likely to experience these kinds of issues and as such, persistence is already captured by the measure life assumption. The current approach as proposed above, provides effective and appropriate attention to the issue of measure persistence.

Attribution
Response

- Enbridge does not agree with Concentric's recommendation that attribution should be determined based solely on the financial contribution of the partners to the program.
- Enbridge does not agree with Concentric's recommendation that any deviation from the principle of financial contribution as an attribution determinant would require a submission to the Board.
- Enbridge proposes that, prior to a program launch, attribution should be determined by the program administrators who are engaging in a program partnership recognizing that the total value of resource savings claimed by all regulated parties should not exceed the program total benefits.

Comments
The issue of "financial contribution" as proposed in the Concentric Report overlooks critical elements in program delivery including the value of intellectual property, established access to markets, key customer relationships and opportunities to build on existing programs. Application of this recommendation would stifle collaboration with other DSM agencies. Further, Concentric's recommendation that any deviation from the principle of financial contribution would require a submission to the Board would further stifle collaborative efforts and drive utilities to the simplest and most defensible but not necessarily the most effective program concepts.

The proposed approach acknowledges that attribution should be managed on a case by case basis and recognizes the complete package of program activities delivered by the partners. The proposal is practical and avoids the requirement for utilities to submit each partnership program to the Board to determine attribution. Further, the proposed approach allows utilities to focus on developing partnerships and program concepts as opportunities arise rather than defending their role and contribution.

Issue #5 – DSM Program Design

Response

- Enbridge agrees with Concentric's recommendation that the utilities DSM Potential Studies can be used as one indicator of DSM programs likely to achieve high energy savings.
- Enbridge concurs with Concentric's suggestion that DSM programs should be designed to emphasize those measures and technologies that contribute most to cost effective savings.
- Enbridge suggests that Portfolio Design is a critical step in developing DSM plans for the next Multi-year period and that the DSM Portfolio must address other considerations beyond maximizing savings.
- Enbridge proposes the following principles be used to guide development of the utilities' portfolios. The DSM Portfolio should include programs that:
    - Emphasize measures and approaches that contribute most to cost effective energy savings,
    - Include Development initiatives (capacity building, infrastructure development, and R&D into new energy efficiency technologies) to capture future energy savings,
    - Address market barriers,
    - Provide access to DSM across all customer groups,
    - Are designed for low income customers, and
    - Address lost opportunities.
- Re: low-income programs, Enbridge suggests that the principles presented in the Final Report of the Conservation Working Group on the proposed short term (2010) framework for natural gas low-income DSM are more appropriate than those suggested by Concentric.

Comments

This Multi-year plan beginning in 2012 marks the beginning of the next generation of gas DSM programs in Ontario. The approach described above recognizes that DSM plans should be built on a portfolio basis. Further it recognizes that to address the changing market context the utilities' DSM Portfolios will need to include a variety of initiatives that are directed to achieving savings in the near term and also to putting elements in place that will enable the utilities to generate future savings. Enbridge also submits that it is critical that utilities have flexibility within the plan period to adjust programs and portfolio balance and to introduce new measures and programs to respond to changing market conditions and to take advantage of lost opportunities.

Issue #6 – Budget Development

Response

- Enbridge is in agreement with Concentric's recommendation that the gas distributors should be provided flexibility in proposing their respective DSM budgets.
- Enbridge proposes that there be no budget cap and that the budget be developed subject to the various program designs, with an overarching goal of maximizing cost

effective savings. Enbridge expects budgets to increase to 4% to 6% of utility revenues (less the cost of purchased gas). The Utilities should be permitted to propose higher budgets where market opportunities warrant additional expenditure.

- Enbridge proposes that separate budgets be developed for Resource Acquisition, Market Transformation, Low Income and Development programs and that the budget be established over the multi –year period with annual estimates and expenditures reported yearly in the Annual Report.
- Enbridge agrees with Concentric's support of the current DSM variance account as an effective method for reconciling the difference between actual DSM spending and budgeted amounts. Enbridge recommends that the DSMVA be established at 15% of budget.
- Enbridge supports the Concentric recommendation for an evaluation and verification budget of 3% to 5% of total DSM budget.

Comments
The proposals described above acknowledge that, to expand DSM efforts and help meet Provincial goals, additional resources will be required. The approach also provides the utilities with the necessary budget flexibility over this Multi-year plan to respond to uncertainty in the marketplace, to take advantage of opportunities as they arise, and to respond to expectations regarding increased coordination with the electric LDCs.

Issue #7 – Metrics and Targets

Response

- Enbridge does not support the use of market penetration of Best Available Technologies ("BAT") as the primary metric for measuring program success.
- Enbridge proposes that Resource Acquisition programs use a savings based metric such as m3 for gas and water or SCT net benefits, while the other program areas (Market Transformation, Low Income and Development) use scorecard based metrics proposed by the utilities, in their DSM plans.
- Enbridge suggests that to facilitate collaboration between the gas Utilities and electric LDCs, the Conservation Code for electric LDCs and the new Guidelines for gas Utilities present a harmonized treatment of gas and electricity savings.

Comments
The argument in support of BAT as the primary performance metric for DSM programs is not well founded in the Concentric Report: The examples provided in the Concentric report are relatively simple "prescriptive" type residential applications. The analogy cannot be made for commercial and industrial technologies. As well, the discussion related to the jurisdictions cited does not address the unique nature of the natural gas DSM market in Ontario. EGD is concerned that the adoption of the BAT approach will lead to lost opportunities in cases where a BAT technology may not be appropriate for an installation. The BAT approach does not recognize that the selection and adoption of energy efficient equipment is always driven by the customer and is the result of a number of factors including the budget, current configurations and existing relationships with manufacturers. Simply promoting the BAT approach does not reflect these market realities. Finally, there is the issue of who decides what is the BAT. There

are cases where the BAT from an energy efficiency perspective may not be the BAT from an emissions perspective. EGD submits that these complexities combined with the need to constantly re-visit BAT assumptions will suppress aggressive energy efficiency savings.

Enbridge's proposal to use a common volumetric based metric for resource acquisition programs and individual metrics for scorecard based programs offers several advantages:

- It builds on the current system that has been developed by the utilities and the Board in consultation with stakeholders.
- It provides one common metric for all Resource Acquisition programs which constitute the majority of programs in the portfolio.
- It does not require additional research as the volumetric based metrics are already developed for screening using the SCT.
- It is simpler to administer than the market penetration metric based on BAT as it does not require initial inventory studies and annual market penetration studies for each individual Resource Acquisition program.
- It builds on the experience of the Utilities in calculating volumetric based savings.
- It recognizes that several program types are not suitable for a volumetric or unit based metric.
- It allows for review of scorecard based metrics through the submission of the DSM plan.

Issue # 8 – Shareholder Incentive Mechanism

Response

- Enbridge does not support Concentric's recommendation that the Shareholder Incentive should be based primarily on market penetration of Best Available Technology.
- Enbridge does not support Concentric's position that an incentive should not be available if a utility's performance falls below 100% of target.
- Enbridge proposes a common incentive structure for all Resource Acquisition programs based on savings achieved and program specific incentives for Scorecard based programs.

Comments

The incentive mechanism structure needs to be transparent and straightforward for all stakeholders and should drive utility management attention to DSM as a key business objective.

Enbridge submits that Concentric's recommendation of an incentive that is dependent on meeting a predefined target will discourage efforts focusing on longer term opportunities that may have an element of risk associated with the first years. Further, as there will be a requirement to establish BATs for each individual program, there will also be a concurrent requirement to negotiate targets for each individual resource acquisition program. Enbridge submits that is adds an un-necessary level of complexity.

Enbridge's proposed approach uses a common incentive structure for all Resource Acquisition programs and program/activity specific incentives for the others ("scorecard"). For Resource Acquisition efforts, the proposal is for a graduated incentive on a straight line basis from the first unit of savings – i.e. cents per m^3 for both natural gas and water. The straight line approach

avoids the need for a target to set the "curve" of the graduated incentive for the Resource Acquisition programs, thus eliminating the need for negotiated savings targets.

For Market Transformation, Low Income, and Development programs, the program objectives, metrics, and SSM structure will be developed for each major activity as is the current practice with Market Transformation programs. This will be done during development of the plan.

The proposed approach:

- Encourages the Utilities to strive for longer term deeper savings.
- Avoids unnecessary negotiation over individual targets for each Resource Acquisition program or one common target.
- Provides stability over the course of the Multi-year plan, allowing the Utilities to focus on program development and delivery.
- Encourages the Utilities to develop innovative approaches to addressing market barriers and developing new DSM opportunities.
- Recognizes the full benefits of energy savings – the first unit saved is as valuable to customers and society as the last.
- Puts DSM on a similar business footing as other utility activities.
- Provides a meaningful incentive where the potential value of the incentive is proportionate to the benefits generated and is sufficient to capture management's attention.
- Builds on established practices developed through consultation with the Board, the Utilities and stakeholders.

Issue #9 – Lost Revenue Adjustment Mechanism (LRAM)

Response

- Enbridge agrees that the LRAM mechanism should provide for full recovery of lost revenues due to DSM.
- Enbridge supports a process whereby each Utility would propose a solution for recovery of lost revenue based on business needs, the needs of ratepayers, and the Utility's Incentive Regulation structure.

Comments

EGD will propose an LRAM mechanism in the multi-year Plan.

Issue #10 –Conservation Impact Evaluation

Response

- Enbridge does not support the recommendation that the OEB appoint the parties responsible for conducting program evaluation and the audit of program results.
- Enbridge proposes that the utilities continue to be responsible for program verification, for evaluation studies, and for the DSM audit.
- Enbridge proposes that the OEB consider streamlining by separating the audit process from the review of input assumptions. This would involve establishing a new annual consultative process for review of new measures and programs introduced during the

Plan period and for updates to input assumptions for existing measures, The Consultative process would include the Board's consultant in an advisory capacity. Process would result in an annual submission by the Utilities to the Board for approval of any new measures and programs as well as any changes to input assumptions for existing measures.

- Enbridge further proposes that the EAC continue to play an advisory role in the audit and that the EAC's role in evaluation research be determined through development of Terms of Reference for the Enbridge.

Comments
The proposals described above provide sufficient oversight while allowing for flexibility. Retaining responsibility for evaluation and audit with the program administrators (the Utilities) facilitates the integration of evaluation and audit findings in a continuous loop of program improvement and fosters cooperation between the Utilities for evaluation efforts that transcend franchise boundaries.

Issue #11 – Filing and Reporting Requirements

Response

- Enbridge concurs with Concentric's endorsement of the current Annual Report as the primary means of reporting on DSM program results.
- Enbridge proposes that the filing requirements for the next multi-year Plan period consist of the following:
  1. Utilities submit their respective Multi-year plans for Board approval;
  2. Utilities submit annual Updates to the Board during the Multi-year Plan as necessary;
  3. Utilities file Annual Report and Audit Report and other audit materials at the conclusion of the audit,
  4. Following the audit, the Utilities file the Application to clear the DSM Deferral Accounts;

Comments
The current filing and reporting system strikes an appropriate balance and provides sufficient information to the public record regarding gas DSM activities.

Issue #12 – DSM Stakeholder Input

Response

- Enbridge concurs with Concentric's statement that the gas utilities are ultimately responsible and accountable for the DSM programs.
- While Enbridge agrees with Concentric that the current OEB approach is appropriate to solicit stakeholder input, Enbridge proposes that the Utilities develop Consultative and EAC Terms of Reference for approval of the Board, in consultation with the DSM Consultative.

Comment
Over the past 4 years, the utilities and intervenors have gained experience with the current formal process for stakeholder input as outlined in EB 2006-0021. The development of Terms of Reference for the EAC would further clarify the process for this aspect of stakeholder input.

As well as the formal process involving the DSM Consultative and utility EACs, Enbridge sees considerable benefits from its practice of informal consultation with a wide variety of stakeholders including trade allies, customers, business partners, industry associations and others and will continue with this practice.

Issue #13 – Integration of Gas and Electric DSM

Response

- Enbridge supports Concentric's recommendation that the Board consider ways in which the gas and electric utilities can coordinate their programs.
- Enbridge suggests that the framework include flexibility in program design, implementation and budget allocation in order to build on current activities and facilitate development of coordinated or integrated programs with the electric LDCs during the multi-year DSM Plan period.

Comments

The gas Utilities are actively pursuing avenues to better coordinate their DSM programs with parallel initiatives of the electric utilities. In Enbridge's view, some of the recommendations by Concentric will stifle potential collaboration with the electric LDCs, e.g., the proposals re: treatment of attribution. In this submission, Enbridge has proposed alternative framework elements that will facilitate the development of cooperative DSM efforts between the electric LDCs and the gas Utilities.

Issue #14 – Alternative DSM Framework(s)

Response

- Enbridge concurs with Concentric's finding that the current DSM framework should not be abandoned and replaced with something entirely different.
- In this submission, Enbridge has proposed several enhancements to the current framework that will increase the Utilities' ability to deliver effective DSM programs.

Comments

The current DSM framework is the result of the collective experience and efforts of the Utilities, the Board, and stakeholders over the past several years. As the framework has evolved it has led to demonstrable increases in DSM benefits for individual customers and for the province as a whole.

7.0 ENBRIDGE'S RESPONSE TO PACIFIC ECONOMICS GROUP ("PEG") RESEARCH REPORT

The PEG Report issued by the OEB on March 19, 2010 determined that there is currently no credible methodology available to evaluate DSM program results utilizing a "top down" type approach. It appears that Concentric both agrees and accepts PEG's determination.

PEG's conclusion is not surprising to Enbridge. There are simply too many variables and differences between programs that would tend to draw into question the reliability of a "top down" evaluation approach. It is the experience of Enbridge that it is in the best interest of program managers and customers for DSM programs to be designed and evaluated on a "bottom up" approach. Customers benefit from the transparency of a "bottom up" approach and program managers track results on a program-by-program basis. All this would continue to be necessary even if a credible "top down' approach did exist. It appears, therefore, that a "top down" approach would simply add a further layer of complexity and uncertainty.

Accordingly, Enbridge relies upon the PEG findings and shares its concern about the time and cost that the development of a "top down" methodology would entail.