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APPRO

ASSOCIATION OF
POWER PRODUCERS
OF ONTARIO

April 12, 2014

Mr. Peter Fraser
Vice President, Industry Operations & Performance
Ontario Energy Board
27th Floor

Dear Peter,

As we discussed Thursday, I am writing regarding the Board's letter of April 10th, which outlines the "Consultation Process for Developing a New Demand Side Management Framework for Natural Gas Distributors (EB-2014-0134)".

I note that Ontario's natural gas-fired generators, represented by APPRO, are not included in the Working Group. APPRO regards this as a serious omission.

Natural gas-fired generators represent a very large portion the natural gas consumed in Ontario, currently 23% according a recent report prepared for the OEB's Energy East Consultation. APPRO, as the trade association representing these very large LDC customers, is known to the Board as an active and thoughtful participant in natural gas regulatory proceedings and consultations both in Ontario and elsewhere. APPRO was very active in the recent Union Gas Limited Large Volume DSM Hearing (EB-2012-0337) where it led evidence on behalf of its member companies. At that time it would have been clear to the Board and board staff, as well as other intervenors, that DSM is a major issue for Ontario's generators since DSM programs represent very significant costs within the tolls paid by APPRO members.

The April 10th letter notes that "The composition of the DSM Working Group was selected to achieve an appropriate representation of consumer, environmental, and utility perspectives. Representatives of the electricity sector have been included on the DSM Working Group given that a number of the Government's objectives, as set out in the DSM/CDM Directive, call for integration or cooperation between the gas and electricity sectors."

Yet the only large industrial customer group invited to participate on the Working Group is IGUA.

In no way does IGUA represent APPrO members' interests. Generators who use natural gas as their fuel convert almost all of that fuel (95-98%) to electricity within the IESO administered market and under specific contract arrangements with either the OPA or OEFC, so their issues and concerns are fundamentally different from those where natural gas comprises just one of a number of manufacturing inputs. In fact, APPrO gas-fired members represent perhaps the best example of "integration or cooperation between the gas and electricity sectors."

Only an APPrO representative can appropriately participate on behalf of the LDCs' gas-fired generator customers. It is patently unfair for these customers to not be directly involved and then to have to rely on procedural initiatives at some later date, or indeed litigation to maintain and protect their interests, and to provide that broader perspective on the public interest within Ontario's gas and electricity sectors which the Board seeks in its deliberations. As well, gas transportation and distribution costs (of which DSM is a part) can have a significant impact on electricity prices, and the business interests of generators. This also should be of interest to the Board.

Accordingly, APPrO strongly urges the Board to include APPrO on the Working Group.

Sincerely,

A handwritten signature in black ink, consisting of a large, loopy initial 'D' followed by a series of connected loops and a final horizontal stroke.

David Butters
President & CEO