



April 18, 2011

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

Subject: EB-2008-0346 – Demand Side Management (“DSM”) Guidelines for Natural Gas Utilities – Stakeholder Comment

Thank you for providing an opportunity to the AEE to participate in the OEB’s deliberations on this very important issue for our members. We are a volunteer organization that works “on the ground” with organizations in the industrial, commercial and institutional sectors to improve the efficiency of their utility use.

The Southern Ontario Chapter of AEE is part of the international association and has as its purpose the promotion of educational and technical interests in the broad energy sector in support of sustainable development. You may find details on AEE’s website: www.aeecenter.org, and information about the Southern Ontario Chapter’s mission and objectives on our chapter’s web site: www.aeesoc.org.

At our last meeting we discussed the Ontario Energy Board’s request for comments regarding proposed action pertaining to DSM Guidelines for Natural Gas Utilities. We decided unanimously to respond to the Board’s request.

Overall View

We were very surprised to read in the Toronto Star about the OEB’s decision not to expand DSM investment. In our experience in working with both Enbridge and Union Gas’ DSM programs, we have found them to be reliable and effective in supporting energy efficiency. We see their programs as particularly important because of the reliance of Enbridge and Union Gas customers on the consistent DSM effort embodied in these programs.

We strongly support Enbridge and Union’s DSM programs, and urge the Board to consider expansion of these programs. We would welcome a public forum convened by the OEB that would encourage industry practitioners and associations to present practical case study examples on DSM benefits and challenges.

Role of DSM

DSM programs are an important stimulus for customers to initiate conservation projects. In our

experience, customers are generally too focused on their core business to recognize utility efficiency potential. The recognition of savings potential is often made more difficult by our challenging energy marketplace.

This is not an easy problem to solve, and will require a strong positive vision from the OEB. But this vision needs to include natural gas DSM. As Suzanne Tegen and Howard Geller write in the Southwest Energy Efficiency Project's "Natural Gas Demand-Side Management Programs: A National Survey":

*"Natural gas demand-side management (DSM) programs reduce natural gas consumption by improving the energy efficiency of buildings, space heating systems, water heating, and other gas appliances. This lowers the gas bills of consumers and businesses that adopt these measures, and also provides broader societal benefits including reducing natural gas imports, reducing the risk of gas shortages, and putting downward pressure on natural gas prices."*¹

The AEE-SOC members are committed to bringing about a positive change in energy use practices. However, our view is that the ongoing, strong participation in this area by Ontario's utilities is critical.

It is our experience the DSM benefits continue to be essential in transforming the market into one that is more efficient and globally competitive. We also want to ensure that future generations look back with pride on our stewardship.

Response to Board's Questions

The issues raised by the Board in their letter were the following:

- 1. How should the low-income DSM budget be set? Should the low-income budget stay at the same level or increase? Should the current low-income budget funding from the residential class be maintained or should the funding be recovered from all rate classes? Is there a different set of programs that are appropriate for low income consumers e.g. should "deep" measures be promoted for this group of customers to a greater extent? What approach should be used to coordinate gas DSM programs with electricity CDM programs for low-income consumers?*
- 2. Do industrial and commercial DSM programs with significant incentives create competitive advantages for the participants of the programs relative to their competitors? What programs, if any, are appropriate for these sectors? Should there be a focus on monitoring consumption, data analysis or benchmarking energy use in buildings and industrial processes? Should DSM programs in these sectors focus more on energy audits and efficiency training or case studies to highlight best practices and new technologies, rather than financing equipment and installation costs for specific DSM projects?*
- 3. What should be the natural gas utilities' role, if any, in providing natural gas DSM education and training programs funded through distribution rates? Should they focus on targeting contractors, trades and professional associations to ensure DSM messages reach end-users?*
- 4. What should be the natural gas utilities' role, if any, in undertaking R&D and pilot programs funded through distribution rates? Should utilities work with key industry leaders to encourage further changes in building codes and improve standards in heating equipment? (ref: p.6)*

¹ See: http://www.swenergy.org/publications/documents/Natural_Gas_DSM_Programs_A_National_Survey.pdf

Lacking context, the above questions set the terms of the discussion too narrowly. We feel that the issues raised in the Board's questions require the context of a much broader discussion to be meaningfully addressed.

Examples:

- What is meant by "significant" investments (as the word is used in issue #2)? No DSM incentives currently available can be fairly described as significant. At best they represent a small portion of any project's cost.
- Equally, the issue of 'competitive advantage' deserves a much more fundamental discussion. It is not clear that, considering the efforts Enbridge and Union have made to ensure fair access to programs across the sectors, that this is a concern. Further, it's not clear why incenting green performance should be a case against DSM at all.
- Also under the heading of issue #2, it is suggested that it is possible to choose between data analysis, monitoring and benchmarking as an object of investment. These are interdependent activities that each benefit from greater investment in any one and are each harmed by decreased investment in any one. It is far more productive to think about them holistically.

Ontario does not have an open energy market and must rely on regulations that protect the best interests of the province towards the creation of a green clean and energy efficient economy. We felt this goal was clearly articulated by the Ontario Government in the Green Energy Act.²

Conclusion

The Board's invitation to participate and allow AEE Southern Ontario Chapter's opinion to be registered on the importance of DSM is recorded is greatly appreciated.

The closer the Board is to understanding and appreciating the needs and challenges faced by rate payers, the better the outcome will be on these important issues. AEE members' experience in collaborating with rate payers on energy efficiency projects has given us a clear appreciation of the value of DSM.

We therefore support Union Gas and Enbridge efforts and urge the OEB to recommend expansion of natural gas DSM funding for the benefit of Ontario.

Sincerely,



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² See: <http://www.mei.gov.on.ca/en/energy/gea>.