



February 9, 2004

Mr. Peter O'Dell
Assistant Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St., 26th Floor
Toronto, ON M4P 1E4

Re: RP-2003-0144 - DSM and DR Consultation

Dear Mr. O'Dell:

BOMA Toronto was pleased to have had the opportunity to participate fully in this consultation as a member of the Advisory Group. We appreciate the opportunity to provide these comments on the Staff Report of January 23, 2004.

In general we are very pleased at the recommendations contained in the staff report and believe they represent a thoughtful assessment of the competing options and differing approaches for delivery of Demand Side Management and Demand Response.

BOMA Toronto provided a written and verbal presentation to the Advisory Group to convey the perspective of larger commercial consumers on various energy issues. The staff report generally reinforces the positions we advocated.

Our comments on the key recommendations are based on our fundamental beliefs that:

- DSM can provide an equivalent 'resource' to new generation capacity when programs are well structured, with clear and consistent business terms, and with strong measurement and verification protocols. Participation by BOMA members in past DSM initiatives by Ontario Hydro is evidence of this.

- Demand Response capability is latent and remains to be developed, but can provide a significant contribution to meeting peak demand requirements of the province.
- Private sector delivery channels, and competitive processes, will provide for the most cost effective delivery of DSM and DR.

1. Central Agency for Delivery of DSM and DR (as opposed to delivery by LDC's)

We support the Staff Report recommendation to use a central agency. In addition to providing a mechanism for broader market transformation initiatives (such as standards), we believe the central agency model will provide for consistent programs across Ontario. This is extremely important for large commercial consumers whose portfolios of properties typically span the province.

The Central Agency should be established so that it operates in a lean and efficient fashion, with clear guidelines and authority. The risk is that it becomes an unwieldy and expensive perpetual bureaucracy. Sunset clauses and performance measures should be established to ensure strong value is achieved.

The option of delivery through LDC's is problematic in our view. Since market opening LDC's have collectively struggled to meet their obligations with respect to provision of alternate metering options and meter/billing data. These very services are the basis of DSM initiatives. As such, we suggest that LDC's 'stick to their knitting' and be obligated to provide an *enabling* role in DSM delivery with provision of meter and billing data in readily accessible formats. We do not believe it is practical to impose additional obligations with respect to DSM program design and delivery onto LDC's that are already burdened with considerable regulatory, financial and structural challenges.

2. Role of LDC's

The Staff Report recognizes the disincentive inherent in the current regulatory arrangement whereby LDC's cannot benefit financially from improving the electrical efficiency of their own operations. This should be addressed as a necessary structural change.

Another more practical reason for not imposing DSM obligations onto LDC's is that they generally lack the relevant capabilities and human resources. Where such talent does exist we believe it is more likely to reside in the few Retail Affiliate companies of the LDC's. These Retail Affiliates are uniquely poised to deliver DSM and should be encouraged to do so, in competition with other private sector providers.

3. Funding for DSM and Retail DR

BOMA supports the Staff Report recommendation for a transparent consumption charge applied to all consumers as the means of funding DSM/DR programs. This appears as the most practical to administer, and also provides a clear signal to consumers of the commitment to, and availability of, DSM programs. For purposes of customer equity we believe that funds should *generally* be available to the customer classes from which they are derived. Exceptions may be required for generic market initiatives. Again in the interests of customer equity it may be appropriate to impose some absolute limit on total funding available to any one consumer.

4. Demand Response

The Staff Report contains a number of recommendations around demand response. BOMA strongly supports these recommendations. We note that the key aspect of these is that demand response should not be confined to the less than 100 wholesale consumers. Large retail consumers represent a larger load than direct wholesale consumers and are equally capable of developing and implementing demand response schemes. As the Staff Report recommends, aggregation of retail loads should be encouraged to facilitate participation by retail loads in the wholesale (IMO) market. Also, by not limiting the role of aggregator, as recommended, this leaves the door open for innovation and the development of demand response schemes for the smaller retail market, including residential consumers.

5. Rates and Meters

BOMA members, as large non-designated retail loads, are exposed to spot market energy prices. We recognize, as do most, that fixed low prices for low volume and designated consumers are a disincentive to conserve energy or shift demand. This has made approximately 50% of total Ontario load unresponsive to price – a completely unacceptable situation.

The Staff Report provides general recommendations for basic changes to Standard Supply Service rates to allow on peak and off peak and seasonal rates. BOMA supports this basic approach to move away from fixed rates. However the Staff Report then appears to be somewhat at odds with itself by recommending against the widespread adoption of interval meters. While mass deployment of interval meters may be an unnecessary and costly venture, we believe that steady migration towards interval meters in increasingly smaller

customer classes is an objective that should be articulated. We have seen some progressive LDC's already adopt this approach. BOMA members and other commercial consumers faced this situation upon market opening, when they opted to have interval meters installed (at their own cost) to avail themselves of preferred pricing and contract options. An ideal end-state is that all consumers have the option of being charged, and altering their consumption, in response to hourly prices.

6. Education

We support the recommendation that the OEB take the lead role in providing consumer information. In hindsight, the imposition of a competitive market, with hourly spot market pricing, onto low volume consumers was a fundamental mistake. Equally wrong would be to shield consumers from the realities of our current electrical supply system. Consumers should understand the basics of the system, including the role of imports, the real level of prices, etc. so that critical decisions affecting the future of our market can be made without 'voter backlash' being the dominant decision factor.

BOMA Toronto appreciates the opportunity to provide these comments on the Staff Report and would be pleased to elaborate on them at your convenience.

Yours truly,

A handwritten signature in black ink, appearing to read 'Chuck Stradling', with a stylized flourish at the end.

Chuck Stradling