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BY EMAIL and RESS

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Our File No. 20130337

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
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Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2012-0337 – Union Large Volume DSM Plan – SEC Submissions

We are counsel for the School Energy Coalition. In accordance with Procedural Order #4 in this proceeding, this letter constitutes the SEC's submissions in this matter.

Background

SEC was actively involved in the consultations and discussions leading up to this Application. However, it became clear once the Application was filed that between the environmental groups, the large customer groups, and the utility, a full record would be established, and that SEC could not add significant value to that process.

That having been said, SEC is vitally concerned with the direction this proceeding has taken, for two reasons:

- Schools have generally been early adopters of conservation measures, and so today find themselves in a similar position to many large customers, having already implemented many of their potential DSM projects, and yet continuing to support through rates the DSM efforts of others who have lagged behind.
- Each of the active parties in this proceeding is seeking to push the Board's DSM policies in a new direction, after the Board has only recently done a review of those policies.



These factors cause us to make submissions on some of the issues that have been raised.

The Utility DSM Business Model

Boiled down to its essence, the position of the large users, and in particular the power producers, is that they no longer need utility DSM (if they ever did, some would say). They are sophisticated users of energy, and are able – on their own - to identify and implement all cost-effective opportunities for energy savings. The average incentive of 6.28% of project cost is not sufficient to warrant the costs borne in rates for DSM.

It is important to note, though, that this is not an argument against DSM. It is against mandatory utility-provided DSM. The APPrO opt-out approach, for example, essentially treats DSM as a part of the utility service that should be offered on an unbundled rather than a bundled basis.

The Applicant proposes a type of compromise, in which a customer can, in effect, opt out but with a precondition. The customer must identify and implement cost-effective energy savings sufficient to use up the 68% of their DSM in rates that would otherwise go to incentives to others. If they do, they can get the money they paid back, so that for all practical purposes they have opted out.

In our view, unbundling DSM goes beyond the Board's current DSM policy framework. Considering that change in isolation in this proceeding is, it is submitted, too narrow a perspective for a potentially far-reaching policy change.

This brings us back to schools. If a large industrial customer can opt out of paying DSM in rates, there is no reason to say that a school board – equally sophisticated in its energy use, perhaps even more so – should not have the same option. The same would be true of a university, or a municipality, or a restaurant chain, or any number of other customers with similar ability to look after their own conservation planning.

Similarly, if any of those customers would have the right to unbundle the DSM component of the service, why not the knowledgeable landlord, or the individual homeowner with an energy-efficient home?

The point is not to consider these issues in this proceeding. The point is that the proposed changes to DSM for large users should be considered within that broader policy context, rather than in isolation. If the Board is going to go down the road of unbundling the DSM service, that step should be taken with a full review of the issues unbundling necessarily raises.

It is therefore submitted that the APPrO proposal should not be approved in this proceeding. The Applicant's proposal, i.e. the self-directed DSM account, should be approved only as a type of pilot project, to see how unbundling would work in a limited scenario.



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In SEC's view, Union and Enbridge will be before the Board no later than the end of this year, considering the policy direction of their next three-year plans. That is the time at which a review of the mandatory nature of ratepayer payment for DSM programs should be put on the table.

The Two-Year Proposal

SEC has long believed that allowing multi-year planning and program implementation would improve the DSM results in Ontario. The study, assessment, decision-making and implementation cycle of most large organizations – including both large industrials and schools – is too long to fit within the annual planning and target window utilities use. The movement to multi-year plans has helped in that regard, but there is still an annual reward, meaning that there is still a bias to the short-term rather than the long term.

GEC has proposed a variation on the Applicant's self-directed DSM accounts that would allow a two-year period to use the accounts. In our submission, adding the two-year potential is appropriate in the context of a pilot project.

Changes to the Targets and other Rules

We have had an opportunity to review the submissions of GEC, and we support both their rationale and conclusions on the following issues (topics as listed in their submissions):

Maintaining a 15% DSMVA for T2/Rate 100

Moving the T1 Rate Class into the General Resource Acquisition Budget

Pegging 2013 Metrics to 2012 Program Performance

Pegging 2014 Metric to 2013 Performance

30% Savings Reduction for Direct Access Program

Upper Band Savings Metric of 110% of Target for T2/Rate 100

Customer DSM Budget Spending Metric

Allocation of Weights between T1 and T2/Rate 100

Budget Increase

Environmental Defence has proposed an increase in the DSM budget for the large user classes. It is common ground among all parties that there remains much cost-effective DSM to be procured in Union's territory, whether from large users or from others. No-one disputes this.



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Environmental Defence uses this fact to argue, in effect, for unlimited DSM spending to obtain all cost-effective DSM. This is neither practical nor realistic. It makes no sense for the utility or the Board to ignore rate impacts in the pursuit of DSM.

The Board has recently established a policy balance between aggressive DSM and rate impacts. All views were debated and considered, including the view now being proposed by Environmental Defence in this proceeding. Nothing in the evidence in this proceeding suggests the policy balance established by the Board is no longer appropriate.

Conclusion

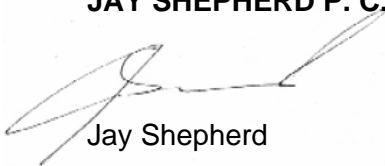
We hope these submissions are of assistance to the Board.

SEC has endeavoured to participate in the process for the Union 2013-14 DSM Plan in an efficient and cost-effective manner, with a view to assisting the Board. We ask that the Board order payment of our reasonably incurred costs to do so.

All of which is respectfully submitted.

Yours very truly,

JAY SHEPHERD P. C.



Jay Shepherd

cc: Wayne McNally, SEC (email)
Interested Parties