

Re: Draft 2008-2011 Business Plan
Board File No.: EB-2007-0815

Direct Energy Marketing Limited (Direct Energy) has reviewed the Ontario Energy Board's Draft 2008-2011 Business Plan and would like to take this opportunity to congratulate the Board and its management team on producing a clear and effective plan of how it intends to meet its objectives over the next three years. While the scope and timing of the plan is very aggressive, Direct Energy was not able to identify a single initiative that was not required to be completed within the 2011 planning horizon.

In addition to providing its support for the plan, Direct Energy has provided further comments below on the initiatives of particular relevance and key importance to Direct Energy and its customers.

Initiatives 1.1, 1.2, and 1.3

A critical area that should be given priority and could benefit from stakeholder assistance is the appropriate pricing of natural gas and electricity in Ontario. Direct Energy was pleased to see that the Board will be addressing OPG prescribed assets, RPP pricing and QRAM methodology early in its business plan.

With respect to electricity pricing, Direct Energy recommends that the Board review the impact that the Global Adjustment has on the electricity market with the main objective being to make recommendations to the government and the IESO on the benefits of improved price transparency and the inclusion of all of the commodity related costs in the price that consumers pay for their electricity. Direct Energy believes that this is the best way to facilitate consumer participation in conservation and demand management activities while sending a credible signal to the investment community.

Since appropriate energy pricing will also benefit the effectiveness of the natural gas market, the Generic QRAM Review should not be delayed. The wide divergence between the pricing methodologies used by the two major gas distributors and the resulting quarterly swings of their rate riders hide the true cost of gas and do not meet the original QRAM objectives. Direct Energy recommends that the Board consider a form of monthly pricing whereby customers know the cost of the gas before they consume it, and they are not asked to true up after the fact. The sooner Ontario can move to a consistent standard approach for system gas pricing, the more efficient and effective its natural gas market will be. Direct Energy recommends that the Board proceed with the QRAM review in the first half of 2008.

Initiatives 2.1 and 2.3

The IPSP hearing and the filing guidelines are significant undertakings and areas where the industry could benefit from stakeholder input and consensus to improve the reliability and operating effectiveness of Ontario's power system. Direct Energy has applied for intervenor status in this proceeding and hopes to be of assistance to the Board and the other parties in reaching these objectives. Direct Energy will also be interested and active in the Board's review of the gas utilities' long-term contracting practices for gas supply and transmission and in the consultative process to develop rules of conduct for gas storage and transportation.

Initiatives 3.3 and 3.4

In recognition of the complexity and importance of Smart Meter implementation and Time of Use (TOU) pricing, Direct Energy strongly recommends that the Board seek support and assistance from the industry and convene a stakeholder consultative early in 2008 to determine what is required to meet the 2010 installation deadline and the expected consumer demand for TOU rates. It is imperative that the program is rolled out in a timely, coordinated and cost effective manner that will add the most value for consumers from this significant investment. Once the smart meters are installed, consumers will want to see the financial benefits of load shifting and demand reduction and this can only be accomplished if TOU products and services are in place. One of the critical components for retailers to develop TOU products and services will be timely access to consumption and pricing data in a consistent and cost effective manner.

Initiative 5.6

Direct Energy is encouraged by the emphasis in the plan on monitoring the compliance of natural gas marketers and electricity retailers. Direct Energy believes that an effective compliance regime is a key component of the efficient functioning of the Ontario retail energy market and we encourage the Board to develop a holistic and transparent compliance framework through stakeholder consultation.

In Direct Energy's view, a successful compliance regime should promote the efficient functioning of the competitive retail market, which will in turn provide the best outcome for consumers. Having worked with a broad range of compliance frameworks, Direct Energy has first hand knowledge of how compliance requirements impact market practises and what a compliance regime needs to accomplish to be effective. From this perspective Direct Energy encourages the Board to consider formalizing a systematic issue identification and review process and developing a compliance monitoring plan that will provide effective enforcement and a common interpretation of the rules. The plan would outline the key issues the Board wants to address, allow for stakeholder input and include an action plan for the Compliance Officer describing how these issues will be monitored and reported.

Proceeding in this fashion will reduce market uncertainty and help industry participants to understand how the Board interprets the rules and its expectations for ensuring compliance. Ultimately, a meaningful compliance framework, supported by a clear and concise regulatory environment, will lead to a vibrant retail energy market that will require less monitoring by the Compliance Office as participants will have more certainty about expected behaviour. Consumers will also be able to better understand their rights and this will have a self-regulating effect on market participants.



One Additional Consideration

In addition to the initiatives identified in the draft business plan, Direct Energy recommends that the Board recognize the important contribution that the Market Surveillance Panel is making, particularly in the area of improving price signal fidelity, and include a process initiative in the Board's 2008 business plan that will ensure that the panel's recommendations are reviewed and appropriately implemented.

Direct Energy looks forward to working with the Board, its management team and the other stakeholders in Ontario to implement the initiatives identified the 2008-2011 Business Plan.

All of which is respectfully submitted for the Board's consideration by:

Dave Matthews
Director Government & Regulatory Affairs

for Direct Energy Marketing Limited.