



EB-2006-0021

IN THE MATTER OF the *Ontario Energy Board Act* 1998, S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF a generic proceeding initiated by the Ontario Energy Board to address a number of current and common issues related to demand side management activities for natural gas utilities.

BEFORE: Pamela Nowina
Presiding Member and Vice Chair

Paul Vlahos
Member

Ken Quesnelle
Member

DECISION AND ORDER

ENBRIDGE GAS DISTRIBUTION INC. - MARKET TRANSFORMATION INCENTIVE METRICS

In the Ontario Energy Board's (the "Board") partial decision in Enbridge Gas Distribution's ("EGD") 2006 rates application (EB-2005-0001 / EB-2005-0437), the Board announced its intention to convene a generic proceeding to address a number of current and common issues related to demand side management ("DSM") activities for natural gas utilities. The Board issued a Notice of Hearing on this matter on February 15, 2006. The oral phase of the hearing, including final argument, concluded on July 28th 2006.

On August 25, 2006 the Board released its decision on the first phase of the EB-2006-0021 proceeding. In that decision, the Board indicated that it would convene a second phase to the hearing for the purpose of determining common input assumptions to be used by EGD and Union Gas Limited (together the “Companies”) when compiling their DSM plans. An Alternate Dispute Resolution process was held which resulted in a settlement agreement being filed with the Board on October 5, 2006. The Phase II Decision was issued October 18, 2006 accepting the settlement agreement.

The Companies filed their respective DSM plan applications on November 21, 2006. On January 26, 2007 the Board granted approval (Phase III) of the Companies’ filed DSM plans with the exception of Enbridge’s market transformation metrics for incentives.

In the Phase III Decision and Order the Board stated the following:

“the market transformation metrics filed in evidence by Enbridge are insufficient for the consideration of the appropriateness of the metrics in determining an incentive for program performance.

Union proposed to use a scorecard approach to evaluate program effectiveness and eligibility for an incentive payment. The Board sees merit in this approach since it provides a more detailed description for calculating eligibility for an incentive.

The Board would be assisted in making a decision on the appropriateness of the metrics if Enbridge filed additional evidence to provide a similar level of clarity to that provided by Union’s “Market Transformation Scorecard” on pages 36 and 37 of Union’s plan.

The Board will not approve Enbridge’s market transformation metrics for incentives at this time. However, the Board does grant approval of Enbridge’s proposed market transformation programs thus allowing for immediate commencement of the programs”.

The Phase III Decision required EGD to file additional evidence on the market transformation incentive metrics.

On February 27, 2007 EGD filed their additional evidence on market transformation incentive metrics. Submissions were received by the Green Energy Coalition (“GEC”), Consumers Council of Canada (“CCC”), Industrial Gas Users Association (“IGUA”), Low Income Energy Network (LIEN”), Pollution Probe, and the Vulnerable Energy Consumers Coalition (“VECC”).

In their submissions, both CCC and GEC expressed concerns with the lack of detail and clarity found in the additional information that EGD filed. In addition, they both questioned the efficacy of the proposed market transformation incentive metrics and submitted that the proposed analytical approaches are ineffective.

LIEN , Pollution Probe and VECC made submissions in support of GEC’s concerns. LIEN and Pollution Probe submitted that a one-day settlement conference should be held to resolve outstanding technical issues. VECC and LIEN sought clarification on the market transformation initiatives targeted at low income consumers.

IGUA stated that they were “*satisfied that EGD has provided the missing information identified by the Board in its Decision and Order of January 26, 2007*”.

In response to intervenor comments, EGD provided a reply on March 12, 2007. EGD’s response provided clarification on the market transformation initiatives for low-income consumers. Their response also provided additional clarity on some of the programs and measures.

On March 16, 2007, GEC filed additional comments to the EGD reply commenting that the Board’s Order of January 26th provided for intervenor’s comments but not subsequent submissions.

Findings

In response to comments in the GEC letter of March 16th the Board notes that it is well accepted that the applicant is afforded the final comment in matters such as this and it would have considered it unusual for Enbridge not to have replied to the submissions on the additional metrics evidence that it provided. It is however, atypical to make allowance for a rebuttal such as submitted by GEC. In any event, the Board considers the record to be complete and bases this decision on the information before it.

The Board recognizes the issues raised by GEC and CCC and it further recognizes that EGD's response does not fully satisfy their concerns. However, it is the Board's view that a significant element contributing to any weakness in the proposed metrics is the establishment of the initial baseline measurement data. The Board views this as an inherent but short term weakness related to the transition to a multi-year plan. This weakness should be ameliorated with the use of results data in subsequent years.

It is the Board's expectation that the move to longer term plans and the establishment of the Evaluation and Audit Committee and DSM consultative will result in a continuous improvement DSM construct that the Board and all interested parties can rely on to provide positive results.

The Board therefore approves the proposed metrics plan with the expectation that the monitoring of the results of the program will lead to improvements where warranted. The move to longer term plans allows time for trends to be recognized and efforts to be channeled accordingly. It is the Board's expectation that the scrutiny of the incentives to stimulate those efforts will become increasingly acute as knowledge is gained through empirical analysis.

In granting this approval the Board is mindful of the completely settled and Board accepted proposal related to the DSM consultative. As stated above it is the Board's expectation that continuous improvement can be achieved within the new long term collaborative framework. Retroactive analysis of the new regime's efficacy will no doubt occur prior to the approval of the next DSM plans. It is in the interest of all parties to strive for the anticipated success of the new construct.

THE BOARD ORDERS THAT:

1. Enbridge Gas Distribution Inc. is granted approval of their filed market transformation metrics for incentives.
2. Parties claiming eligibility and costs for matters considered in EGD Market Transformation Incentive Metrics proceeding shall submit their claims by no later than May 16, 2007. Since EGD is the only utility effected by this Decision, EGD will pay for the costs in this proceeding.

3. A copy of the cost claim, and any subsequent correspondence on the matter, must be filed with the Board and one copy is to be served on the Applicant or the claiming party as the case may be. The cost claim must be done in accordance with section 10 of the Board's Practice Direction on Cost Awards.
4. EGD will have until May 30, 2007 to object to eligibility and/or any aspect of the costs claimed. If an objection is made, the claiming party will have until June 7, 2007 to make a reply submission as to why its cost claim should be allowed.

DATED at Toronto, April 30, 2007

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary