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October 29, 2010

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
27<sup>th</sup> floor – 2300 Yonge Street  
Toronto, ON M4P 1E4

Dear Ms Walli,

### **Initiative to Develop Electricity Distribution System Reliability Standards**

**Board File No.: EB-2010-0249**

**Our File No.: 339583-000083**

The following are the written submissions filed on behalf of Canadian Manufacturers & Exporters (“CME”) in respect of the above-noted matter. CME is Canada’s leading business network representing more than 1,400 businesses in Ontario alone. Its members are responsible for 75% of manufactured output in, and 90% of all exports from, the province. The manufacturing sector is the single largest industrial sector of the provincial economy generating more than \$300 billion in revenues (17.5% of GDP) and employing over 1 million Ontarians.

As electricity is the primary energy source for the manufacturing sector, CME and its members have a vested interest in ensuring that Ontario has a reliable and cost-effective supply of electricity. To that end, CME is committed to working with key stakeholders to maintain a dependable and economically sustainable electricity system. At the same time, given the ever-increasing cost of electricity, they are worried that any additional regulatory standards imposed by the Board would simply result in increased electricity prices for customers.

As the POLLARA survey confirmed, concerns about rising energy costs outweigh and outrank concerns about blackouts or other power outages among Ontario businesses. Of the 301 businesses surveyed, 34% indicated that the risk of increasing energy rates is the single most important electricity related issue for them – as compared to only 9% of respondents who indicated it was blackouts or brownouts. CME believes that these survey responses accurately reflect the views of its membership.

We respectfully submit that these findings are not surprising given that 92% of the businesses surveyed indicated that they were either satisfied (45%) or somewhat satisfied (47%) with system reliability. Perhaps equally telling, 65% of businesses who had experienced a power outage – almost a two-thirds majority – were satisfied with their distributor’s response. Given

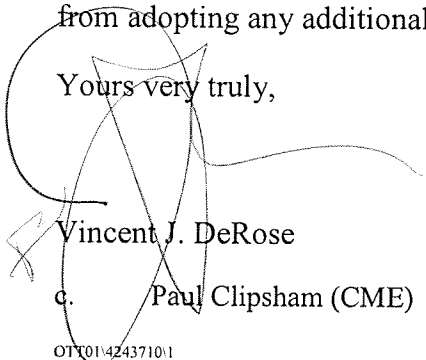
this high level of satisfaction, it is understandable that a vast majority of respondents, 84%, said that they would be unwilling pay any amount to improve system reliability.

Although system reliability is a critical issue for Ontario businesses, insofar as a loss of power almost inevitably results in lost productivity and lost revenues, CME submits that increasing the regulatory burden on distributors could never fully address all the causes of power outages. The POLLARA survey found that approximately 50% of the power outages experienced by businesses were caused by natural factors including weather, forest fires and downed trees. No amount of regulation could eliminate or offset those external factors.

If the Board were to enforce compliance with a set of new and onerous reliability standards, then the most likely result would be that distributors would have to increase their OM&A costs and corresponding investments. These costs would inevitably be passed through to their customers by way of higher energy bills. Where most Ontario businesses are satisfied with the status quo, the Board would essentially be imposing a solution for a problem that does not exist or, worse yet, compounding an existing problem by further increasing energy costs.

CME both understands and appreciates the Board's motives for seeking to ensure even greater system reliability. Reducing the frequency, scope and duration of power outages is a laudable goal, but not at any cost. The current regime, with its various regulatory and procedural mechanisms, is in our respectful submission adequate to ensure the continued sustainability and reliability of our electricity distribution system. As such, CME would discourage the Board from adopting any additional measures that would simply result in higher energy costs.

Yours very truly,



Vincent J. DeRose

c. Paul Clipsham (CME)

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