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## **BY E-MAIL AND WEB POSTING**

October 31, 2008

**To: All Rate-regulated Natural Gas Distributors  
All Other Interested Parties**

**Re: Consultation on the Development of Demand Side Management Guidelines  
for Natural Gas Distributors  
Board File No.: EB-2008-0346**

### **Purpose of Consultation**

The Board is initiating a consultation process to develop guidelines for demand side management ("DSM") ("DSM Guidelines") to be used by natural gas distributors in developing their next generation DSM plans.

### **Background**

Union Gas ("Union") and Enbridge Gas Distribution Inc. ("Enbridge") have filed DSM plans with the Board since 1995. The most recent direction from the Board in relation to the filing and evaluation of DSM plans resulted from a hearing on generic issues conducted in 2006 (proceeding EB-2006-0021), in which the Board established new rules for DSM programs and approved three-year (2007 to 2009) DSM plans for each of Union and Enbridge. These DSM plans expire in 2009. Gas distributors are therefore expected to submit new DSM plans for the Board's review and approval before the end of 2009.

### **Scope of DSM Guidelines**

The Board anticipates that the DSM Guidelines to be developed through this consultation process will cover the following elements, among possibly others:

- A "Total Resource Cost" ("TRC") test to be used to measure the cost effectiveness of DSM programs, including:
  - adjustment factors applicable to the TRC test (free ridership, attribution and persistence);
  - DSM technologies and input assumptions; and
  - avoided cost estimates;

- Market transformation;
- DSM budgets and targets;
- A “Lost Revenue Adjustment Mechanism or “LRAM”;
- A “Shared Savings Mechanism” or “SSM”;
- Program evaluation and verification of results;
- Timeframe for submitting DSM plans;
- Reporting requirements; and
- Filing guidelines.

The development of the DSM Guidelines will be informed by the past practice and decisions of the Board, as well as by the utilities’ experience to date with DSM programs.

### **Consultation Process**

The first step in this consultation process will be one or more meetings with natural gas distributors and other interested stakeholders. These will be lead by Board staff and are intended to provide an opportunity for the exchange of preliminary views on the issues forming part of this consultation. These meetings will be scheduled for late November, 2008, and further details will be available in the coming weeks.

Draft DSM Guidelines will then be prepared by Board staff. The Board intends to retain the services of a consultant to produce a report updating the DSM technologies and the input assumptions. Both the draft DSM Guidelines and the consultant’s report are expected to be issued for comment by interested parties in mid-December, 2008. Further meetings with stakeholders to discuss staff’s draft DSM Guidelines and the consultant’s report will be scheduled for January, 2009 in advance of the date on which written comments on those documents are due.

Final DSM Guidelines as adopted by the Board are expected to be issued by the end of February, 2009. Natural gas distributors will be expected to file their DSM plans in accordance with the Board’s DSM Guidelines. Those plans will subsequently be examined through an oral hearing.

### **Cost Awards**

Cost awards will be available to eligible participants under section 30 of the *Ontario Energy Board Act, 1998* for their participation in this consultation. Costs awarded will be recovered from all rate-regulated natural gas distributors based on their respective distribution revenues.

**Appendix A contains important information regarding cost awards** for this consultation, including in relation to eligibility requests and objections. In order to facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

## Invitation to Participate and Filing Instructions

The Board encourages participation in this consultation process by all interested parties. Those interested in participating should indicate their intent by letter addressed to the Board Secretary by **November 18, 2008**. The letter should include a statement as to whether the participant wishes to request cost eligibility. All requests for cost eligibility should be accompanied by the information specified in Appendix A under the heading "Cost Award Eligibility".

All filings to the Board in relation to this consultation must quote file number **EB-2008-0346** and include your name, postal address and telephone number and, if available, e-mail address and fax number. Two paper copies of each filing must be provided. The Board asks that participants make every effort to provide an electronic copy of their filings in searchable/unrestricted Adobe Acrobat (PDF) format and to submit their filings through the Board's web portal at [www.errr.oeb.gov.on.ca](http://www.errr.oeb.gov.on.ca). If you do not have a user ID, please visit the "e-filing services" webpage on the Board's website at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca), and fill out a user ID password request. Additionally, interested parties are requested to follow the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the "e-filing services" webpage. If the Board's web portal is not available, electronic copies of filings may be filed by e-mail at [BoardSec@oeb.gov.on.ca](mailto:BoardSec@oeb.gov.on.ca). Those who do not have internet access should submit the electronic copy of their filing on CD or diskette.

Filings must be received by **4:45 pm** on the required date.

All materials related to this consultation will be posted on the "OEB Key Initiatives" portion of the Board's website at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca). The material will also be available for public inspection at the Board's office during normal business hours.

Questions relating to this consultation should be directed to Beverley Jaffray at 416-440-8101 or by e-mail at [Beverley.Jaffray@oeb.gov.on.ca](mailto:Beverley.Jaffray@oeb.gov.on.ca). The Board's toll-free number is 1-888-632-6273 and the Market Operations Hotline is 416-440-7604.

Yours truly,

*Original signed by*

Kirsten Walli  
Board Secretary

Attachment:           Appendix A: Cost Awards

## **Appendix A**

**To Letter Dated October 31, 2008**

**EB-2008-0346**

### **Cost Awards**

#### **Cost Award Eligibility**

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person requesting cost eligibility must file with the Board a written submission to that effect by **November 18, 2008**, identifying the nature of the person's interest in this process and the grounds on which the person believes that it is eligible for an award of costs (including addressing the Board's cost eligibility criteria as set out in section 3 of the Board's *Practice Direction on Cost Awards*). An explanation of any other funding to which the person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known. All requests for cost eligibility will be posted on the Board's website.

Natural gas distributors will be provided with an opportunity to object to any of the requests for cost award eligibility. If a natural gas distributor has any objections to any of the requests for cost eligibility, such objections must be filed with the Board by **November 26, 2008**. Any objections will be posted on the Board's website. The Board will then make a final determination on the cost eligibility of the requesting parties.

#### **Eligible Activities**

Cost awards will be available for preparing for, attending at and reporting on the stakeholder meetings to be held in late November, 2008, to a maximum of 20 hours. Cost awards will also be available for providing written comments on the Board staff draft DSM Guidelines and the consultant's report on DSM technologies and input assumptions. Further details will be made available by the Board at the relevant time.

#### **Cost Awards**

When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied. Groups representing the same interests or class of persons are expected to make every effort to communicate and co-ordinate their participation in this process.

The Board will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the Board will act as a clearing house for all payments of cost awards in this process.

For more information on this process, please see the Board's *Practice Direction on Cost Awards* and the October 27, 2005 letter regarding the rationale for the Board acting as a clearing house for the cost award payments. These documents can be found on the Board's website at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca) on the "Rules, Codes, Guidelines and Forms" webpage.