

**Enbridge Gas Distribution Submission
Re: Staff Discussion Paper
Proposed Regulatory Framework for Conservation and
Demand Management by Ontario Electric Distributors in 2007
and Beyond**

Submitted to the Ontario Energy Board, 9 February, 2007

1. Enbridge Gas Distribution Inc. (“Enbridge”) welcomes the opportunity to comment on the Ontario Energy Board (OEB) Staff Discussion Paper on CDM for 2007 and beyond.
2. Enbridge has been engaged in the design and delivery of conservation programs that have reduced natural gas, electricity and water use for over a decade. Enbridge has also been involved in the design and delivery of specific CDM programs.

General Comments

3. The discussion paper uses the term “Conservation Culture” several times. This term has also been used in many Ontario Power Authority (OPA) documents, including those related to the IPSP. It is unclear what definition is being used for this term or if it is being used consistently. It is important to understand what success metrics will be used to define when a “conservation culture” is achieved in order to plan the activities that will lead to this objective. Enbridge submits that one element of a conservation culture is an environment where the market (including LDCs) are in a position to deliver sustainable CDM without additional market intervention, such as OPA contracts. Enbridge proposes that this objective be one of the guiding principles behind the Board’s selection of an appropriate regulatory framework for electricity CDM in 2007 and beyond.

The Role of the Distributor

4. It is positive to see the recommendation that LDCs will continue to have access to funding through the OEB where OPA programs do not meet local needs. Should the OPA choose to pursue a portfolio of generic programs across the province, it is important to have the ability to also provide programs that meet the needs of customers specific to each distributor.
5. This being said, LDCs should not be discouraged from pursuing additional CDM over and above OPA funded levels regardless of whether they are designed to “meet local needs”. The objective should be to incent greater CDM activity. Constructing arbitrary limitations on an LDCs CDM activities is

inconsistent with this objective. Accordingly, Enbridge believes that LDCs should have the ability to seek funding for CDM activities over and above OPA funding and to finance such activities through rates where the programs are proven to be cost-effective and the rate impacts are just and reasonable.

6. In addition, Enbridge submits that LDCs should be encouraged to offer to undertake CDM activities under contract for other LDCs where this results in cost savings to the LDC purchasing the CDM services. Some LDCs may decide to “specialize” in respect of some CDM activities, and this expertise could be shared and benefit ratepayers in other service territories. Some LDCs lack the resources to undertake all of the CDM initiatives which would otherwise be prudent to undertake in their service territory, and other LDCs incented to offer to provide the services on a fee-for-service basis.

OPA Funding and an Incentive Mechanism

7. Equally important as revenue protection is the existence of a monetary incentive which will incent LDCs to aggressively pursue CDM activities, either themselves or through outsourced third party arrangements. Currently it is not known whether LDCs will be eligible to earn an incentive on programs funded by the OPA. It is foreseeable that LDCs will build a margin into CDM activities they undertaken under contract with the OPA. However, this is by no means certain. Accordingly, Enbridge submits that the Staff recommendation prohibiting an LDC applying for an incentive solely because certain CDM activities have been funded by the OPA is counter productive. Consistent with the goal of creating a conservation culture, LDCs should be incented, in all circumstances, to aggressively pursue CDM. If no margin is available through an OPA-funded CDM program, LDCs should be eligible to apply for an incentive financed through rates.

LRAM

8. Enbridge notes that the Minister’s directive specifically calls for lost revenue protection for LDCs as a result of CDM activities. Enbridge submits that this requirement for revenue protection is not limited to only CDM activities funded through rates or by the OPA. Enbridge fails to understand the reasoning behind Board Staff’s recommendation that lost revenue protection not be available in respect of CDM programs delivered by other entities within an LDC service area. Enbridge does not believe that LDCs will be able to prospectively forecast with any certainty CDM activities undertaken by third parties. As the purpose of an LRAM is to keep the utility and ratepayers whole, Enbridge submits that there is no valid reason to exclude the impact of CDM activities undertaken by third parties from the LRAM retroactive adjustment. In this way, neither the shareholder nor the ratepayer is put at risk for variances from forecast which are clearly beyond the LDCs’ control.

Minimizing Customer Confusion

9. Enbridge supports the OPA's stated key principles (Page 6 of OPA CDM Discussion Paper 3) regarding leveraging the strengths of current players in the marketplace and building upon existing programs. However, care must be taken that there is not duplication between OPA and existing delivery channels that could result in confusion in the marketplace. Duplication of existing conservation programs by the OPA can inhibit marketplace innovation. It is unclear when the OPA intends to work through LDCs and when the OPA intends to go directly to LDCs business partners such as HRAI or BOMA. Clarity on this approach would be helpful.