

Hydro One Networks Inc.

8th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5700
Fax: (416) 345-5870
Cell: (416) 258-9383
Susan.E.Frank@HydroOne.com

Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

April 21, 2011

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

Dear Ms. Walli:

EB-2008-0346 – OEB Consultation on Demand Side Management (“DSM”) Guidelines for Natural Gas Utilities – Hydro One Networks’ Comments

I am attaching two (2) paper copies of the Hydro One Networks and other Large Utilities comments on DSM guidelines for Natural Gas Utilities.

An electronic copy of the comments has been filed using the Board’s Regulatory Electronic Submission System.

Sincerely,

Susan Frank

Attach

cc: Mr. Glen Winn, Toronto Hydro,
Mr. Paul Hughes, Hydro Ottawa

HYDRO ONE AND OTHER LARGE UTILITIES COMMENTS ON DEMAND SIDE MANAGEMENT GUIDELINES FOR NATURAL GAS UTILITIES

Hydro One Networks Inc., along with Toronto Hydro Electric System Limited, and Hydro Ottawa Limited (collectively, the “Large Utilities”), are pleased to provide comments on the Demand Side Management (“DSM”) Guidelines for Natural Gas Utilities (EB-2008-0346) letter, issued for comment by the Ontario Energy Board (“Board”) on March 29, 2011.

The Board’s letter identifies very important and strategic questions regarding the role of ratepayer funded natural gas DSM and conservation activities for the next 3 years. The outcomes of this consultation may help shape the future of electric CDM activities in the province. We believe that an expanded consultation process that allows for further deliberations would help the Large Utilities and other stakeholders to understand and comment on the strategically important questions that were raised in the letter.

With respect to the specific questions which the Board raised, the Large Utilities would like to make the following comments:

1. HOW SHOULD THE LOW INCOME DSM BUDGET BE SET?

Low income customer issues are typically complex and require detailed analysis to inform a proper approach. Energy costs represent a significant portion of a low income customer’s household spending. Incremental approaches targeted for low income customers may be required during these difficult economic times. For these reasons consideration should be given to increasing the budget for low income customer programs. Stakeholders would benefit from a discussion on the level and extent of such an increase and potential funding sources. This understanding would assist the Large Utilities as we are currently collaborating with the gas utilities on CDM initiatives.

2. DO INDUSTRIAL AND COMMERCIAL DSM PROGRAMS WITH SIGNIFICANT INCENTIVES CREATE COMPETITIVE ADVANTAGES FOR THE PARTICIPANTS OF THE PROGRAMS RELATIVE TO THEIR COMPETITORS?

The Board, Large Utilities, and other stakeholders would benefit from a discussion on the impact of offering programs with incentives to the industrial and commercial sectors especially in areas where technology is in the early stages of development and where subsidies may help establish these technologies. It is not clear whether organizations (customers or private entities delivering energy efficiency) take these potential investment benefits into consideration when making the business decision on whether to participate or not participate in programs, or enter the energy efficiency market.

The reasonableness of programs (e.g.: monitoring, data analysis, benchmarking, audits, and financing equipment installation costs) should be determined by the potential outcomes and broad economic benefits of the individual programs. The fact that some entities choose not to participate in a given program at a given time should not unduly restrict its availability to others, or the broad economic benefits that flow from that availability.

3. WHAT SHOULD BE THE NATURAL GAS UTILITIES' ROLE, IF ANY, IN PROVIDING NATURAL GAS DSM EDUCATION AND TRAINING PROGRAMS FUNDED THROUGH DISTRIBUTION RATES?

Education and training are critical components in achieving DSM and conservation goals. DSM success requires education for customers, contractors, trades and professional associations. Utilities are well positioned to design and deliver education and training. Utilities know their customers they understand available technology and they know what initiatives will deliver the most effective results.

It is unclear whether reliance on contractors, trades and professional associations would ensure that DSM messages are delivered in a consistent and efficient manner to all end-users. The Large Utilities believe that all parties would benefit from a discussion on the risks inherent in relying on contractors, trades and professional associations as the delivery channels for DSM education and training.

4. WHAT SHOULD BE THE NATURAL GAS UTILITIES' ROLE, IF ANY, IN UNDERTAKING R&D AND PILOT PROGRAMS FUNDED THROUGH DISTRIBUTION RATES?

R&D and pilot programs are critical to maintaining and advancing DSM and conservation goals. Some of the most innovative and effective programs have been introduced through these means. It is not clear who would take on a leadership role in ensuring that an appropriate level of R&D and innovation is maintained if energy distributors were to leave that role. The Large Utilities believe that all parties would benefit from a discussion regarding who would drive the next wave of emerging technology and innovative ideas and how this would be funded.

The Large Utilities conclude that due to the complex and strategic nature of the above questions raised by the Board, Large Utilities and the energy sector generally would benefit from an open dialogue and expanded consultation on these significant issues that may impact the future role of energy distributors in conservation programs.