

April 21, 2011

Kirsten Walli
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File 10606

Dear Ms Walli:

Re: Demand Side Management ("DSM") Guidelines for Natural Gas Utilities - EB-2008-0346

On March 29, 2011 the Ontario Energy Board ("Board") issued a letter setting out its views and considerations regarding the future role of ratepayer funded natural gas DSM programs. The letter followed a process that included consultation and the release of both a Board Staff Discussion Paper and Revised Draft DSM Guidelines. In that letter the Board indicated it was seeking further comments on a set of issues. The Consumers Council of Canada ("Council") participated in the consultation process and provided comments on the Board Staff Discussion Paper. These are the comments of the Council provided in response to the Board letter dated March 29, 2011.

In addition to providing some general remarks, the Council is providing comments in the following areas:

1. Low-income Programs
2. Education and Training Programs
3. R&D and Pilot Programs
4. Further Process for the Determination of a Final DSM Framework

General Points:

The Council has consistently supported cost-effective natural gas local distribution company ("LDC") DSM programs. The programs are fully funded by ratepayers, as are the adjustments for lost revenue and shareholder incentives. The Council has therefore stressed the need for DSM expenditures to be carefully scrutinized by the Board. Accordingly, with respect to DSM budgets the Council made the following observation in its previous submission, "The Council supports an approach that would allow the LDCs to come forward with proposed budgets and an annual escalation factor. The budgets should be based on potential studies, historical experience and represent a balance in terms of achieving cost-effective DSM while having regard to rate impacts." The Council continues to support this approach.

The Council agrees with the Board that the level of complexity associated with satisfactorily measuring the savings achieved by these DSM activities has been a recurring concern. In addition, the Council

supports the need to focus on "value for ratepayers" and verification that reported results are actually achieved. The Council hopes that in the final development of the DSM Guidelines that the Board will establish a model that both reduces complexity and ensures that the programs are providing a true value for ratepayers

Low-Income Programs:

With respect to low-income programs the Council has advocated in its previous submissions for the Board initiate a separate process to determine how best to design, deliver and fund low-income programs. The Council continues to support such an approach.

Low-income programs have their own unique characteristics and challenges. Market barriers tend to be higher for these customers. Issues around landlords and tenants are complex. In addition, the incentive costs are much higher than with traditional residential programs. The Board has asked a number of questions regarding low-income programs and the Council is of the view that most of these questions should be considered in a more comprehensive process. A separate process should be convened to deal with, at a minimum, the following issues:

- Should the low-income programs be the responsibility of the OPA, the Ministry of Energy or some combination of the two ?;
- How should the natural gas and electric DSM programs be coordinated or potentially amalgamated?;
- If the delivery of low-income DSM/CDM programs are is being promoted or mandated by the Provincial Government as a means to carry out social policy objectives, why should residential gas ratepayers alone fund the programs?;
- What are the most cost-effective program designs for low-income customers?;
- How are issues like market barriers and split incentives addressed?;
- What level of spending is appropriate for the low-income sector in Ontario given the current demographics?;
- Should low-income programs target the rental market, single family dwellings, social housing or all of these sectors?; and
- Should general revenues be a funding source for natural gas and electric DSM/CDM programs?

Education and Training Programs:

The Council submits that education and training programs have been, and can continue to be options for gas LDCs to undertake. The programs should be, like other programs, subject to cost-effectiveness testing.

R&D and Pilot Programs:

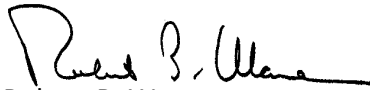
The Council questions the need for gas LDCs to undertake extensive R&D initiatives. DSM has become a priority for both the Provincial Government and the Federal Government. Those entities, in addition to other players in the market should have the primary responsibility for R&D in the traditional sense, especially when it comes to the development of technologies. With respect to pilots the Council continues to support pilots, but it will be incumbent on the LDCs to justify why a pilot is required and how that pilot will directly benefit its customers.

Further Process for the Determination of a Final DSM Framework:

The Council is aware of the fact that many parties to this consultation are not content with the process and the way in which the Board is making decisions regarding the final DSM Guidelines. The Council submits that it would be appropriate for the Board to hold a one-day workshop where parties could indicate their concerns, and discuss with the Board and Board Staff options for moving forward. The Board has only set out its views on a few topic areas (budget), is seeking advice on a few select topics, and is silent on a number of the issues that will form part of the final guidelines. Gathering input on how best to move forward would be, in our view, a useful exercise.

Yours very truly,

WeirFoulds LLP



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