



Via courier

February 9, 2004

Mr. Paul B. Pudge,
Assistant Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor
Toronto, Ontario, M4P 1E4

Re: RP-2003-0144 – Staff Report to the Board on DSM and DR

Dear Sir;

Coral Energy Canada Inc. was involved in the Stakeholder Advisory Group and appreciates the efforts and intentions of Board Staff in this matter, and supports the majority of their recommendations. However, there are some areas of concern pertaining to specific implementation details for the consumption charge that should be highlighted for consideration and further assessment by the Board in deciding on its recommendations to the Minister.

Self-Generation Should Not be Subject to the Consumption Charge

An overall decrease in energy consumption is desirable, but there also needs to be recognition of the capacity availability benefit derived from self-generating parties. The overall objective should be the decrease in energy withdrawn from the “grid” rather than overall consumption, so that consumers are encouraged, not penalized, for their efforts to supply some or all of their own requirements. Charges based on self-generated consumption will impact and deter current and future investment by homeowners and businesses in solar panels, farmers with wind or hydraulic turbines, and even larger-scale generators who require station service consumption in order to provide output to the grid. A fee for self-generation contradicts general policy objectives and incentives to promote this kind of activity and investment.



A S H E L L T R A D I N G C O M P A N Y

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Natural Gas Consumed as Fuel for Electricity Generation Should Not be Subject to the Consumption Charge

Charging for the consumption of natural gas used to generate electricity also sends the opposite signals to parties regarding actions that are most desired and needed. Natural gas generation technology is currently the most likely to be able to meet the immediate capacity needs of Ontario in terms of timeliness and quantities. Similarly, distributed generation and co-generation projects will be impacted, and even emergency generators at large commercial buildings and hospitals will be penalized. Some will question whether they should change fuel from diesel to natural gas and others may decide not to participate in the IMO-administered market and new Demand Response initiatives due to the extra costs of the consumption charge. Others will simply not invest in new projects, large or small in scale, that would either add to generation capacity, or reduce consumption demand or timing. These unintended consequences need to be avoided through policy development that encourages rather than penalizes parties that wish to act and invest in manners that present economic, efficiency, and environmental benefits to the broader market.

If any further information or discussion is desired relating to the comments in this submission, please contact me.

Sincerely,



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Manager, Market Affairs

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