

December 5, 2008

BY COURIER (7 COPIES) AND EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
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Dear Ms. Walli:

**Re: Pollution Probe – General Submissions
EB-2008-0346 – Consultation on Development of DSM Guidelines**

We write to provide the Ontario Energy Board with the general submissions of Pollution Probe regarding the above noted consultation. In short, Pollution Probe submits that the Board's *Demand Side Management Guidelines* should strongly encourage significant increases to the energy efficiency or demand side management ("DSM") budgets of the gas utilities. Pollution Probe also makes other consequential and related submissions.

As a result of various key Board decisions over the years, Enbridge Gas Distribution and Union Gas have implemented energy efficiency or demand side management programmes. Since 1995, the net Total Resource Cost Test benefits of the DSM programmes for Enbridge and Union Gas are \$1.4 billion and \$815 million respectively. In other words, these programmes are reducing customers' bills by over \$2.2 billion. It is thus not surprising that Ontario and its gas utilities are North American leaders in terms of developing comprehensive and cost-effective gas DSM programmes.

However, despite this laudable success, Enbridge's and Union's energy efficiency or demand side management programmes are still just "scratching the surface" of Ontario's actual total gas demand side management potential, and more work needs to be done. For example, although the gas utilities each currently spend about \$20 million per year on gas DSM, this amount is a relatively small fraction of the overall proposed level of spending on Ontario's electric conservation and demand management programmes. There is every indication that an increase would be efficient and effective, and there is thus room for considerable improvement, which the *DSM Guidelines* should account for.

A significant increase in the gas utilities' DSM budgets would have the following important public interest and consumer benefits as a result of further demand side management resources:

- Net energy bills for residential, commercial, institutional and industrial consumers would be lower;
- Ontario's manufacturing industry would be more energy efficient and competitive;
- Billions of dollars would be kept in Ontario's economy instead of being exported to Alberta in order to purchase natural gas that wouldn't be needed; and
- The reduction of greenhouse gas emissions *at no net cost*, since DSM programmes pay for themselves given the monetary value of the produced energy savings.

Pollution Probe thus submits that the Ontario Energy Board's *Demand Side Management Guidelines* should strongly encourage Enbridge and Union to substantially ramp up their gas DSM budgets. In particular, the Board's *DSM Guidelines* should strongly encourage the gas utilities to establish annual gas DSM budgets that are equal to at least 3% of their customers' annual expenditures on natural gas (i.e. gas delivery and commodity costs). As an example, the total gas bill of all of Enbridge's customers is approximately \$3 billion, so Enbridge's gas DSM budget should at least be about \$90 million per year.

Pollution Probe further submits that the gas utilities should be strongly motivated by the Ontario Energy Board to continue implementing innovative and cost-effective DSM programmes. Accordingly, the Board's *DSM Guidelines* should explicitly state that the Board favours DSM shareholder incentive mechanisms that make the implementation of cost-effective DSM programmes the most profitable course of action for the gas utilities.

Finally, Pollution Probe submits that the Board should direct Enbridge and Union to develop specific DSM programmes and shareholder incentive mechanisms that are consistent with these recommendations. These programmes and mechanisms need to be developed in consultation with the gas utilities' customers, trade allies and intervenors, and they ultimately need to be reviewed and approved by the Board.

We trust that these general submission are of assistance to the Board, and please do not hesitate to contact the undersigned if you wish to discuss this matter further.

Yours truly,



Basil Alexander

BA/ba

cc: The Honourable George Smitherman, Minister of Energy and Infrastructure
 Saad Rafi, Deputy Minister of Energy and Infrastructure
 Julie Dill, President / Chief Executive Officer, Union Gas Limited
 Janet Holder, President / Chief Executive Officer, Enbridge Gas Distribution Inc.